

European Neighbourhood Instrument

Summary of the Union's assistance in the framework of the European Joint Strategy in support of Palestine 2017-2020

Preliminary remark:

This outline reflects the key elements of the EU European Neighbourhood Instrument (ENI) funding included in the joint programming document *"European Joint Strategy in support of Palestine 2017-2020 - Towards a democratic and accountable Palestinian state"*. The Joint Strategy shall replace the multiannual programming document 2017-2020 for Palestine. The coordination of political action and financial assistance is part of a coherent EU foreign policy approach. The Joint Strategy was endorsed by the Heads of Missions in December 2016 without prejudice to the financing decisions. Joint programming has been understood in its two dimensions: (i) a political dimension, to affirm and defend the shared vision of European actors in Palestine and to ensure the convergence between the development work and the political objectives of the EU and (ii) aid effectiveness, to improve the efficiency and effectiveness of the substantial EU/Member States' financial effort in Palestine.

1. Key Data

- The revised European Neighbourhood Policy (ENP).
- The Interim Association Agreement (AA) on Trade and Cooperation. It sets out the legal basis for EU-PA relations. Discussions on the preparation for negotiations on a full AA have recently started.
- The ENP Action Plan of 2013, which provides for an agenda for political/economic reforms.
- The Palestine National Policy Agenda (NPA) 2017-2022, adopted by the Palestinian Authority in December 2016, and related sector strategies. It includes an international component with the implementation of the 2030 Agenda for Sustainable Development and the Palestinian accession to international human rights treaties.

2. Strategic objectives for EU relationship with Palestine

Sustainable development in Palestine hinges on achieving a two-state solution based on parameters set out in the Council Conclusions of July 2014. Palestine is a *sui generis* case for aid delivery and cooperation. The Palestinian context (a territory under 50 years of occupation) is unique in many ways. The lack of control over land, water, physical boundaries and revenue; the administrative and political fragmentation; a discriminatory planning environment of fundamental uncertainty; and the regular and persistent violations of human rights and international humanitarian law prevent the Palestinian society and economy from realising their potential in all respects.

Building a viable Palestinian State requires an enabling environment for peaceful and inclusive development, including increased Palestinian capacity and reduced structural impediments to ensure sustainable Palestinian economic growth. To achieve this objective, European development partners support the following peace-building priorities:

- Social cohesion in Palestine, stopping the widening of regional and social disparities, and halting territorial disintegration.
- Improving the possibilities for political and social participation for the Palestinian population and contributing to strengthening the legitimacy and accountability of the Palestinian Authority (PA).
- Halting the erosion of social and economic life and safeguarding the welfare and the well-being of the Palestinian civilians.

- Assist in building human capital and creating sustainable job opportunities through closer cooperation with European counterparts of the Palestinian economy.

Beyond the national development objectives, the present cooperation strategy will also aim to help Palestine progressing towards the mutually agreed commitments at regional level. This refers to the joint orientations devised in the framework of the Union for the Mediterranean, notably in the areas of Energy, Transport, Environment, Climate Change, Civil Protection, Employment and Women empowerment.

Evolution of the relationship during the last programming period:

EU-funded cooperation have had mixed success, influenced by the obstacles imposed by the occupation context. In particular, economic recovery, a viable economic system to finance government services and investments, sustainable development and accountability can only be achieved when the occupation comes to an end following a political solution. Many achievements have also being eroded by the slowing pace of reforms in a number of areas due to the lack of a political horizon (with peace prospect). The weak institutional capacity as well as the lack of democratic renewal and the stalling reconciliation process amongst Palestinian factions have contributed to less positive trends in the state building and democratisation process.

3. Choice of priority sectors and justification, and indicative allocations foreseen

The revised European Neighbourhood Policy states that stabilisation is the EU's main political priority in the neighbourhood.

The European Joint Strategy proposes to focus EU's interventions under the following **five pillars**, which are closely interrelated: 1) Governance Reform, Fiscal Consolidation and Policy Reform, 2) Sustainable Service Delivery, 3) Self-Sufficient Water and Energy Services, 4) Sustainable Economic Development, and 5) Rule of Law, Justice, Citizen Safety and Human Rights. Cross-cutting issues (gender equality, youth and youth unemployment, environment protection, research and innovation, human rights and support to civil society) are mainstreamed in all sectors. Additionally, the EU will continue to support Palestine refugees through the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). Direct Financial Support to the PA's recurring budget through the PEGASE mechanism will be mainstreamed through Pillars 1 and 2. A focus on youth will be ensured across different areas of intervention; it is critical to achieving inclusive, equitable and sustainable development for present and future generations.

The EU will focus on the first 4 pillars of the European Joint Strategy. Building on the recommendations of the 2013 European Court of Auditors Special Report on the EU Direct Financial Assistance to Palestine, Direct Financial Support to the PA's recurring budget through the PEGASE mechanism will no longer be a temporary measure, but mainstreamed through pillars 1 and 2 allowing for a more strategic use of PEGASE as a tool for policy reforms in these two areas, through a results-oriented approach. In order to ensure a viable and sustainable Palestinian state, the EU will focus on productive investments and job creation and tackling the key infrastructure shortcomings in both water and energy. With regard to water and energy, closer triangulation with Israel will be needed in order to ensure that needs in these areas are met for Palestinians.

With regard to the pillar on Rule of Law, Justice, Citizen Safety and Human Rights included in the Joint Strategy but a focal sector for the EU., support to capital investment in the area of justice and security has already been largely phased out in the previous SSF 2014-2016, following EUR 66 million of interventions nearly completed. Assistance will continue through targeted interventions in the form of technical assistance aimed at supporting policy reforms, the setup of the required regulatory framework and institution building (including through Twinning and the Technical Assistance and Information Exchange Instrument of the European Commission (TAIEX)).

Activities of the European Common Security and Defence Policy (CSDP) Missions, the EU Coordinating Office for Palestinian Police Support (EUPOL COPPS) and the EU Border Assistance Mission (EUBAM), are complementary to the Joint Strategy; both methods of interventions will be aligned during their implementation, above all with regard to their planning circles, including also bilateral EU Member States' planning and funding procedures. By means of the described combination of support, the PA will improve its capacities with the ultimate goal of providing themselves security for their people.

The Joint Strategy aims to treat Palestine as one land. The Joint Strategy underlines the necessity of a continued EU engagement in Area C, which is of crucial importance for the political and economic viability of a future Palestinian state. Special attention will be given to Palestinian development of Area C and to the needs of populations in Area C, Gaza and East Jerusalem, for which different administrative and security arrangements are in place. In addition to the bilateral allocation, all sectors of interventions may benefit from Regional programmes, Cross Border cooperation, and from the Instrument contributing to Stability and Peace (IcSP) that covers conflict prevention and stabilisation objectives. IcSP is managed by the Service for Foreign Policy Instruments (FPI).

4. Brief description of objectives and corresponding expected results

Global objective 1: Governance Reform, Fiscal Consolidation and Policy Reform

The general objective: to support the PA to build representative, capable, accountable, inclusive and responsive institutions which are fiscally sustainable and ensure the fulfilment of its obligation in a future Palestinian State. Specific objectives of the EU will be to: (i) improve the public financial management (PFM) systems with strengthened transparency and accountability; and (ii) improve fiscal sustainability and macroeconomic stability. Expected results include: (i) the leadership and accountability of the PA for PFM reforms is strengthened; (ii) the capacity of the PA staff to deliver the PFM strategy is improved; (iii) the fiscal position of the PA is improved; and (iv) the PA's debt position is more sustainable. Cross-cutting issues tackled in this sector include the promotion of human rights, the strengthening of civil society oversight, gender mainstreaming in the budget preparation and the budget execution process, support to the participation of youth, refugees and disadvantaged groups. Support to increase the capacities of the PA in statistics is important for evidence-based decision-making and for accountability of the state actors through facts-based monitoring, an important element in the further democratisation process.

Global objective 2: Sustainable Service Delivery

The general objective is to improve equitable and inclusive access for all Palestinians to quality services in health, education and social protection. Specific objectives of the EU will be to: (i) enhance access to services for the poorest and most vulnerable Palestinians in the West Bank, including East Jerusalem and the Gaza Strip; (ii) enhance evidence-based policy and institutional frameworks for service delivery at national and local level (including improved public-private partnership). Expected results include: (i) social protection services delivered by the Ministry of Social Development (MoSD) are inclusive and interconnected; (ii) the social allowances of the Cash Transfer Programme reach the poorest and most vulnerable families; (iii) socio-economic empowerment/income generating programmes targeting the poorest and most vulnerable are developed and implemented by the MoSD; (iv) the monitoring and evaluation mechanism for the social development is developed by the MoSD; and (v) improved local partnership and referral networks are implemented and monitored. Cross-cutting issues tackled in this sector include focussing on access to services by the most vulnerable strata of the population, in line with the right-based approach developed in the Joint Strategy. Particular attention will also be given to women and girls, children, elderly and persons with disabilities.

Global objective 3: Access to Self-Sufficient Water and Energy

The general objective is to support the PA to provide self-sufficient, equitable, affordable and sustainable access to energy, safe water and sanitation services for all. Specific objectives of the EU will be to: (i) support national institutions and service providers in improving operation and management; (ii) improve sustainable access to water supply and wastewater systems; (iii) provide access to affordable, reliable and resilient energy services to end consumers; (iv) improve the financial sustainability and the regulation of the energy sector; and (v) put forward specific policies and innovative actions to promote the green and circular economy. Expected results include: (i) institutions of the water sector have improved their capacities and apply sector related regulations; (ii) access to water supply & resources and to advanced wastewater treatment has increased; (iii) the energy transmission and distribution is improved and the the energy supply is increased; (iv) institutions and governance mechanisms are strengthened; and (v) social and environmental costs of energy services are reduced. Several cross-cutting issues are addressed. By connecting peripheral communities to water networks and centralised wastewater treatment plants, as well as focusing on the Gaza Strip, the EU will also support the PA in giving priority to marginalised localities and low-income areas, thereby addressing the rights of vulnerable groups. The EU will also support the PA to implement recommendations of Human Rights reports related to water and sanitation, in particular in relation to the International Covenant. Synergies with other EU programmes such as Horizon 2020 and the forthcoming PRIMA initiative will be ensured.

Global objective 4: Sustainable Economic Development

The general objective is to promote inclusive, sustainable and knowledge-based private sector-led development and equitable access to natural resources, with a particular focus on sustainable economic development in Area C. Specific objectives of the EU will be to: (i) improve MSMEs competitiveness and trade potential at the local, regional and international levels and facilitate trade and customs procedures; (ii) contribute to professional skills development, sustainable job creation and decent work; (iii) improve the participation of women in the economy, building the path towards a green/circular economy (iv) assist fair participation of small farmers in the competitive market-oriented agricultural/livestock system (associations, cooperatives; (v) promoting innovation, start-ups and capacity building in research and development and (vi) contribute to increased capacity of the public sector and private businesses to produce/process agricultural products to international standards (sanitary and phytosanitary standards and other quality standards). Expected results include: (i) investment and trade have increased; (ii) MSMEs are reinforced and modernised in an inclusive and environmentally friendly way; (iii) new jobs are created for youth graduates without gender and disability-based discriminations; (iv) barriers that prevent the full participation of women in the economy is reduced; and (v) access to natural resources is improved, including in remoted areas (such as Area C and Access Restricted Areas. Several cross-cutting issues are included (gender equality, climate change, etc.). In addition, EU's engagement will accommodate the pressing needs of populations in Area C.

Other Measures: Support to Palestine refugees through UNRWA

Palestine refugees are a large portion of the Palestinian population and investing in the human capital of refugees contributes to state building and stability in the region. European development partners will continue to provide relevant support to Palestine refugees through funding allocated to UNRWA and its operations across its five fields of operations (West Bank, Gaza Strip, Jordan, Syria, and Lebanon) as a key partner in the European Joint Strategy. The EU signed on 7 June 2017 the Joint Declaration with UNRWA on EU support for the period 2017-2020.

Other Measures: (Support to East Jerusalem)

The overall objective of the EU East Jerusalem Programme is based on the European Council Conclusions on the Middle East Peace Process to maintain the viability of the two-state solution with Jerusalem as the future capital of two states. Its specific objective is to strengthen the resilience of Palestinian East Jerusalem residents by providing key public services and to preserve the city's Palestinian character.

Complementary support for capacity development and support to civil society

Support will be provided to well-focused interventions (excluding infrastructure) that could strengthen the linkages between justice and security and ensure alignment with human rights standards. In view of the current absence of elections, it is also proposed to continue support to interventions that could strengthen overall democracy. Continued support to these areas will underpin the political aim of the Joint Strategy as a whole. It is also expected to introduce for the first time twinning in support of institution building in a number of areas.

The involvement and concerns of civil society (CS) have been ensured throughout the preparation of the Joint Strategy. In line with the EU CSO roadmap for Palestine (2014-2017), complementary support to CS through the different thematic/regional instruments is provided in areas where support would be needed to strengthen cooperation amongst CS actors, improve interaction and communication between themselves (networks, platforms) and/or to address specific issues (i.e. conflict prevention, peace-building, advocacy, youth, and human rights).

In view of the precarious human rights situation in Palestine and the limited implementation of a number of core human rights conventions (some of them recently ratified, EIDHR funding will be complemented with funds from the bilateral envelope. Furthermore, the EU will promote Palestinian culture by supporting Palestinians – to reflect on their cultural and artistic traditions and heritage and the different narratives that have shaped the past and will determine their future. A number of other EU instruments will be applicable for enhanced cooperation, such as Erasmus+, which support the modernisation of its higher education system and the mobility of students, staff, young people, volunteers and youth workers.

5. Indicative allocation foreseen

Indicative allocation 2014-2020	€ 1,8 billion - € 2,2 billion
Indicative allocation for the 2nd period (2017-2020)	€ 1,109.7 million - € 1,356.3 million
Breakdown for 2017-2020	
Sector 1: Governance Reform, Fiscal Consolidation and Policy	29 %
Sector 2: Sustainable Service Delivery	21 %
Sector 3: Access to Self-Sufficient Water and Energy	9 %
Sector 4: Sustainable Economic Development	7 %
Complementary support for capacity development	2 %
Complementary support for civil society	1 %
Other measures: Support to Palestine refugees through UNRWA	27 %
Other measures: Support to East Jerusalem	4 %



EUROPEAN JOINT STRATEGY IN SUPPORT OF PALESTINE¹

2017-2020

**Towards a democratic and
accountable Palestinian State**



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

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Acronyms and abbreviations

ACRI	Association for Civil Rights in Israel
AHLC	Ad Hoc Liaison Committee
ASWG	Agriculture Sector Working Group
CAT	Convention Against Torture
CBO	Community Based Organisation
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CEPS	Centre for European Policy Studies
COGAT	Coordinator of Government Activities in the Territories
CRC	Convention on the Rights of the Child
CRPD	Convention on the Rights of Persons with Disabilities
CSO	Civil Society Organisation
CTP	Cash Transfer Programme
DEEP	Deprived Families Economic Empowerment Programme
DNA	Detailed Needs Assessment
EAPPI	Ecumenical Accompaniment Programme in Palestine and Israel
EC	European Commission
EDSP	Education Development Strategic Plan
EIB	European Investment Bank
ENP	European Neighbourhood Policy
ETC	European Training and Research Center
EU	European Union
EU MS	European Union Member States
EUREP	Office of the European Union Representative
ESG	Economic Policy Strategy Group
GDP	Gross Domestic Product
GEMM	Governance for Employability in the Mediterranean
GER	Gross Enrolment Rate
GGG	Global Gender Gap
GHA	Global Humanitarian Assistance
GHI	Governmental Health Insurance
GPC	General Personnel Council
HoC	Head of Cooperation
HoM	Head of Mission
HRBA	Human Rights Based Approach
HR	Human Rights
ICA	Israeli Civil Administration
ICC	International Criminal Court
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICHR	Independent Commission for Human Rights

ICJ	International Court of Justice
IDB	Islamic Development Bank
IHL	International Humanitarian Law
IMF	International Monetary Fund
ISG	Infrastructure Strategy Group
JFA	Joint Financing Arrangement
JMCC	Jerusalem Media and Communication Centre
JP	Joint Programming
JWC	Joint Water Committee
LACS	Local Aid Coordination Secretariat
LDS	Local Development Strategy
LED	Local Economic Development
LGU	Local Government Units
MDP	Municipality Development Programme
MDLF	Municipal Development and Lending Fund
MEPP	Middle East Peace Process
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
MoEHE	Ministry of Education & Higher Education
MoFA	Ministry of Foreign Affairs
MoFP	Ministry of Finance and Planning
MoH	Ministry of Health
MoI	Ministry of Interior
MoL	Ministry of Labour
MoLG	Ministry of Local Governance
MoNE	Minister of National Economy
MoPWH	Ministry of Public Works and Housing
MoSD	Ministry of Social Development
MS	Member States
MSME	Micro, Small and Medium Enterprises
NCD	Non-Communicable Disease
NGO	Non-Governmental Organisation
NPA	National Policy Agenda
OECD	Organisation for Economic Co-operation and Development
oPt	occupied Palestinian territory
OQ	Office of the Quartet
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PEA	Palestinian Energy Authority
PECS	Palestinian Expenditure Consumption Survey
PERC	Palestinian Electricity Regulatory Council
PETL	Palestinian Electricity Transmission Company

PFM	Public Financial Management
PHC	Primary Health Care
PLO	Palestine Liberation Organisation
PLC	Palestinian Legislative Council
PMA	Palestine Monetary Authority
PPFI	Palestinian Public Financial Institute
PSD	Private Sector Development
PWA	Palestinian Water Authority
RBA	Rights Based Approach
RCHRS	Ramallah Center for Human Rights Studies
ROF	Results-Oriented Framework
RoL	Rule of Law
SDG	Sustainable Development Goals
SEFSec	Socio Economic and Food Security Review
SPS	Sanitary and Phyto-Sanitary
SRHR	Sexual and Reproductive Health and Rights
SWG	Sector Working Group
TES	Teacher Education Strategy
TVET	Technical Vocational Education and Training
TWW	Treated Waste Water
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNSC	United Nations Security Council
UNSCO	Office of the UN Special Coordinator for the Middle East Peace Process
UPWSP	Union of Palestinian Water Service Providers
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value-Added Tax
WB	World Bank
WBTF	World Bank Trust Fund
WHO	World Health Organisation
WSRC	Water Sector Regulatory Council

1. Executive Summary

A unique context that questions traditional development tools and limits the impact of EU's political commitment and substantial financial assistance

The Palestinian context (a territory under 50 years of occupation) is unique in many ways. The lack of control over land, water, physical boundaries and revenue; the administrative and political fragmentation; a discriminatory planning environment of fundamental uncertainty; and the regular and persistent violations of human rights and international humanitarian law prevent the Palestinian society and economy from realising their potential in all respects. In addition, the narrative about Palestine is only to a very limited extent controlled by Palestinians themselves.

The application of traditional development instruments in an environment, which is far removed from a normal and reasonably stable development situation, proves extremely challenging. **Palestine is a *sui generis* case for aid delivery and cooperation.** In line with the EU's political objective of achieving the two-state solution, and under these constraining conditions, much of the support provided so far by the EU has focussed on offering protection, improving the livelihoods of Palestinians, as well as preparing their institutions for statehood.

Against this background, **the generous flow of aid that has accompanied EU's commitment and numerous interventions since the last two decades remain far beyond expectations.**² The deterioration of the situation, the lack of trust and of hope (in particular amongst Palestinian youth), accompanied by a continuing cycle of violence, are acknowledged. The Strategy assumes that the context will continue to be challenging and that **Palestine will stay under occupation in the coming four years.** The protection of the viability of the two-state solution remains a common priority.

EU Joint Programming in Palestine: a valuable process with a strong political dimension

In this context, and despite the respective national positions of Member States (MS),³ the Office of the European Union Representative and European Union Member States (EU MS) have worked towards an **EU Joint Programming (EU JP) in Palestine since 2011.** Two like-minded countries (Norway and Switzerland) joined the process and joint work in October 2013.

EU JP has been understood in Palestine in its two dimensions: (i) **aid effectiveness** (how to improve the efficiency and effectiveness of the substantial EU/MS financial effort in Palestine) and (ii) **political dimension** (affirm and defend the shared vision of European actors in Palestine and ensure the convergence between the development work and the political objectives of the EU). This second dimension explains why the European Joint Strategy puts a lot of emphasis on the EU's principles and values, on explaining the political nature of EU's cooperation in Palestine and on why, despite a strong political commitment and a predictable and substantial aid, the EU's has been failing Palestinians in many ways.

² According to the Centre for European Policy Studies (CEPS), "motivated by the dual aims of strengthening the Middle East Peace Process and contributing to Palestinian state-building, the European Union and its member states have been the biggest donors of financial assistance to the Palestinians. But these efforts have not managed to achieve the desired change, as the EU failed to develop a coherent strategy to address Israel's violations of international humanitarian law and it has accepted practices that undermine its political objectives". Herremans, 2016: 1.

³ Nine EU MS recognise the State of Palestine: Bulgaria, Cyprus, Czech Republic, Hungary, Malta, Poland, Romania, Slovakia and Sweden.

The preliminary findings of the "Thematic Evaluation of the EU JP process of development cooperation (2011-2015)"⁴ confirmed that the EU JP process in Palestine is considered unanimously relevant, including with regards the coherence between the political and development dimensions, and overwhelmingly found to be worthwhile.

The EU JP approach adopted in Palestine has been from the very beginning **pragmatic, transparent, gradual** and based on the adoption of **locally-owned, flexible, and solid tools**. The European Joint Strategy is seen as an additional EU/MS tools to "step-up" and strengthen the coherence between the political objective of the EU in Palestine (the two-state solution) and the development policy goals. It has also been developed with the purpose of proposing new influencing strategies that could **go beyond traditional development tools and bring about a change** in the way EU's development partners address the Palestinian context and priorities.

The National Policy Agenda 2017-2022 and the European Joint Strategy 2017-2020: two interlinked planning processes

Since 2015, **EU/MS and the Palestinian Authority (PA) have worked very closely on their respective and highly interlinked planning processes** – i.e. the Palestinian National Policy Agenda (NPA) 2017-2022 and the European Joint Strategy 2017-2020 – so as to ensure that the planning cycles of both partners are synchronised⁵ and that the European Joint Strategy is able to align its priorities and interventions to the NPA, as well as reinforce its EU values and messages on the ground. Both the PA and EU/MS are aiming to develop **strategic and more result/performance-based documents with fewer and more focussed priorities**.

All through 2016, and in particular during June-November 2016, several meetings related to the European Joint Strategy were organised with the PA, local and international Civil Society Organisations (CSOs), the business community, multi-lateral organisations, such as the United Nations (UN) Family, the World Bank, the International Monetary Fund, and many other key actors. These meetings were organised by EU/MS in Gaza, Ramallah and East Jerusalem, so as to ensure that different voices could be heard and taken into consideration while drafting the European Joint Strategy. The **consultative process** has therefore been conducted in a **transparent and inclusive way**.⁶

The European Joint Strategy should serve as a **strategic umbrella** to participating European's bilateral programming and implementation plans. In line with the Council Conclusions on Stepping-up Joint Programming of 12 May 2016, a **progressive alignment** is envisaged. The Office of the European Union Representative will be substituting its bilateral programming with the European Joint Strategy. Others will gradually align, also in view of synchronisation issues.

EU's guiding principles and areas of interventions in 2017-2020 (five mainstreamed Pillars)

Based on the context and consultations described above, the European Joint Strategy proposes to follow a number of **guiding principles** and to focus EU's interventions under the following **five Pillars**, which are closely interrelated and are seen to best represent the confluence of the EU and Palestinian priorities. Cross-cutting issues are mainstreamed in the five Pillars:

⁴ The DEVCO Evaluation Unit commissioned this independent evaluation, whose main objectives are to provide the EU and the wider public with an independent assessment and to identify key lessons in order to produce recommendations to improve the current and future joint programming process. Twelve country level case studies have been selected, including Palestine.

⁵ In line with the Multi-Annual Financial Framework 2014-2020, the European Joint Strategy is able to cover four years only (2017-2020) – and therefore not the whole period of the National Policy Agenda (2017-2022).

⁶ See the full list of consultations in Annex 4.

- (1) Governance Reform, Fiscal Consolidation and Policy**
- (2) Rule of Law, Justice, Citizen Safety and Human Rights**
- (3) Sustainable Service Delivery**
- (4) Access to Self-Sufficient Water and Energy Services**
- (5) Sustainable Economic Development**

In line with the NPA's Strategy, and while EU's development partners recognise the geographical disparities and special needs/challenges related to them, **Palestine is treated as "one"**, so as to ensure that the geographical fragmentation (separation between East Jerusalem, the rest of the West Bank and the Gaza Strip, as well as division of the West Bank into three areas) is not further reinforced. At the same time, the Strategy acknowledges the specific needs of **East Jerusalem, the Gaza Strip and Area C**, which are also areas where the role of the Palestinian Authority is severely limited and challenged due to different political, administrative and security arrangements.

The **support to Palestine refugees across the Middle-East region** is also strongly reaffirmed in the European Joint Strategy.

As far as the five Pillars of the European Joint Strategy are concerned, they are aligned to the three Pillars of the NPA's Matrix⁷ and to EU's political objective. The two first Pillars focus on supporting the **Palestinian aspirations for Statehood**, the consolidation of the state-building exercise and the delivery of accountable institutions, while the third Pillar puts special attention on **service-delivery to Palestinians, particularly to the most vulnerable**, in line with the 2030 Development Agenda's objective of leaving no one behind. The two final Pillars are mainly about **the sustainable economic development of Palestine with focus on** inclusive economic growth and **seizing opportunities** for Palestinians and in particular its burgeoning young population.

A challenging process and an implementation that will be crucial

As the European Joint Strategy represents the **first-ever Joint Programming document in Palestine**, its development faced a **set of challenges** – that should be further reflected upon during its implementation and after 2020. These include:

(1) The European Joint Strategy offers the **opportunity for European development partners to be more coherent and to reinforce some of EU's non-negotiable principles** (accountability, democratic principles, etc.). The following is however clearly acknowledged: (i) **only a political solution with the lifting of the occupation can unlock all the levers to improve livelihood for all Palestinian people in a sustainable manner**; and (ii) **EU MS have different domestic agendas and internal political cycles**. The **implementation** of the European Joint Strategy will therefore be crucial and should ensure a **good balance between ambition and realism**.

(2) **Developing the European Joint Strategy in parallel to the new Palestinian Plan provided great opportunities, but was challenging** in terms of timing constraints. It included considerable pressure especially at the time of the elaboration of the Joint Response and Joint Results Framework. It was arduous to develop the Pillar Fiches (Cfr. Annex 5) without sufficient knowledge of the NPA's Strategy and related Sector Strategies, which were developed with delays. A revision of the expected results and indicators included in the five Pillars is therefore foreseen in 2017.

⁷ The three Pillars of the NPA Matrix are: (i) Path to Independence; (ii) Government Reform; and (iii) Sustainable Development.

(3) Further addressing the issue of **substitution (full or partial substitution)** will be needed during the implementation of the European Joint Strategy and during the elaboration of the next Strategy. This is important, as there is currently very little guidance from Headquarters and capitals on how to **monitor the use and the complementarity between the European Joint Strategy and EU MS bilateral programming documents**. In addition, the fact that the Office of the European Union Representative is currently the only actor fully substituting its bilateral programming document entailed additional pressure in terms of deadlines and calendars, and therefore divergent pressures in terms of timing.

(4) Attempting to limit the **number of sectors of intervention** to three sectors per donor (in line with aid effectiveness principles) also proved challenging in the Palestinian context, where there are several geographic and political specific areas of interest (e.g.: Area C, East Jerusalem, the Gaza Strip, refugees, etc.) in addition to considerable development priorities.

(5) Despite a very good and regularly updated division of labour, **youth** remains an orphan cross-cutting issue. The fact that there is **currently no EU lead donor** has been detrimental during the drafting of the European Joint Response.

(6) The **multi-annual financial allocations** are indicative. Several EU MS are still programming on an annual basis. Additionally, it has to be recognised that funding is dependent on political decisions made at capital level, which are also linked to **electoral processes**.

(7) Additional reflection on the linkages between the **humanitarian and development work** in Palestine should also be considered during the implementation of the Strategy.

2. Principles of the Palestine-European Development Partnership

The EU is founded on a set of principles and values that put the emphasis on the respect for human dignity and human rights.⁸ EU partners in Palestine (the EU and EU Member States)⁹ are committed to ensuring that these values are translated into their partnership with Palestinians and reflected in the present European Joint Strategy. Norway and Switzerland are also associated to the Joint Programming process and will closely coordinate and align with the Strategy to the maximum extent possible. This Strategy intends to become a **reference and guidance document for European actors working in Palestine.**

The European Joint Strategy is part of a broader European partnership with Palestine that includes support to the PA's national development plan, the **National Policy Agenda for 2017-2022**. The European Joint Strategy aims at ensuring the **harmonisation and increased coherence of EU's approaches** by reducing inefficiencies, facilitating policy dialogue, identifying gaps and opportunities in programming and in jointly addressing Palestinian key priorities. Therefore, this document represents a considerable **opportunity to affirm and defend the shared vision of European actors in Palestine.**

European development partners have a **shared commitment to upholding International Humanitarian Law (IHL) and Human Rights (HR) Law.** In the context of the ongoing occupation, development cooperation partnership voices the imperative of guaranteeing the **rights of Palestinians**, including economic, social, political and cultural.

The European Joint Strategy is enshrined in the European and internationally subscribed values of **protecting human rights**¹⁰ (including the right to development), **upholding international law, and promoting democratic, transparent and accountable governance.** European values also emphasise **inclusive, equitable and sustainable development** with a special focus on those worst affected by poverty and violence, particularly **women, children and youth.** Moreover, the **inclusion and protection of minorities**, such as Christians and Bedouins, is anchored in a Human Rights Based Approach (HRBA).

Under IHL, **deporting and/or forcibly transferring the civilian population** of an occupied territory are strictly prohibited.¹¹ This prohibition includes individual and mass transfers, and transfers within an occupied territory. **Annexation of occupied territory (e.g. East Jerusalem) and settlements are also illegal under IHL.** European partners are committed to promote compliance with IHL and HR obligations of all duty-bearers,¹² and to ensure that **humanitarian assistance** (including the acceptance and facilitation of relief operations) as well as the welfare of Palestinian civilians¹³ are not impeded by the occupying power.

⁸ "The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail", Art. 2 of the Treaty on European Union, 2012.

⁹ The EU is also represented by two civilian missions mandated by the Council (the EU Police and Rule of Law Mission in the Palestinian Territories and the EU Border Assistance Mission at the Rafah Crossing Point) as well as a EU Special Representative for the Middle East Peace Process. The EU is also part of the Quartet.

¹⁰ The European Joint Strategy acknowledges the centrality of the *Human Rights Country Strategy* for Palestine.

¹¹ This prohibition is set out in Article 49 of the Fourth Geneva Convention and confirmed as customary international law by Rule 129 of the International Committee of the Red Cross Customary International Law Study.

¹² These include Israel, the Palestinian Authority, Hamas Movement and Third States. Third States are States that are not parties to the conflict and that have an important role in ensuring compliance with the rules concerning humanitarian assistance.

¹³ According to the legal expert opinion on "The right to provide and receive humanitarian assistance in occupied territories" by Michael Bothe, "International law provides a solid basis for humanitarian assistance. The core of the legal issue is the general obligation of the Occupying Power to provide for the wellbeing of the population of the occupied territory". Bothe, 2015.

European partners recognise that sustainable development in Palestine hinges on “*achieving a **two-state solution** based on parameters set out in the Council Conclusions of July 2014 that meets Israeli and Palestinian security needs and Palestinian aspirations for statehood and sovereignty, ends the occupation that began in 1967, and resolves all permanent status issues in order to end the conflict*”.¹⁴ In order to safeguard a future sovereign Palestinian State, the **contiguity of its territory** should be promoted, while responding to needs and priorities of all Palestinians.

Building a viable Palestinian State requires an enabling environment for peaceful and inclusive development. To achieve this objective, European development partners recognise and support the following **peace-building priorities**:

- (1) Social cohesion in the Palestinian territories, stopping the widening of regional and social disparities, and halting territorial disintegration.
- (2) Improving the possibilities for political and social participation for the entire Palestinian population and contributing towards strengthening the legitimacy and accountability of the PA.
- (3) Halting the erosion of social and economic life and safeguarding the welfare and the well-being of the Palestinian civilians.

Palestine refugees are a large portion of the Palestinian population. Investing in the human capital of refugees contributes to state building and stability in the region. Continued support to the refugees and to the **United Nations Relief and Works Agency for Palestine Refugees in the Near East** (UNRWA) is a cornerstone of humanitarian and development cooperation and needs to feature in political and policy dialogue if a **fair and just solution** (in accordance with international law and UN resolutions) is to be found.

Violations of HR and IHL and lack of accountability are obstacles to development and peace promotion in Palestine. European development partners are committed to protecting civilian populations, and particularly children and youth, from intimidation and violence, whilst recognising that **only the reestablishment of a political horizon and resumption of dialogue can pave the way for a lasting solution**. **Violence and trauma** undermine development at national, societal, family and personal levels in the short and long term. **Perceptions of impunity and impunity** resulting from application of different judicial criteria both contribute to the cycle of violence, and undermine confidence in and support for public institutions. **Combating incitement and hate speech** and investing in dialogue and trust, coupled with the promotion of accountability in programming is part of European development cooperation in Palestine. European partners acknowledge the importance of the “**do no harm**” principle but are aware that additional steps need to be taken to effectively implement it. The sustainability of any intervention is at risk because of the fragile and conflict prone context making sustainable development dependent on political progress. This requires enhanced coherence and alignment of political and development interventions, especially in regards to **agenda setting and messaging**.

The Council Conclusions on the Middle East Peace Process highlighted the fact that a “**fundamental change of policy by Israel** with regard to the occupied Palestinian territory, particularly in **Area C**, will significantly increase economic opportunities, empower Palestinian institutions and enhance stability and security for both Israelis and Palestinians”¹⁵ and that “**settlement activity in East Jerusalem seriously jeopardises the possibility of Jerusalem serving as the future capital of both States**”.¹⁶ An **urgent change in the political, security and economic situation in the Gaza Strip** is vital, including the end of the closure and a full opening of the crossing points, whilst also protecting Israel’s legitimate security concerns. The risk of further

¹⁴ Paragraph 4 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

¹⁵ Paragraph 3 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

¹⁶ Paragraph 7 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

deterioration of livelihoods and social cohesion in the Gaza Strip is critical and needs urgent redress for security and humanitarian reasons.

Equitable participation of women, youth and vulnerable communities in development is a policy priority shared by all EU MS, which is mainstreamed in the design, implementation, monitoring and evaluation of their activities. Policy and decision making processes should be based on gender responsive and human rights based approaches, improving inclusiveness, ending discrimination and ensuring full participation.

Both **Rule of Law (RoL) and democratic governance (including democratic renewal with the holding of elections, and fight against corruption¹⁷)** promote human rights and enable sustainable development. This is all the more crucial in the **absence of a functional Palestinian Legislative Council** and of **adequate representation for the Palestinians**. Efforts to enhance integrity, transparency and accountability are therefore key.

Civil society and a growing and diversified private sector should be increasingly featured in implementation and play a stronger role in ensuring the accountability of development partners, as well as of national and local authorities. The 2014 EU Civil Society Road Map¹⁸ illustrates the importance of development cooperation in contributing to an enabling environment for civil society in Palestine. Implementing the Road Map in complement with this strategy contributes to strong, inclusive and democratic Palestinian institutions, based on RoL and respect for HR. This is also associated to the principle of **protecting social cohesion**, so that risks associated with fragmentation of the social fabric and national identity are contained.

In **April 2014**, the PLO became party to an additional 33 international legal instruments including 7 of the 9 core human rights conventions¹⁹, demonstrating commitment and creating opportunities for change in line with international standards. In total, Palestine acceded to date to 54 international treaties. European development partners acknowledge the **PA's commitment to delivering on global goods**. European development partners explicitly support institutions and civil society implementing, reporting on, monitoring and implementation of international commitments and treaties.

Global development effectiveness principles such as in the *Paris Declaration*, the *Accra Agenda for Action* and the *Busan Partnership Agreement* underpin strategy and programming decisions. Development cooperation is most effective when it aligns with the partner's development plans. This European Joint Strategy seeks to align with the upcoming Palestinian NPA 2017-2022.

Policy coherence for development also features strongly in the European Joint Strategy, in particular when it comes to addressing complementarity and challenges not only with Palestine, but also with Israel (notably through the political track and cooperation in a wide range of sectors, e.g. research and development). Policy coherence also applies in relation to trade, environment, migration and security cooperation, and third state responsibility. Policy coherence is equally important in support of peace and the establishment of a Palestinian State.

¹⁷ According to a recent Public Opinion Poll on Corruption, 92.1% believe that there is corruption in the Palestinian institutions. Aman. 2016.

¹⁸ EU, 2014.

¹⁹ These are: The Convention Against Torture And Other Cruel Inhuman or Degrading Treatment or Punishment, the Convention on the Elimination of All Forms of Discrimination Against Women, the Convention on the Rights of the Child, the Convention on the Rights of Persons With Disabilities, the International Covenant on Civil and Political Rights, the International Convention on the Elimination of All Forms of Racial Discrimination, the International Covenant on Economic Social and Cultural Rights, and the Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children In Armed Conflict.

3. Joint Analysis

3.1. The political context

Palestine has been marked by the **ongoing Palestinian-Israeli conflict**, as well as by the disruption of **fifty years of occupation** and the progressive fragmentation of its territory. Following the 1967 occupation, **East Jerusalem was illegally annexed**.²⁰ Palestine has been characterised by **regular cycles of violence** and wars that have led, amongst others, to the construction of a **separation barrier** since 2002, the movement restrictions imposed by Israel on the **Gaza Strip** since the early 1990s and intensified in June 2007 with its **closure and imposition of the land, air and sea blockade** and **three Israeli military operations** in the Gaza Strip (2008/2009, 2012 and 2014)²¹. The separation barrier separates Palestinian communities from their relatives, agricultural lands, workplaces, health facilities, schools, religious sites and water wells²² and is illegal under international law, where constructed beyond the 1967 border.²³

The **Oslo Accords**, under which the PA was created in 1994, were intended to lead to a final negotiated settlement between the parties. These Accords led to **several administrative and security arrangements** for different parts of the West Bank (divided in Areas A, B and C) for a provisional period of five years, and pending a final negotiated settlement.²⁴ Permanent status negotiations between the Government of Israel and the Palestinian people's representatives²⁵ were to be started by the third year of this interim period.

More than twenty years after the Oslo Accords, the PA, which has operated as a transitional authority with limited jurisdiction since its creation, has full civil and security authority only in Area A (18% of the West Bank), while only the President of the Palestine Liberation Organisation (PLO) has access to East Jerusalem.

This takes place in the **context of a growing governance challenges on the Palestinian side**. The last general elections held in January 2006 led to the inter-Palestinian split between Fatah and Hamas. **After a violent confrontation in the summer of 2007, the Gaza Strip came under the de facto control of Hamas**, with whom the majority of the international community has adopted a no-contact policy. As a consequence of this split, the work of the Palestinian Legislative Council (PLC)²⁶ was suspended. No new legislative measures have been adopted by the PLC subsequently, with legal acts being promulgated instead by presidential decrees applicable only to the West Bank. In the Gaza Strip, Hamas has been enacting laws by convening a PLC through a proxy system. Enforcement of post 2007 West Bank Presidential decrees in the Gaza Strip is rare. Similarly, **national presidential and Legislative Council elections have not**

²⁰ In June 1967, the government of Israel annexed territories in and around Jerusalem, which were occupied in the Six-Day war, by applying Israeli law to this territory and its residents. The international community does not acknowledge the Israeli annexation of East Jerusalem, and sees the area as an occupied territory.

²¹ 65.000 people are still internally displaced since Operation Protective Edge, launched in July 2014, which was the longest and most destructive of the three operations. OCHA, 2016.

²² Cfr. map of access restrictions in the West Bank in Annex 1.

²³ As stated in the 2004 ICJ Advisory Opinion on the "Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory", "the construction of the wall being built by Israel, the Occupying Power, in the Occupied Palestinian Territory, including in and around East Jerusalem, and its associated regime, are contrary to international law". ICJ, 2004.

²⁴ East Jerusalem and Hebron's H2 zone are however excluded from this, as there is no legal document clarifying the legal status of the first one and the second one, covering around one fifth of the municipal territory of Hebron and under the military control of Israel, was established by the 1997 Hebron Protocol.

²⁵ Covering issues such as Jerusalem, Palestine refugees, settlements, security arrangements, borders, relations and cooperation with other neighbours and other issues of common interest. Article 5 of the Declaration of Principles on Interim Self-Government Arrangements of 13 September 1993.

²⁶ The Palestinian Legislative Council (PLC) was formed as a result of the Oslo Peace Accords. It is an elected council that is meant to function as parliament of the PA.

taken place undermining the legitimacy of the Palestinian leadership. Local elections have taken place only in 2012 and were limited to the West Bank. In addition, the planned local elections due to be held in October 2016, expected to cover both the West Bank and the Gaza Strip and supported politically by the international community, failed in the midst of the intra-Palestinian feud.

In addition, governance reforms that were prioritised in the 2002 Roadmap for Peace have moved very slowly. **Democratic space is increasingly being challenged**, in particular for **CSOs operating in Palestine** from different angles: financial pressure, political pressure, cultural pressure but also violence and intimidation. In this particular moment, CSOs are marginalised by all sides: the PA, the *de facto* authority in the Gaza Strip and Israel. Israel is putting pressure especially on the CSOs present in East Jerusalem and the Israeli Human Rights NGOs. The charges brought during the summer 2016 against some international NGOs active in the Gaza Strip (and allegations of aid diversion) have also put at risk those who need humanitarian assistance most. Some CSOs are also questioning the effective implementation of the international human rights treaties and conventions.

On the Middle East Peace Process, all attempts to resume the process have so far failed (the last one being the Kerry initiative from August 2013 to April 2014), and no process is currently under way. On the Palestinian side, **reconciliation talks between Fatah and Hamas have produced no results**. The **risk of fragmentation at political, geographic, administrative, legal, social and personal levels** is elevated by the lack of progress on the political front regarding negotiations, which increasingly makes the political horizon seem further away. Growing geographical disparities, related to the particularities of occupation and especially in Area C, East Jerusalem and the Gaza Strip, are therefore a **major threat to social cohesion, thus fuelling further social and political fragmentation**.

In addition, it is estimated today that at least 570,000 settlers live in the West Bank, including East Jerusalem.²⁷ **The continuity of the Palestinian state is put in peril by the growing settlements policy and by settler violence.**

3.2. The demographic context

Palestine is home to **4.8 million people**, of which 2.9 million live in the West Bank (including East Jerusalem) and the remaining 1.8 million live in the Gaza Strip.²⁸ There are 300,200 Palestinian residents in Jerusalem, who constitute 36.8% of the city's population.²⁹ The current Palestinian population in Area C is estimated to 300,000 people. **Two out of five Palestinians living in Palestine are refugees**.³⁰ 40% of the population is under 14 years old and **almost 70% of the population is younger than 30**, while around 4% is over 65 years old. The society is characterised by a stark and risky generational gap, which is exacerbated by the lack of proportional participation and representation of youth and women in governance and policy-making. **Youth is particularly vulnerable** to exploitation (around 104,000 children are working)³¹, early marriage (one fifth of girls are married before turning 18),³² Israeli detention

²⁷ "There are currently at least 370,000 Israelis living in some 130 settlements in Area C, including at least 85,000 deep in the West Bank", and "approximately 100 settlement outposts in Area C have been built without formal Israeli Government approval. OQ, 2016.

²⁸ Palestine is home to 4,816,503, including 2,935,368 in the West Bank and 1,881,135 in the Gaza Strip. PCBS, 2016.
²⁹ ACRI, 2015.

³⁰ Approximately 70% of the estimated population in Gaza are registered Palestine refugees.

³¹ As of 2014, "there were approximately 104,000 children working in the West Bank and Gaza. Based on a labour survey conducted by various NGOs and financed by the EU, the three sectors in which most children worked were commerce (24.3%), agriculture (22.1%), and street vending (16.8%)." U.S. Department Of Labour, 2014.

³² One out of five women in the age (20-49 year) are married before the age of 18, this percentage is higher in the Gaza Strip compared to the West Bank (28.6% and 21.4%) respectively. PCBS, 2015.

(414 children remain in Israeli jails),³³ intimidation, domestic violence and drugs (particularly in refugee camps and East Jerusalem).

According to a study on demographic transition in 2030 and 2050 conducted on behalf of the Prime Minister's Office and the United Nations Population Fund (UNFPA), **the population of Palestine might increase to an estimated 6.9 million in 2030 and would double to 9.5 million in 2050.**³⁴ By 2030, the Gaza Strip will accommodate 1.3 million more people and the West Bank will accommodate 860,000 more. In 35 years, Gaza's population (50.3%) will slightly exceed the West Bank (49.7%) and will remain younger on average. The total number of refugees in Palestine will increase to 3 million in 2030 and 4.5 million in 2050. Population growth will increase pressure for the delivery of basic services (notably health and education), but also access to employment opportunities and social safety nets for those in need. It is worth noting that the elderly (65 years and over) will almost double their share in 2030. As a result, there will be more patients with non-communicable diseases and multiple health problems common to elderly people.

3.3. The economic and fiscal context

The Palestinian economy is operating under occupation. Palestinian economic development and political relations with Israel are strictly linked. The 1994 Paris Protocol makes the Palestinian economy dependent on the Israeli economy. Palestine runs under the framework of a customs and monetary union with Israel. It has no control over its own borders, it does not collect its own taxes and suffers from restrictions and controls on the movement of its people, goods and resources (land, water, etc.). **The PA has therefore limited control over the majority of its revenues and suffers from substantial revenue losses under the current revenue sharing arrangements** outlined in the Paris Protocol and other subsequent agreements. The agreements defined specific arrangements through which the Government of Israel collects VAT, import duties and other income, or the so-called clearance revenues, on behalf of the PA and shares them with the latter on a monthly basis. These revenues account for 73% of the PA's total net revenues. Some of these arrangements have become outdated, while others have not been implemented as envisaged by the agreements, resulting in fiscal losses for the PA.³⁵ Moreover, PA authorities have shown limited capacity to undertake controls once the imported goods are released from Customs' surveillance, following the controls carried out by the Israel authorities. This situation prevents PA authorities from assessing the accuracy of the amount of import duties paid and in detecting possible fraud. In addition, Israel's intermittent withholding of clearance revenues (eight times since 1994)³⁶ hampers the predictability and service delivery by the PA and has had serious consequences, including delays in paying salaries. Arab banks/donors have been less willing to increase their exposure for the purpose of paying salaries, putting additional pressure on donors (including EU donors).

³³ B'Tselem, 2016.

³⁴ The launch conference for the study "Palestine 2030 – Demographic Change: Opportunities for Development" took place in Ramallah on 5 December 2016. The full report can be retrieved from: <http://palestine.unfpa.org/publications/palestine-2030>

³⁵ The quantified annual loss (excluding revenues collected by the Government of Israel in Area C that could not be quantified due to data constraints) amounts to USD 285 million, or 2.2 percent of Palestinian GDP. In addition to the annual losses, considerable revenues owed to the PA and to Palestinian workers are not remitted. The stock of revenues currently retained by the Government of Israel is estimated at USD 669 million, or 5.3 percent of Palestinian GDP. World Bank Report to the AHLC, April 2016.

³⁶ (1) Summer 1997, in response to a rise in terrorist activity in the West Bank and the Gaza Strip; (2) December 2000 to December 2002, in response to the outbreak of the second intifada in September 2000; (3) March 2006 to July 2007, following Hamas' victory in Palestinian legislative elections; (4) 2008, following tensions related to Israel's position at the Organisation for Economic Co-operation and Development; (5) May 2011, in response to Palestinian efforts to seek diplomatic recognition at the U.N.; (6) December 2012 to January 2013, in response to the PA's successful bid for non-member observer status at the U.N.; (7) 10 April 2014, in response to PA applications to join U.N. agencies as a state; and (8) 2 January 2015, following President Abbas' signature on 30 December 2014 of 20 international agreements and protocols including the Rome Statute for the International Criminal Court (ICC).

Despite challenges in calculating **Palestinian revenue losses due to the occupation**,³⁷ according to a 2016 Report published by the United Nations Conference on Trade and Development (UNCTAD),³⁸ *"the economy of the Occupied Palestinian Territory could easily produce twice the gross domestic product it generates now, while unemployment and poverty could recede significantly"*. The **blockade in the Gaza Strip** continues to hinder recovery and increased investment costs. Within the West Bank, the restrictions on movement and access, the non-contiguous control of land by the PA and the lack of access to Area C have led to the development of insular economies and increased poverty. **Restrictions on economic activity in Area C (where the majority of the West Bank's natural resources is) have been particularly detrimental** to the Palestinian economy.³⁹ The share of agriculture and industry, the two core sectors producing tradable goods, dropped by half, from 37% to 18%, while its contribution to employment decreased from 47% to 23%.⁴⁰ The value of exports to GDP is among the lowest in the world. The closure of the Gaza Strip has further affected its once vibrant export sector. **Trade between the West Bank and the Gaza Strip has today virtually disappeared, reinforcing Palestinian economic dependence on Israel.** Concerning **East Jerusalem**, it is not only **isolated from the rest of the West Bank**, but it is estimated that **one fourth of the Palestinian East Jerusalem residents are cut off from each other by the separation barrier**^{41 42}, **in addition to settlements and other barriers.** ⁴³ This has a huge negative impact on the economic situation in East Jerusalem. As a result, 75.4% of all Palestinian Jerusalemites (and 83.9% of children) are living below the poverty line.⁴⁴ An increase to work permits for Palestinians to work in Israel could contribute to decreasing unemployment, while increasing dependence on the Israeli economy.

Palestine is also subject to all aspects of **global change**, such as fluctuating prices of food and energy and the impact of climate change, as predictions for the Eastern Mediterranean indicate a serious reduction in rainfall and increasing temperatures in the mid and long-term.

Given the severe development constraints of the Palestinian context, Palestine would currently not be viable without external funding from the international community. Revenue is still **highly aid dependent**, with the Organisation for Economic Co-operation and Development (OECD) reporting around USD 2 billion annually coming from international donors (of which two thirds are from European development partners).⁴⁵ Compared to previous years, **budget support has however substantially decreased** (an estimated decrease by 50% since 2013), and a sharp decline in aid by certain donors has strongly been felt in 2016.⁴⁶

Political and security uncertainties weigh heavily on the growth prospects in Palestine. Against the backdrop of the increasingly precarious political situation and despite substantial assistance to the Palestinian people, **the Palestinian economic situation is bleak and**

³⁷ To date, attempts to estimate the economic cost of occupation remain partial and ad hoc. There is a need to establish a systematic, comprehensive and sustainable framework within the United Nations system to report to the General Assembly, as requested in its resolutions 69/20 and 70/12. UNCTAD, 2016.

³⁸ UNCTAD, 2016.

³⁹ *The alleviation of today's restrictions on Palestinian investment, movement and access in Area C could bring about significant expansion of many sectors of the Palestinian economy. Relatively conservative estimates show that the direct gains, in terms of potential value added in these sectors, would amount to at least USD 2.2 billion, equivalent to some 23% of 2011 Palestinian gross domestic product.* World Bank, 2014: 17

⁴⁰ UNCTAD, 2016: 8.

⁴¹ ACRI, 2015.

⁴² The Separation Barrier has already cost over one billion US dollars in damages resulting from direct loss of income in real terms for Jerusalemites, and it is estimated that these costs will continue at a magnitude of USD 194 million per year. Strategic Multi Sector Development Plan for East Jerusalem, 2010.

⁴³ Al Haq, East Jerusalem Exploiting Instability to Deepen the Occupation 2015.

⁴⁴ ACRI, 2015.

⁴⁵ See Stats.OECD.org/qwids for DAC disbursement data.

⁴⁶ According to data provided by the MoFP (2016 Funding Report, December 2016), expected budget support in 2016 amounts to around US\$ 614 million compared to around US\$ 1.236 million in 2013.

declining.⁴⁷ Its outlook is worrying, with a real GDP growth expected to reach 3.3% by end of 2016 (2.7% in the West Bank and 5.5% in the Gaza Strip).⁴⁸ Given the current economic structures, the budget/direct financial support to the PA has been the crucial driver of recent economic growth, essential service delivery and reform efforts. It has directly increased gross disposable income in the Palestinian economy through salary and other recurrent spending, but investment remains particularly low.

The PA is the largest sole employer⁴⁹ and employer of last resort (mainly in the West Bank). The **current revenue collection model is regressive**: 92% of tax revenue is from consumption and only 8% from income tax.⁵⁰ According to estimates, Palestinians spend 94% of their disposable income, and most growth in recent years has therefore been consumption driven. Corporate tax rates are low (they were reduced in May 2015 to 15%) and up to 40% of revenue is lost⁵¹ through tax evasion, with the combined effect being that poorer Palestinians shoulder the lion's share of the cost of public services. Problematically this is accompanied with signs of sustained inequality: the 2013 Gini ratio was 35.5, which is worse than Egypt (30.8) but better than Israel (39.2).⁵² Creating sustainable development and enabling the private sector to take the lead in generating economic activities is the opportunity cost of this model.

Despite serious efforts by the PA, the current fiscal situation is fragile and a USD 600 million financing gap is currently projected for the year 2016.⁵³ Given the large financing gap,⁵⁴ the PA has resorted to **accumulation of arrears and borrowing from domestic banks**. The PA's debt as of 31 December 2015 accounted to 40% of GDP⁵⁵, and arrears to the private sector stood at around USD 685 million, arrears to the pension fund at over USD 1.5 billion.⁵⁶ The 'pay-as-you-go' pension system⁵⁷ costs the PA Treasury around USD 280 million annually.⁵⁸ Domestic banks are highly exposed to the PA and its employees as their share of loans given is over 40%.⁵⁹ As of September 2016, the domestic debt amounted to USD 1.5 billion, reaching the USD 1.5 billion ceiling set by the Palestinian Monetary Authority⁶⁰. Despite the risks associated with the high exposure of banks to PA debt, the financial sector remains stable. PA revenues grew on an average 12% annually in the past 6 years, while PA collected revenues account for 27% of total net revenues. Revenues as percentage of GDP have been growing steadily reaching 21.8% in 2015. PA total expenditure grew on average 3.6% annually since 2009, with an annual wage bill increase of 4.5% on average. In 2016, the largest part of the PA budget has been allocated to social affairs with a share of 41.1%, including education, social protection, and health sectors. The PA spends 30% of its budget on the security sector.

⁴⁷ Palestine currently ranks 129th out of 189 countries in the World Bank's 2016 *Doing Business*, World Bank, 2016.

⁴⁸ IMF, 2016.

⁴⁹ Public sector employees amount to 156,000 people, according to a World Bank wage bill review carried out in 2015. The numbers of employees in the public sector is in line with that of neighboring countries. However, large allowances added to the basic salary of employees are of concern.

⁵⁰ Nashashibi, 2015.

⁵¹ Al Riyahi, 2014.

⁵² World Bank, 2013.

⁵³ World Bank, 2016.

⁵⁴ The financing gap is the difference between the recurrent budget deficit and budget support.

⁵⁵ World Bank, 2016: "the authorities made a large one off revision of outstanding liabilities to the pension fund from about \$1.9 billion to \$1.5 billion as of June 2016 on the basis of an audit by PricewaterhouseCoopers. In the absence of this revision, staff estimates that the overall debt stock would have remained broadly stable in nominal terms, and would have declined as a share of GDP from 40 percent at end-2015 to 38 percent in June. However, after the revision of pension fund liabilities, the total public debt stock stood to 35 percent of GDP at end June".

⁵⁶ IMF, 2016.

⁵⁷ 'Pay-as-you-go' means that workers' current contributions pay for pensioners' current benefits.

⁵⁸ According to the World Bank this 'pay as you go' pension system can only be sustained until 2022.

⁵⁹ The Palestinian banking sector is otherwise healthy and generally liquid with one of the best 'lost non-performing loans' ratios in the region.

⁶⁰ This limit is prudential is set as a 100 percentage of total banks' equity.

A key issue in the PA's fiscal position is also the **political separation between the Gaza Strip and the West Bank**. The PA spends over 40% of its recurrent budget in the Gaza Strip (including to pay PA civil servants⁶¹), while it collects only 13% of its revenues from there. This budgetary situation (limited revenues; heavy expenditures) remains challenging in the present context.

Despite the specific challenges of the Palestinian context, **longer term reforms, which are key for the Palestinian economy and the PA's sustainability over time, still need to be addressed**. More efforts could be done with regards to expenditures. The relative size of the PA's wage bill (15% of the GDP) is almost the highest in the world. Recurrent spending should be decreased, and the pension system remains unsustainable. The PA should also develop contingency plans to mitigate the high fiscal risks.

In the absence of substantial enablers for growth and employment opportunities, Palestinians will likely not be better off by 2020 compared to today. Provided the economy grows on average by 3.5% annually in the period 2016-2022, unemployment is expected to remain stagnant or increase slightly but will remain above 20% among the youth. For the youth unemployment to decrease to reasonable levels, the economy would have to grow on average by 12% annually in the period 2016-2022 (an unrealistic scenario). As such, **without a political breakthrough** (ease of restrictions, lifting of the blockade on the Gaza Strip, permanent peace agreement), **the Palestinian economy will continue to perform below its potential** and not be able to experience sustainable growth and development. The current economic development model (i.e. budget/direct financial support being the main driver of growth) cannot become effective in sustaining socio-economic development and creating jobs. The **reconstruction of the Gaza Strip also remains hampered by administrative delays and Israeli restrictions** on the import of construction materials, as well as slow donor aid disbursement.

3.4. The socio-economic context (de-development)

With the limitations and restrictions it imposes, **the Israeli occupation is the primary driver of poverty in Palestine**. **One in four Palestinians lives in poverty**; making Palestine today among the lower middle-income group of countries in terms of Human Development Index (it is ranked 113 out of 188 countries in 2015). Along-side Yemen, it is the poorest territory in the Middle East and the poorest in the 'neighbourhood'. Poverty rates are higher in the Gaza Strip, East Jerusalem and Area C, and refugees tend to be poorer (in particular those living in refugee camps). Poverty in the Gaza Strip stood at 39% in 2014, which is almost 2.5 times higher than that in the West Bank. Based on the 2016 Humanitarian Response Plan, 70% of the Gaza Strip's population is in need of assistance. For the first time in 50 years, the infant mortality rate has increased⁶². According to the Association for Civil Rights in Israel (ACRI), 75.4% of all Palestinian residents in Jerusalem live under the poverty line, 83.9% of Palestinian children⁶³.

Unemployment, especially among youth and recent graduates, is increasing. According to the IMF Report to the AHLC of September 2016, overall unemployment reached 26.9% in June 2016.⁶⁴ According to a recent poll on youth, 54.5% of people interviewed said the biggest problem they faced was unemployment, and 43.7% stated that restrictions from the occupation were the main reason for unemployment.⁶⁵ Two-thirds of young people living in the Gaza Strip

⁶¹ EU MS and like-minded partners support payment of salaries, mainly through the World Bank Trust Fund and the EU PEGASE Direct Financial Support (DFS) Mechanism. PEGASE DFS also provide contributions to social allowances, as well as the payment of the costs of referral to the East Jerusalem Hospitals that help ensuring access to quality health for all Palestinians.

⁶² UNCTAD, 2016.

⁶³ ACRI, 2015.

⁶⁴ IMF, 2016.

⁶⁵ 31.5% insisted on the "PA's shortcomings" and 22.9% on "the incompatibility of university majors with the needs of the labour market, JMCC/FES, 2016.

are unemployed, while 40% of the male Arab population in Jerusalem does not participate in the labour market, and 85% of Palestinian women in Jerusalem do not participate in the workforce⁶⁶. The **particularly distressed condition of East Jerusalemites** is demonstrated in extreme poverty rates, limited employment opportunities, a severely depleted educational system, and a systematic lack of physical and economic infrastructure⁶⁷ and planning. Higher level of poverty and unemployment are straining the population⁶⁸. Palestinian de-development is progressing. **The situation in the Gaza Strip is particularly critical.** Ten years after the blockade, 1.8 million Gazans continue to be deprived of their *economic, civil, social and cultural rights, as well as the right to development*.⁶⁹ The 2012 UN Country Team (UNCT) Report "Gaza in 2020: A liveable place?"⁷⁰ underlines the worsening of the socio-economic well-being of Gazans and indicates that they are now worse off than they were in the 1990s. This report was published before the 2014 Israeli military operations, which represented the most devastating round of hostilities since the beginning of the occupation in 1967 and led to an aggravation of "Gaza's de-development spiral".⁷¹

Delivery of basic services provided to Palestinians is also deteriorating. In the context of the occupation, the **education** sector is notably facing several **protection (and safety) related issues**, including settlers' attacks, military presence and attacks particularly flagrant in some locations (e.g.: Hebron H2). According to the Ecumenical Accompaniment Programme in Palestine and Israel (EAPPI), incidents involving school children and schools almost tripled in West Bank, including East Jerusalem, from 2013 to 2014, affecting nearly 25,000 Palestinian children in 2014.⁷² According to the Ministry of Education and Higher Education, between 2015-2016 about 109 Palestinian children/youth from East Jerusalem were held in Israeli prisons, and 103 were under home arrest. The total shortage of classrooms in East Jerusalem is 2,247⁷³, while the rates of drop-out are high, especially among boys and in the secondary cycle (26% in 11th grade and 33% in grade 12⁷⁴). Moreover, the latest JMCC/FES Youth Poll highlighted "a drop in the overall level of confidence among youths regarding university education in Palestine", while over half of the people interviewed "do not believe that vocational training graduates found (good) job opportunities", adding they "were not highly regarded by society".⁷⁵ **Area C communities suffer from a number of cumbersome administrative processes and physical restrictions for education and health.** The situation in the **Gaza Strip** is particularly critical. **Access to water and energy, if not properly addressed, may result in a humanitarian crisis.** Despite some progress made on the repair of damages related to the 2014 hostilities, only 45% of the Gaza Strip's needs are being met, resulting in 16-18 hours of daily power cuts⁷⁶ and very limited piped water supplies. The Gaza Strip also continues to suffer a **significant lack of adequate education and health facilities**.⁷⁷

The worsening conditions and increased vulnerability of Palestinians have led to a high level of frustrations, a lack of cohesion, recurrent high-level waves of violence and a stronger sense of despair, in particular amongst youth. The 2015 cycle of violence has largely been attributed to this lack of hope, which also reflects the increased disengagement of Palestinians from formal politics. The level of control that Israel exercises on Palestine makes

⁶⁶ ACRI, 2012.

⁶⁷ ACRI, 2012.

⁶⁸ In the Gaza Strip, according to the UNSCO Report to the AHLC in April 2016, the levels of poverty and unemployment respectively reach 39% and 38%. UNSCO, 2016.

⁶⁹ UNCTAD, 2016: 7.

⁷⁰ UNCT, 2012.

⁷¹ UNCT, 2016.

⁷² EAPPI, 2015.

⁷³ Ir Amim, 2015

⁷⁴ ACRI, 2015.

⁷⁵ JMCC/FES, 2016.

⁷⁶ OCHA, 2016.

⁷⁷ In Gaza, 252 UNRWA schools serve over 240,000 students. 75% of UNRWA school campuses operate on double or triple shift basis.

any significant improvements very unlikely in the Palestinian's economy and competitiveness. As recalled in the Council Conclusions on the Middle East Peace Process of 18 January 2016: "**a fundamental change of policy by Israel with regard to the occupied Palestinian territory, particularly in Area C, will significantly increase economic opportunities, empower Palestinian institutions and enhance stability and security for both Israelis and Palestinians**".⁷⁸

The situation of refugees remains an unresolved final status issue. EU support to refugees is provided via UNRWA, which was established as a subsidiary organ of the United Nations General Assembly on 8 December 1949 and became operational on 1 May 1950. With more than 30,000 staff, UNRWA is the largest UN operation in the Near East and a major employer in the region. **Created as a temporary agency, sixty-five years later, the Agency continues to provide essential services for the well-being, human development and protection of Palestine refugees, pending a just solution.** UNRWA operates one of the largest school systems in the Middle East, teaching nearly half a million children in more than 600 schools. Among other services, the Agency also provides around 9 million health consultations in its 143 primary health centers across the region every year. Overall, UNRWA's operations provide a critical lifeline for millions of Palestine Refugees and the Agency remains **key pillar of stability** in the region.

3.5. The planning context

The European development relationship with the PA builds on a **long-standing and strong partnership**. This partnership promotes, *inter alia*, mutual accountability (which also means that **the PA should be first accountable to its own citizens** and serve the needs of its population, in particular the most vulnerable), transparency, strengthening and aligning with national systems, reducing duplication and a comprehensive partnership including civil society⁷⁹ and the private sector.

The PA is one of the drivers of development (in particular in the limited areas where it has authority), informed by its NPA 2017-2022 and related Sector Strategies, as well as the National Advocacy Strategy for Planning and Development in Area C (2016-2018) and the forthcoming Public Financial Management Strategy.

The emphasis laid down in the European Joint Strategy on aligning with and supporting Palestinian national and sector plans acknowledges that **national authorities are best suited to lead social and economic development**.

Following an important public sector reform process (end of 2015), it is the Prime Minister's Office (PMO) that has been overseeing the work related to the **NPA** and the **macroeconomic fiscal framework**. The new **21 Sector Strategies** are overseen by the Ministry of Finance and Planning (MoFP), which has closely worked with Line Ministries⁸⁰. Together with the PMO, the MoFP has been aiming at ensuring consistent linkages between the NPA, the Sectoral Strategies and the Budget. The strategic objectives of the Sector Strategies are linked to the policy interventions of the NPA. The Sector Strategies are also expected to be a costed plan with clear

⁷⁸ Paragraph 3 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

⁷⁹ In the case of civil society, it is recognised that the current approach of ear-marking and piece-meal actions is not in line with the principles (and needs) of supporting civil society as a central pillar of society. A more effective approach in line with the current context implies the need for a programme wide or sector type approach to supporting and developing the capacity of civil society as a whole.

⁸⁰ Line Ministries received a Training Manual in August 2016. Additional trainings were also provided to Deputy Heads of the Planning and Budgeting Teams of the various Line Ministries.

indicators and the basis for results-based monitoring.⁸¹ **It will be crucial to integrate the NPA within a realistic budget and financing envelope to ensure effective prioritisation and implementation of measures.** The absence of these conditions impeded the success of previous Palestinian national development strategies.

The NPA rests on two key assumptions: (1) it is **citizens' centred** and focuses on meeting citizens' daily needs; (2) it acknowledges that **Palestine is not yet independent**. In addition, it includes an **international component** with the implementation of the **2030 Agenda for Sustainable Development** and the **Palestinian accession to international HR treaties**. It also recognises the importance of including a **strong monitoring and evaluation component with the establishment of the General's Secretariat**. This Secretariat is currently being assessed and is expected to be well-equipped and trained by June 2017. Strengthening monitoring and reporting capacities will enable the PA to meet its commitments to reporting on relevant international conventions (e.g. on climate change and violence against children). Regular and effective monitoring and reporting is also critical to identify and find remedies to challenges related to the inclusion of women and vulnerable groups, combatting extreme poverty, promoting transparency and a disincentive to corruption.

In addition, the PA has taken important steps in establishing **mechanisms to consult with its key partners (CSOs, donors, private sector, academics, etc.) in its policy planning process**, which includes the **NPA**, the work on the **Gaza Strip** (e.g.: set-up of the Gaza Reconstruction Office) and on **Area C** (e.g.: set-up of the Ministerial and Technical Committees on Area C, and of the Area C Coordination Office). Efforts have also been undertaken to include the **Sustainable Development Goals (SDGs)** in the NPA⁸², as well as to mainstream **cross-cutting issues** (gender equality, environment protection, etc.).

Activity-based budgeting, good public financial management and monitoring for results and obligations related to IHL and HR treaties and conventions ratified by the PLO will be essential for **evidence-based policy-making**. The **challenging context** both in Palestine (**fiscal gap**) and for European partners (**decline in budget, donors' fatigue in Palestine, multiplicity of crises**, etc.) should however not be underestimated, as **donors' predictability and funding of the new policy interventions cannot be guaranteed** at the same level of previous years.

⁸¹ The EU has agreed on a Results Oriented Framework (the indicators of which should ideally also feature prominently in the NPA) for its budget support strategy with the PA that initially covered 2015, but has been extended to end 2016.

⁸² Following a Cabinet's decision adopted on 16 February 2016, a National Team has been formed to coordinate the implementation of the 2030 Agenda and to ensure the successful implementation of the SDGs and their integration into the currently drafted National Policy Agenda for 2017-2022 and new National Sector Strategies.

4. Joint Response

4.1. The political nature of the EU's cooperation in Palestine

The EU Council's position is to **protect the viability of the two-state solution** with an independent, democratic, contiguous and viable Palestinian State, living side by side in peace and security with the State of Israel.

In order to support this vision, for more than twenty years, the EU has been a **strong supporter of the Palestinians and their quest for self-determination**. Since 2007 the EU, EU MS, Norway and Switzerland have disbursed **USD 1.2 billion⁸³ annually** in development assistance to Palestine. European aid accounts for almost two thirds of donor financing, and the majority of bilateral development partners in Palestine.⁸⁴ This support has covered all areas (West Bank, including East Jerusalem and Area C, as well as the Gaza Strip) and all Palestinians (including Palestine refugees). **The nature and volume of EU's development cooperation in Palestine has therefore been closely linked to the political situation and the EU position with regards to the Middle East Peace Process.**

The modality of development cooperation has also largely been influenced by the limitations and obstacles imposed by the context and persistently specified and condemned by EU declarations at the highest level. However, as indicated in the Final Report of the "Evaluation of the EU's Cooperation with the occupied Palestinian territory and support to the Palestinian people": *"the EU has not been willing or able to address these constraints upfront with an effective political response. While Member States have reached consensus on the Council Conclusions' declaratory Policies, they refrained from taking practical steps further, avoiding confrontational or adversarial measures with Israel and to a lesser extent with the PA"*.⁸⁵

4.2. Existing joint programming tools, limitations and negative trends

a) Existing tools

Since the establishment of the PA in the mid-1990s, donors – including EU/MS – have played an important part in **building the institutions of the future Palestinian State and have been the largest contributor to Palestinian welfare**, including through PEGASE Direct Financial Support to the PA provided by EU and Member States. European development partners have been the most **transparent and predictable partners** for Palestine, with regards to the very high amounts of funding provided by the EU/MS to support the viability of the PA and its institutions.

In line with the major orientations set out in the European Consensus in Development (2005) and the Agenda for Change (2011), European development partners have also aimed at **developing policies in a spirit of complementarity and in alignment with the national needs and priorities**. For the last nine years, the EU therefore addressed **three subsequent Palestinian planning cycles**, i.e. the Palestinian Reform and Development Plan 2008-2010, the Palestinian National Development Plan 2011-2013 and the Palestinian National Development Plan 2014-2016.

⁸³ See Stats.OECD.org/qwids for DAC disbursement data.

⁸⁴ According to the Global Humanitarian Assistance Report 2015, Palestine is one of the biggest receivers of international aid per capita, GHA, 2015.

⁸⁵ Final Report. Volume 1; May 2014. Executive Summary, page VIII.

Several tools have been developed, in line with the post-Busan context and principles of effective development cooperation:

1. Since a decade, the **Heads of Cooperation of EU/MS have been meeting regularly**. Currently, they meet on a bimonthly basis. Heads of Cooperation from **Switzerland and Norway** have been attending these meetings as like-minded donors since 2013. It should be underlined that the establishments of the **Ad-hoc Liaison Committee (AHLC)** in the 1990s and of the **Local Aid Coordination Secretariat (LACs)** in 2006, as mechanisms to ensure close donors coordination in Palestine, have undoubtedly created a fertile ground for EU/MS to align their policies and working practices.

2. At the end of 2011, EU/MS elaborated an EU Local Development Strategy (EU LDS), which was revised in mid-2013. This EU LDS clarified **EU/MS priority sectors of intervention** (in line with the Palestinian National Development Plan 2011-2013) and **in-country the division of labour amongst European donors** (lead⁸⁶ and active.⁸⁷)

3. In 2014, 16 **EU/MS rolling Sector Strategy Fiches**⁸⁸ (based on a Division of Labour) were prepared to be used as **policy-dialogue tools** with Palestinian counterparts.

4. In 2015, 6 out of these 16 sectors⁸⁹ were included in a pilot **EU/MS Results-Oriented Framework** (covering April to December 2015 and extended until December 2016), aiming to steer/formalise a more structured and **coherent results-oriented policy dialogue**, with a stronger monitoring and evaluation of the PA's achievements in key areas.

5. Besides the meetings of Heads of Cooperation, several **Informal Working Groups** have been set up and chaired by the sectoral leads in order to achieve more coherence in certain areas (e.g. East Jerusalem, the Gaza Strip, Area C, private sector development, gender, PEGASE Direct Financial Support, civil society, water and energy, etc.).

6. Additionally, **Interest Groups** have been set up with the aim of bringing together as appropriate the different strands of EU presence in Palestine (primarily development and political). This is the case of the Interest Group on UNRWA (which also prepares the EU common statement to be delivered at meetings of the Advisory Commission twice a year) as well as of the Interest Groups on East Jerusalem and Area C. The latter also involves coordination between EU/MS on humanitarian activities in Area C.

7. In addition, over the past years, **several existing EU/MS (funding) mechanisms** have been developed, also opened to non-EU/MS donors (e.g.: PEGASE Direct Financial Support,⁹⁰ the Joint Financing Arrangement,⁹¹ the Municipal Development and Lending Fund,⁹² etc.).

⁸⁶ "Lead" donors should contribute a substantial amount of development assistance to the sector. To fulfil their specific role, they should be able to contribute sufficient capacities (human resources, institutional structure on-site), have the trust of other donors, the partner government and commit themselves to be active in the sector throughout the foreseeable future.

⁸⁷ "Active" donors remain operationally visible in a given sector but allow the lead donor to serve as the primary conduit for communication and dialogue between the donor community and the partner government.

⁸⁸ Agriculture, East Jerusalem, Education, Energy, Gender, Health, Justice, Local Governance, Macroeconomic Support, Private Sector, Public Administration Reform, Public Finance Management Refugees, Security, Social Protection and Water.

⁸⁹ These six sectors fall into two pillars: (i) fiscal consolidation and policy reforms with Macroeconomic Support, Public Finance Management, Public Administration Reform and (ii) service delivery with Education, Health and Social Protection.

⁹⁰ Launched in 2008, PEGASE DFS is a mechanism channelling significant amounts of support from the European Commission (EC) and donors to the Palestinian Authority, in order to support sustained delivery of basic public services and a number of initiatives in support to the private sector the West Bank and the Gaza Strip. 18 donors (incl. 2 non EU MS) are currently contributing to this mechanism (AT, BE, DK, EL, ES, EUREP/EC, FI, HU, IE, IT, LU, MT, NL, SE, SI, UK + CH + JP). FR and UK are also contributing to the World Bank Trust Fund (WBTF).

8. Shared visions/policies (e.g.: in the water and agriculture sectors) as well as **joint efforts deployed in cross-cutting issues** (e.g.: Gender equality, Youth, Environment Protection, Human Rights and Support to Civil Society) and Palestinian areas facing special needs and challenges (e.g.: Area C, East Jerusalem, Gaza Strip) have also been developed.

9. Policy dialogue takes place within the context of the **EU-Palestine Joint Committee** and the **six ENP Sub-committees**, within the framework of the Action Plan with Palestine.

b) Mixed results and limitations of the EU's assistance for Palestinian development

European-funded interventions have had **mixed success with some results**, including sustaining the welfare for Palestinians, building the capacities of several Palestinian institutions, ensuring stability and security, as well as preventing fiscal and economic collapse. In Spring 2011, the meeting of the AHLC concluded that Palestinian institutions were **ready for statehood**.⁹³ Improvement since this meeting has however been extremely limited and led to considerable **disappointments and fatigue** (starting with the Palestinians themselves).

Palestinian dependency on donors' aid remains. International aid to Palestinians is one of the highest per capita aid disbursements in the world. Donors have to a certain extent contributed to the **management of the conflict** rather than to the achievement of a lasting and inclusive solution.

Economic recovery, a viable economic system to finance government services and investments, sustainable development and accountability can indeed only be achieved when the occupation comes to an end and Palestine becomes fully sovereign and gains control over its land and resources.⁹⁴ The unsustainability of the current situation is recognised by the EU and its MS and much more needs to be done from European partners to *"remove the most significant obstacles to sustainable Cooperation outcomes and the achievement of a viable, democratic and contiguous Two-State solution, particularly Israeli occupation and settlement policies and the political division of the West Bank and Gaza"*.⁹⁵ **"Settlement activity in East Jerusalem seriously jeopardizes the possibility of Jerusalem serving as the future capital of both States"**.⁹⁶

The protracted occupation not only undermines the considerable state-building achievements of the last twenty years, but also puts into question EU principles and

⁹¹ In line with the Palestinian Ministry of Education and Higher education's priorities in basic education, the JFA is a pooled funding mechanism initiated in 2010 in the education sector through which 5 donors (BE, DE, FI, IE, and 1 non EU MS) contribute to the implementation of the Palestinian five-year strategic plan for education (EDSP). The JFA is an important step in aid effectiveness and harmonisation in Palestine as it enhances sector-wide approach to educational planning, management and implementation, and further strengthens ministry ownership.

⁹² The MDLF is a Palestinian semi-governmental institution, which is implementing the Municipality Development Programme (MDP). The MDP allocates grants to municipalities for capacity development interventions and capital investment projects. 9 donors (incl. 2 non EU MS) are currently contributing to the second Phase of the Municipal Development Programme (MDP II – BE, DE, DK, EUREP/EC, FR, NL, SE + CH + World Bank) via the MDLF.

⁹³ UNSCO's 2011 report to the AHLC concludes that "in the limited territory under its control and within the constraints on the ground imposed by unresolved political issues, the PA has accelerated progress in improving its governmental functions. In six areas where the UN is most engaged, governmental functions are now sufficient for a functioning government of a state. This reaffirms the World Bank's assessment in September 2010, noted by the Quartet, that 'if the PA maintains its current performance in institution-building and delivery of public services, it is well positioned for the establishment of a state at any point in the near future'. UNSCO, 2011.

⁹⁴ Final Report of the "Evaluation of the EU's Cooperation with the occupied Palestinian territory and support to the Palestinian people: "The Evaluation collected abundant evidence that the goals of the EU have been seriously hampered by "binding constraints," the most significant being the Israeli restrictions of occupation and allocation of resources for settlements, but also including Palestinian political divisions and the absence of democratic process". Volume 1. Executive Summary, page viii.

⁹⁵ EC, 2014.

⁹⁶ Paragraph 7 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

credibility.⁹⁷ As mentioned by UNCTAD: *"The Palestinian economy is the economy of an occupied territory, and therefore – contrary to the claims of some observers – the efficacy of donor support has been undermined by occupation, not by the inadequacy of Palestinian National Authority policies or poor donor coordination. The fiscal burden of the humanitarian crises and the occupation-related fiscal losses have diverted donor aid from development to humanitarian interventions and budget support. No amount of aid would have been sufficient to put any economy on a path of sustainable development under conditions of frequent military strikes".*⁹⁸

In order to address these concerns the EU needs to act decisively to preserve the very possibility of a two-state solution. In addition, *"the lack of a complementary and effective political track involving Israel - what this Evaluation refers to as **"triangulation"** - has limited the Cooperation's sustainable impact in achievement of the EU's overarching goals."*⁹⁹

The Government of Israel therefore plays a central role with regards to the key enablers of Palestine's development (e.g. borders, development in Area C, transfer of fiscal revenues). A large amount of the PA's potential financial resources cannot be accessible due to a **lack of implementation of certain provisions of the Paris Protocol by Israel.**¹⁰⁰ Israel imposes a planning and zoning regime in Area C and East Jerusalem, which the UN Secretary General has defined as restrictive, discriminatory and incompatible with requirements under international law¹⁰¹ which also hinders donors support in development projects in Area C.

Additionally, the **operational space required by humanitarian and development actors** supported by donors to successfully implement their activities (movement of materials, permits for personnel, etc.) is **to a large extent determined by Israeli practices**, which are unpredictable and change over time, and a **worsening** of the situation has been observed. This is the case for example in the Gaza Strip where, against IHL that foresees that an occupying power should not prevent assistance from reaching protected population, part of EU's support has been in some cases prevented by Israel to reach vulnerable Palestinians.¹⁰² Some reports also point out on how international aid efforts can in some cases **reinforce the Israeli economy** – leading to the following question raised in Aid Watch Report of 2015: *"The question that arises is not only whether aid is effective, but whether it also causes harm".*¹⁰³

Policy makers and development partners therefore need to balance developmental ambitions with **measures to mitigate the adverse effects of the occupation**, providing basic services and **upholding Palestinian rights to live and move freely, in particular in Area C, East Jerusalem and the Gaza Strip** (e.g.: closure of the Rafah Border Crossing, which is perceived by many Gazans as a collective punishment and violation of their human dignity). The continued occupation (the major obstacle to poverty reduction as previously mentioned) also explains that programming in Palestine **increasingly needs relief type activities** (e.g. for food security) more typical of low income countries or fragile states.

A political horizon (with peace prospect) and political stability are imperative for social and economic development, but **also need to be accompanied with responsive and accountable institutions**. Many achievements have also being eroded with **Palestine slowing down the pace of reforms** or halting in a number of areas. The lack of democratic renewal has contributed

⁹⁷ "The European answer to date has been: no impact at all. True, statements condemning demolitions have taken an increasingly clearer tone of late, but the bottom line remains the same: statements alone, absent of action, continue to serve as an implicit green light for Israel to proceed unchecked. And Israel does." El-Ad, 2016.

⁹⁸ UNCTAD, 2015.

⁹⁹ EC, 2014.

¹⁰⁰ World Bank, 2016.

¹⁰¹ OHCHR, 2014: § 11-20.

¹⁰² As third-party states, the EU and its MS also have legal obligations to "respect and ensure respect for IHL in the West Bank and the Gaza Strip, on the basis of their obligations under the common Article 1 of all four Geneva Conventions.

¹⁰³ Hever. 2015.

to the reversal of positive trends in the state building process. **Continued strengthening of the capacity of PA's institutions is thus central to stability and service delivery and accountability** (as well as to being a competent and credible partner in the two-state solution). State audit functions need to be significantly strengthened and expanded, land registration and tax collection should be improved and Palestinians pro-actively brought into public decision-making through democratic processes. The PA also needs to continue addressing challenges associated with the **growing needs of the Palestinian population, especially in the social sector**.¹⁰⁴ European development partners note however the PA's continued progress in some areas, for example increasing revenue collection by 9% in 2015.¹⁰⁵

Over the years, UNRWA has made substantial contributions to the development and humanitarian needs of Palestine refugees, even under the challenging circumstances. UNRWA's reform efforts in the areas of education and health have enhanced the quality of services being delivered and have had greater impact on the refugee population. However, UNRWA's role as a pillar of stability in the region was put at risk in 2015 when severe funding shortfalls threatened to close down UNRWA's educational programme and delay the return to school of some 500,000 children. Thanks to exceptional additional contributions from donors including from the EU, the school year could begin according to schedule with 685 schools benefiting half a million pupils across the region. In 2016, UNRWA's financial challenges continued despite an Agency commitment to a zero growth in budget, reform initiatives and cost containment measures. Overall, successive funding shortages and subsequent austerity measures and cost reductions have prevented UNRWA programmes from expanding in tandem with the growth in the refugee population and their needs. The challenge UNRWA faces in the coming years to improve financial stability while continuing to address critical needs and ensuring quality services is enormous. Nevertheless, there is agreement that UNRWA's core services in terms of ensuring children's access to quality education, providing quality primary health care and providing an appropriate level of assistance to Palestine refugees who cannot meet basic needs must be protected and sustained.

4.3. Rationale of the first European Joint Strategy

The achieved mixed results lead EU/MS to reflect on the **relevance and effectiveness of the approach and development tools used in the past years**. Most importantly, traditional development tools in such a unique context cannot remove the fundamental obstacle to Palestinian development.

Despite these constraints, the key objective of European development cooperation remains the **contribution towards the establishment of a future Palestinian State**. As for the Palestinian NPA, the working assumption for the first European Joint Strategy is that this goal will not be achieved by 2020 and that Palestine will remain under occupation over the next years.

The European development partners **commit to the present European Joint Strategy**, which is a first attempt to **bring about a change** in the way we **collectively** address Palestinian development priorities and needs. It fully seeks to respond to the **NPA** that sets out a unified vision for social and economic development in Palestine from 2017 to 2022. It is therefore an **opportunity for us to come together in one team** in support of Palestine's own planning.

The uniqueness of the context explains that the **political dimension** of the European Joint Strategy is so strong. It aims at affirming and defending the **shared vision of European actors** in Palestine, as well as ensuring the **convergence** between the development work and the political objectives of the EU. Together with the NPA, both strategic documents are also solid

¹⁰⁴ The Palestinian population projections show that the population will double between 2015 and 2050, even with decreasing fertility rates, UNFPA, 2016.

¹⁰⁵ World Bank, 2015.

foundation for a strong dialogue on **fundamental human rights, environmental protection, democratic governance and gender equality**.

European development partners agreed that this European Joint Strategy should **be more focused and result-oriented**. Substantial efforts have been made to ensure that **fewer and more closely linked sectors** are covered and that **more synergies** between the various sectors and priorities are achieved.

European development partners commit to the following principles to guide our work in the coming four years:

- To implement as much as possible the **Agenda 2030 for Sustainable Development** and ensure close linkages with strategies developed by other international partners on the ground;
- To take a **citizen-oriented approach** and include more systematically and closely **vulnerable members** of society such as vulnerable women, refugees, marginalised communities, people living under the poverty line, also in line with our duty bearers responsibilities;
- To ensure that **delivering more for children/youth** (at a cultural, economic and political level) increasingly features in our public policy and programme design. During the implementation of the European Joint Strategy, additional focus should in particular be devoted to address the needs of children/youth (including with disabilities), **as one of the most vulnerable groups, especially in relation to protection and violence issues**. Additional interventions could be planned to protect adolescent/youth and promote their participation and empowerment (e.g. through adolescent/youth-led community-based initiatives and entrepreneurial learning).
- To **mainstream persons with disabilities' needs**. The promotion of the rights of persons with disabilities requires interventions at different level: from support to the national efforts of the PA for the implementation of the 2011 UN Convention to awareness of EU staff on disability matters. Mainstreaming of persons with disabilities needs will be introduced within the different sectors of EU intervention, with a special attention to different kinds of infrastructure and education projects;
- To ensure that, in line with the EU Country Roadmap for Engagement with Civil Society,¹⁰⁶ the **participation of civil society in public policy formulation and monitoring of public policies implementation and delivery** is embedded in our approach. In addition, the EU and its Member States will continue to **empower local civil society efforts to enhance their internal governance, transparency and accountability**, as well as contribute to strengthen their ability to act as a watchdog. They will also contribute to strengthen their **financial stability** as well as to **enhance networking, interaction and communication between local Non-Governmental Organisations (NGO) located in West Bank (including Area C and East Jerusalem) and the Gaza Strip** (especially support to platforms and networks);
- To **adopt progressively a Rights Based Approach (RBA)** to our development programming.¹⁰⁷ Human rights based programming should develop the capacity of **duty-**

¹⁰⁶ EU, 2014.

¹⁰⁷ "The Council underlines that respect for and protection and fulfilment of human rights is a prerequisite for achieving sustainable development... [a rights-based approach] is promised on human rights principles and standards bring both a means and a goal of effective development operation" foreign Affairs (Development) Council meeting, Brussels, 19 May 2014.

bearers to fulfill their obligations and of **rights-holders** to claim their rights; it also means to focus more on vulnerable groups and does align very well with the Agenda 2030 “living no one behind”. The EU Joint Strategy's RBA is facilitated by the circumstance that **Palestine has joined several human rights treaties as a state without reservations**. This also means that strong practical support is required for the implementation of these treaties by the Palestinian authorities. For this purpose, the use of the “Manual for Human Rights Education: Understanding Human Rights”¹⁰⁸ should be encouraged, which has been issued on the initiative of the group of the UN member states united in the Human Security Network”¹⁰⁹;

- To increase the **quality, effectiveness, and coherence of sector-specific policy dialogue** and reduce transactions costs to the government of donor assistance – in line with the Aid effectiveness principles set out in Paris and Accra Agenda as well as the Busan Partnership;
- To deliver better value for money by focusing more on addressing systemic and immediate operational challenges. This necessitates greater attention on strengthening **good governance, accountability and transparency**, as well as improving policy dialogue on shared challenges. Policy dialogue is central to supporting national planning and oversight mechanisms, as well as strengthening donor alignment and harmonisation;
- To ensure that the **projected population trends** and their impact on economic growth and social services in Palestine are well-integrated in our interventions;
- To **remain flexible in terms of approaches and choice of instruments**, so that we are still able to act in the event of unforeseen developments. In this connection, the approach that is followed under European development cooperation is one that is **context- and conflict-sensitive**, based also on the **principle of “do no harm”** – and the EU partners will need to ensure that this principle can be as much as possible implemented in the Palestinian context;
- To **monitor experiences of CSOs on a regular basis**, to stay informed about the enabling and disabling trends in Palestine and Israel, to conduct separate research on the enabling environment for civil society in the Gaza Strip;
- To **encourage the PA to improve its consultation mechanisms to involve CSOs** in the design, content and implement of development plans and other policies and measures of national importance;
- To **encourage the PA to respect the freedom of assembly, freedom of association and the right to physical integrity**;
- To **support the PA** in ensuring that it increases **transparency on government budget and decision making**;
- To ensure that the **Government of Israel complies with international human rights law and international humanitarian law**, to **respect the freedom of expression, of assembly, of association and the right to physical integrity for all**, including for voices within civil society that advocate against the occupation and for the rights of Palestinians.

¹⁰⁸ RCHRS/ETC-GRAZ, 2014.

¹⁰⁹ Austria, Chile, Greece, Ireland, Jordan, Costa Rica, Mali, Norway, Panama, Slovenia, Switzerland, Thailand, and the Republic of South Africa (as an observer).

4.4. New approach and influencing strategies (tools)

The very specific and unique context in which European development practitioners operate in Palestine has led us to reflect on our role, the tools at our disposal (including their limitations) and on the **balance that should be kept between what can be realistically achieved on the ground and the need to ensure that Palestinians are still able to realise their civil, political, social, economic and cultural rights**.

In order to achieve sustainable outcomes, the EU should more than ever formulate joint responses that address key obstacles and that can **help reverse the negative trends** witnessed in the last decades.

On top of existing traditional developing tools, other existing and/or new tools should be developed/enhanced, aiming at a **closer alignment between the political and development dimensions of the work of European partners** in Palestine.

These new tools should specifically target the following five groups

- (1) **European actors** in Palestine and how to work together more efficiently to enhance coherence between the various strands of our work (development, political and humanitarian dimensions);
- (2) The **Palestinian Authority and Palestinian institutions** and how to further improve our policy-dialogue and reinforce common key messages;
- (3) **The Government of Israel** and how to increase consistency and speak with one voice in addressing Israel's failure to deliver on its obligations under international law, the de-development impact of its policies, the revenue collection system, etc.;
- (4) **International partners**, other key players such as the UN Family and regional actors on the ground and the region, in order to ensure wider coherence with their policies and approaches towards Palestine, as well as to prevent duplication, curb fragmentation and address how to mutually reinforce messages, advocacy and actions;
- (5) **The wider public**, both in Europe, Palestine and Israel, including civil society, so that the narrative of the European engagement and limitations in Palestine is properly conveyed and understood.

a) European actors

Our own working practices will need to be stepped up if the full potential of the first European Joint Strategy is to be exploited. This will require reconsidering the roles and responsibilities of each European actor with a revisited division of labour according to which each of us will have a clear defined role and stake in the implementation of the Strategy. There is also an understanding that at least two donors should be actively involved in each sector and that no sector or area should be left "orphan". The following tools will be considered:

- A **stronger framework for monitoring and evaluation** through: (i) yearly assessment conducted by the Pillar and Cross-Cutting Leads, as regards the implementation of the five pillars and the cross cutting themes; (ii) through an Annual Monitoring Report; and (iii) through a mid-term evaluation of the European Joint Strategy (in early 2019).
- A more systematic and regular development of **common messages** which can be used to advocate with various interlocutors: In the HoCs yearly workplan, more time will be devoted to discuss key issues affecting development work. The **role of the EU Informal Working Groups** will be enhanced with their work feeding also the development of common messages. These common messages will be brought to the attention to the

HoMs for their consideration and use. They should be brought to the attention of capitals by each EU MS to keep the focus on key issues and limitations of our cooperation in Palestine;

- An enhanced presence of Heads of Cooperation in the field with more **joint visits** to priority areas and adequate follow up to maximise visibility (e.g. press releases, newsletters, social media, etc.).

b) The Palestinian Authority and Palestinian Institutions

European development partners recognise the substantial and inclusive work the PA is undertaking through its new planning cycle 2017-2022, its commitment to enhance its own monitoring and evaluation system, its citizens' centered approach and its will to implement its international obligations. We acknowledge the implication of an overcrowded donors' context with a multiplicity of reporting, funding streams and implementation. For this to happen, we propose the following tools:

- An extension of the ongoing **Results Oriented Framework (RoF)** to cover all pillars of the European Joint Strategy as a tool to support and encourage Palestinian institutions with regards to their reform plans. As part of the RoF, a **high level policy dialogue** will be organised once a year to review the attainment of results under the RoF;
- A more systematic use of the **Rights-Based Approach to development**. The adoption by the PA of seven core human rights treaties in 2015 represent a great opportunity to strengthen the shift towards a more citizens' approach. European development partners commit a) to support the PA in the implementation of these human rights treaties, and b) to progressively adopt a rights based approach when designing bilateral programmes and projects. The first four Reports currently being finalised should provide a useful baseline;
- A commitment to **harmonise and align reporting mechanisms** and develop **joint implementation tools** to provide a more coherent voice and reduce transaction costs. There will be a reflection on the type of funding allocated to partners (including CSOs)¹¹⁰;
- A **continuous presence in Area C, East Jerusalem and the Gaza Strip** supporting Palestinian resilience and presence in these areas as well as preserving the Palestinian identity of East Jerusalem and the viability of the two state solution with Jerusalem serving as the future capital of both states in line with relevant Council Conclusions and HoMs reports.

c) The Government of Israel

European development partners are increasingly reflecting on their **obligations as third party with regards to the respect of international law**. The **military occupation** by the Government of Israel limits tremendously the impact of donors' aid and challenges our accountability towards our respective constituencies and beneficiaries. The occupation puts at risks the overall investments of the EU, as there is no sustainability, as well as the economic development and state-building. **Increased demolitions and confiscations of EU/MS-funded humanitarian and development assets** (notably in Area C) exemplify the damage to the

¹¹⁰ The issue of core funding, often excluded from EU/MS funding, is for instance often identified as a key challenge during our consultations with civil society organisations, notably in East Jerusalem.

donors' financial interests, create acute protection crisis for protected population and threaten to weaken IHL. A number of evaluations carried out by some partners highlight that the **lack of a complementary and effective political track involving Israel** - what is referred to as "triangulation" - has limited the cooperation's sustainable impact in achievement of the EU's overarching goals.¹¹¹ We will commit to:

- **Policy coherence**, so that we ensure that our various policies vis-à-vis Palestine and Israel are not conflicting with each other;
- A **stepped up approach** vis-à-vis the Government of Israel (in particular COGAT/Coordination of Government Activities in the Territories) in terms of **systematic and coordinated joint demarches** on various key issues affecting development cooperation (e.g. operational space for development actors, water and energy in the Gaza Strip, Area C, restitution of confiscated items, etc.). European development partners will regularly share information amongst each other, develop common messages and involve where appropriate missions in Tel Aviv;
- **Support Palestinian beneficiaries** by providing protection to Palestinian civilians, including humanitarian aid, respect of basic human rights (health, water, education, etc.) and legal assistance. In addition, when it comes to development in Area C, we will work towards a monitoring system enabling us to collect updated data (figures and related costs, trends, etc.);
- **Monitor and raise concerns** over the Israeli campaigns that discredit the work of human rights organisations, condemn the violence of groups of settlers in Area C against grassroots activists and CSOs active in the settlements and request secure transparent consultation mechanisms to involve CSOs in the design, content and implementation of policies and development plans, especially in East Jerusalem;
- Develop, in cooperation with our capitals, **legal and political/financial means** to deal with the actual demolition of European funded investments.

d) International partners

The European Joint Strategy is **not an exclusive process**. European Development partners work in Palestine alongside other important players on the ground, including donor countries, international agencies and International Non-Governmental Organisations. A number of important parallel processes are taking place at the same time. For instance, the UN family in Palestine is developing its new UN Development Assistance Framework (UNDAF 2018-2022) in partnership with the PA and also seeking alignment with the NPA. Donors' coordination through the current aid coordination has achieved a lot but partners recognise that the implementation of the NPA will require adjustments to the current set up to ensure greater coherence as well stronger reach out to non-traditional donors. We also recognise that joining forces with other international partners is important to progress the ambitious vision of our European Joint Strategy, in particular through the following:

- The development of **aligned advocacy messages** also based on solid Palestinian and international data and analysis that some of our partners can produce (e.g.: the NPA monitoring mechanism to be consolidated in 2017, Palestinian Central Bureau of Statistics, the Ministry for Foreign Affairs with regards the preparation of the HR Treaties reports, the bi-annual AHLIC Reports prepared by the IMF, the World Bank, the

¹¹¹ EC, 2014.

Office of the Quartet and UNSCO, as well as OCHA, UNHCHR, UNRWA and others). The impact of advocacy increases when it is done jointly;

- **Support the work of partners when implementing projects funded by European donors** in such a complex environment (with regards to the shrinking space for NGOs in Palestine and the operational impediments posed by the occupying power). European partners emphasize that they are **confident in their programmes and staff** and **maintain rigorous mechanisms to ensure assistance reaches those who need it most**;
- **Support the operations of UNRWA** in fulfillment of its mandate;
- **Reaching out to non-traditional donors** including regional actors strongly engaged in Palestine.

e) The wider public (Palestinians and Europeans)

As European Development partners we are accountable to both the **Palestinian people** we aim to support as well as our **own constituencies in Europe**. This requires us to be consistent over time in terms of our messaging and actions and reporting. Joint Programming should help **enhance our consistency**. With regards to Palestinians, our message is that despite our constraints and limitations, we are supporting their quest for self-determination and their aspiration for a better life. With regard to our own European citizens, we have the task to put forward a non-distorted narrative related to our engagement to Palestine and the asymmetrical relations between Palestine and Israel in the Middle East Peace Process (MEPP). **Palestinians themselves hardly controls the narrative and communication about Palestine**. These messages and narratives that can help enhance our credibility will be communicated as follows:

- A **more concerted advocacy campaign** both towards the Palestinian and the European public (including the Palestinian diaspora) explaining why Europe is doing what it is doing, what are the objectives of its aid and what is happening to its aid through wider use of publications, media tools, press releases, social media as well as exhibitions in Europe. European tax payers need to be explained **obstacles to development and humanitarian aid, and the risks regarding the two-state solution**. In addition, as the EU has a state-building agenda, it is also important that we describe **why this goal is currently at risk** (and increasingly so). The protection challenges faced on a daily basis by Palestinian civilians under occupation, in particular risks of forcible transfers and demolitions, should also be explained. **This also means that limited sustainability and greater risks have to be understood and accepted**;
- Through **engaging in culture**. In a society deeply affected by the occupation, **creativity and freedom of expression** are vital elements in keeping hope alive and providing an opportunity – especially for the young – to express themselves and to have a positive image of their culture/identity. We should promote Palestinian culture by supporting Palestinians – to reflect on their cultural and artistic traditions and heritage and the different narratives that have shaped the past and will determine the future; by encouraging wide participation in cultural activities as part and parcel of **greater civic engagement** and by **promoting values** such as tolerance, respect for diversity and respect for human rights and fundamental freedoms.

5. Choice of areas of interventions and priorities

A lot of attention has been put to come up with a more **focused and result-oriented** Joint Strategy. European development partners agree that the **NPA and its related Sectoral Strategies** are the key reference documents to support the establishment of a viable Palestinian State. The **2030 Agenda for Sustainable Development** also represents a new common reference point to engage with our partners and frame global support towards sustainable development and poverty eradication.

The choice of areas of interventions and priorities is based on previous and current engagements and addresses mainly the PA and Palestinians, and to a certain extent the Government of Israel as a duty bearer. It is fully aligned with the NPA three Pillars:

(i) Support to the **establishment of an independent, democratic, contiguous and viable Palestinian State**, living side by side in peace and security with the State of Israel (the two-state solution). These efforts will focus on building the capacity and credibility of state institutions and will therefore contribute to the achievement of the first Pillar of the Palestinian NPA "**Path to Independence**" (that includes three national priorities: *1. Ending the occupation, achieving our independence; 2. National unity; and 3. Strengthening Palestine's international status*) and to the second one "**Government reform**" (that includes two national priorities: *1. Citizen-centered government; and 2. Effective Government*);

(ii) Support to the **welfare to all Palestinians**. These efforts will focus on assisting the achievement of the third Pillar of the Palestinian NPA "**Sustainable development**" (that includes five national priorities: *1. Economic independence; 2. Social justice and Rule of Law; 3. Quality education for all; 4. Quality healthcare for all; and 5. Resilient communities*).

Based on the above, the European donors will be focusing their programming on the following five **Pillars that best represent the confluence of European and Palestinian priorities**. These Pillars are **closely interrelated**:

1. Governance Reform, Fiscal Consolidation and Policy
2. Rule of Law, Justice, Citizen Safety and Human Rights
3. Sustainable Service Delivery
4. Access to Self-Sufficient Water and Energy Services
5. Sustainable Economic Development

The first two Pillars (1 and 2) focus on building the capacity and credibility of state institutions for a viable Palestinian State. Pillar 3 focuses on protection and service delivery to citizens, particularly the most vulnerable and those most affected by the occupation. The final Pillars (4 and 5) focuses on addressing the key water and energy security bottlenecks and investing in economic opportunities and agriculture with clear attention to give ownership, enable control and create opportunities to Palestinians and particularly its burgeoning young population.

The Pillars improve **democratic governance** *inter alia* through partnerships with the civil society and the private sector, improving transparency and accountability of state and civil society institutions. This approach also mainstreams the **EU's gender action plan and civil society road map**, based on extensive consultations. Additionally, the human rights approach has been mainstreamed in all five Pillars, as well as a **conflict sensitive/peace building approach** that addresses the state of fragility and fragmentation in Palestine. Pillars were selected based on **comparative advantage of European donors** based on historical and current division of labour arrangements and a European donor consensus on the priority of promoting the use of a **Results Oriented Framework**.

One land: The Pillars also cater for concrete interventions across the whole of Palestine.

European development partners do acknowledge the challenges posed by the fragmentation of the territory (between Area A, B, C and East Jerusalem in the West Bank, and between the West Bank and the Gaza Strip). They commit to ensure the cohesiveness of the Palestinian territory and treat Palestine as one land. They call for the end of the closure in the Gaza Strip, as the main impediment to its social and economic development. They reiterate the necessity of continued EU engagement in **Area C**, of crucial importance for the political and economic viability of a future Palestinian State. Jerusalem as the future capital of two states remains a key objective aiming to strengthen the resilience of **East Jerusalem** residents – nonetheless as an important as economic hub – and preserve the Palestinian character of the city.

Support to Palestine refugees: European development partners will continue to provide extensive support to Palestine refugees through funding allocated to UNRWA and its operations across the Agency's five fields of operations (West Bank, Gaza Strip, Jordan, Syria, and Lebanon) as a key partner in the European Joint Strategy.

Pillar 1: Governance Reform, Fiscal Consolidation and Policy (Macroeconomic Support and Public Finance Management, Public Administration Reform and Local Government Reform)

European development partners will support the PA to **build capable, accountable, and responsive institutions which are fiscally sustainable**. This will help to sustain the institutions of a future Palestinian state, which will be a **partner for peace** in any negotiations so helping to preserve the viability of the two-state solution. It will also strengthen the ability of the PA to **continue to deliver basic services in an equitable manner** and to **fulfil its obligations in line with the international human rights treaties and conventions it has signed up to**.

The Pillar is divided into three sub-sectors: (i) **Macroeconomic Support and Public Financial Management**; (ii) **Public Administration Reform**; and (iii) **Local Government Reform**.

(i) **Macroeconomic Support and Public Financial Management:** The PA faces a severe and growing fiscal crisis, and remains vulnerable to major fiscal shocks. It urgently needs to introduce further PFM reforms, cut expenditure and raise revenue. It has made good progress in reducing the recurrent deficit in recent years, including through controlling the wage bill and expanding the tax base. It has also made progress on PFM and anti-corruption reforms, although significant challenges remain including a failure to sufficiently formalise and institutionalise these achievements. Tax revenues remain substantially below potential. A PEFA assessment is due to be carried out in 2017, which will help guide PA reforms and donor support.

(ii) **Public Administration Reform:** The effort to strengthen public administration is hampered by the split between the West Bank and the Gaza Strip, which has led to two separate legal and administrative setups. There have been repeated efforts to reintegrate the two administrations, which have so far failed. Civil servants in the Gaza Strip employed by the Hamas post-2007 are paid infrequently, which impacts service delivery. The PA needs to undertake public administration reforms to help build capability and accountability at all levels of the PA's institutions. This includes institution-building at the centre-of-government to strengthen policy and planning, long-term training of civil servants at the local and the central levels, and strengthening of social sector line ministries to underpin improved service delivery. It also includes reforming the civil service to ensure it is a modern, efficient and merit-based organisation. Reintegration (and sequenced reforms) of the West Bank and the Gaza Strip administrations should remain a priority although progress will likely largely depend on movement at the political level. However, without overcoming the intra-Palestinian split, these reforms will have only limited impact, particularly in the Gaza Strip.

(iii) **Local Government Reform:** Local Government Units (LGUs) form the backbone of public administration. They play a crucial role in facilitating local development and supporting Palestinian state-building. Legally mandated to provide 27 essential services and other functions, they are often the level of government citizens interact with most frequently,

impacting local living standards and influencing public perceptions of the PA. While the sector has benefitted from a number of initiatives and programmes, it continues to face considerable challenges: lack of fiscal resources, territorial and jurisdictional fragmentation, inadequate planning frameworks, lack of clarity with regards the roles, responsibilities and relationship between central and local government, etc. Efforts to foster greater functional and institutional inter-municipal cooperation and to merge smaller LGUs are also weakened by different approaches. Basic infrastructure needs remain a key priority, while the existence of rival authorities in the West Bank and the Gaza Strip hamper sector cohesion and performance. Room for improvement exists in policy formulation, sector oversight and donor coordination. Financial, legal, and administrative reforms that facilitate greater decentralisation remain a cornerstone of sector dialogue.

This Pillar addresses several **cross-cutting issues**. These include the promotion of human rights principles embodied in international treaties signed by the PA, such as participation, accountability and transparency. To do this, support to the civil society to more effectively exercise its oversight role will be key. Youth, women and girls are particularly marginalised. Ensuring their improved participation, including through increased representation in national and local decision-making bodies and gender responsive budgeting, will be key.

Pillar 2: Rule of Law, Justice, Citizen Safety and Human Rights (Justice, Safety and Human Rights legislation)

Viable, capable and accountable Palestinian Security and Justice Sectors are key elements of a future Palestinian State ensuring that its **citizens are safe and secure while living in peace** alongside Israel. Moreover, a growing body of evidence has demonstrated that the lack of safety, security and justice directly leads to poverty and underdevelopment. Safety, security and justice are fundamental to ensure economic development and the legitimacy of a state and foster societal trust in conflict-affected countries. The occupation of Palestine and Palestinian internal political divisions contribute to a situation where the PA Security and Justice Sectors face unparalleled complex arrangements and responsibilities, both in terms of: (i) access and movement restrictions; and (ii) the legislative frameworks applicable to Palestinians.

The Pillar is divided into two sub-sectors: (i) support to the **Justice Sector**; and (ii) support to the **Security Sector**. Both are **closely inter-related** and will focus on:

(i) Clarifying the legislative and institutional framework to ensure sustainability of the justice and security sectors: There is still a need to design a comprehensive reform approach related to the sectors. Despite efforts to rationalise the legal framework of the PA Security Forces and the Justice system, the framework remains incomplete and lacks coherence. There is a need to clarify and define further justice and security sector governance (e.g. status of the public prosecution, status of the police, family courts, mandates of the Ministry of Justice (MoJ) and the High Judicial Council). Further steps should be taken to institutionalise the legislative process including systematic consultation on draft laws and legal initiatives, especially with relevant stakeholders and civil society institutions. Laws also need to be checked on their compatibility with the international treaties to which Palestine has acceded and arrangements have to be made to make the system work in line with international requirements.

(ii) Enhancing accountability and transparency of the security and justice sectors: The PA Security Forces employ an estimated 64,000 personnel. Addressing the sustainability of the PA security apparatus will take time and will require steps to improve the financial accountability of the PA Security Sector and sector-wide human resources management. At the same time, there is a need for increased personnel, in particular women, in both the Civilian Police and Judicial Police. The justice sector is smaller both in terms of personnel as well as allocated budget, and suffers from understaffing in most of its institutions. Structural organisational reform is needed, in particular at the level of MoJ, for the ministry to be able to fulfil the full spectrum of its role and functions, and to lead the adoption and implementation of key structural reforms in order to

improve governance, oversight and accountability in the sector. In this regard as well as from the point of view of increased transparency in sector governance, the ability to investigate and prosecute cases of corruption with full transparency is key. There is also a need to build an enhanced capacity to investigate and prosecute security related crimes while adhering to international standards of due process and the rule of law.

(iii) Strengthening the protection and promotion of human rights of all Palestinians, including the most vulnerable groups: While emphasis was placed on meeting the reporting obligations, Palestine needs to step up the implementation of the obligations deriving from the human rights treaty accession. This will facilitate overcoming current human rights concerns such as the right to a fair trial from the justice perspective and accountability and transparency from the security perspective. Since security, justice and human rights are closely interlinked there is a need for better cooperation and coordination between the security and justice sector, leading to increased human rights compliant service delivery of both sectors.

This Pillar addresses several **cross-cutting issues**. CSOs play a key role in holding duty bearers in the justice and security sector accountable and need to be supported in their efforts to increase transparency and combat corruption. In all institutions, there is a need to increase the number of women at the frontline of service delivery as police officers, prosecutors and judges. By applying a human rights based approach, emphasis should be placed on enhancing the human rights of the most vulnerable groups such as women and children. Notwithstanding the PA's will to strengthen gender equality and women's rights, women and girls continue to experience violence at home and within the society.

Pillar 3: Sustainable Service Delivery (Education, Health and Social Protection)

Major barriers to the provision of quality services in health, education and social assistance remain associated to the PA's fiscal difficulties, limited capacities and skills, institutional constraints and the state of the infrastructure. External factors such as the fragmentation of service delivery (geographically and amongst service providers), the provision of services under occupation and high income and social inequalities represent **additional constraints**. At current growth levels, the Palestinian population is expected to increase by over half a million over the next decade, which will in turn increase pressure for the delivery of health and education services but also for access to employment opportunities and safety nets to cushion the effects of the underlying socio-economic crisis. Recognising the **role played by social services as a key institution of the Palestinian State**, the priorities of the NPA articulate around a **responsive government** that promotes locally-based service delivery with increased public-private partnership, a social protection framework that focuses on the **socio-economic inclusion of the poorest and most vulnerable and quality education and health for all**. In line with these national priorities, **ensuring the equitable and inclusive access of all Palestinians to quality social services remains a priority**.

The Pillar is divided into three sub-sectors: (i) support to the **Education Sector**; (ii) support to the **Health Sector**; (iii) support to **Social Protection**.

(i) Education sector: The overall aim is to provide quality education services for all Palestinian children in a safe and protected environment. The provision of inclusive and equitable access to education all levels is a key strategy towards achieving this. At the same time, there is a need to improve the quality of education through the development of a student-centred teaching and learning pedagogy and environment. These two sector objectives can only be achieved with an enhanced, accountable and results-based management and governance of the sector.

(ii) Health sector: Interventions will seek to strengthen the health system functions and to reinforce the healthcare service provision. The achievement of universal health coverage requires reforming the governmental insurance scheme with financial risk protection for people who need to use the services, and improving efficiency in strategic purchasing. The Primary Health Care system should adopt the Family Medicine approach with integration of vertical services to assure the continuity of care and reinforce the prevention programs to better tackle

non-communicable diseases and multi-morbidity. Moreover, enhanced quality of women and child healthcare, improved access to services for marginalised groups, and a better control of environmental and social risk factors are envisaged to promote health as a fundamental human right – a priority need for Palestinians under occupation.

(iii) **Social protection:** enhancing the social protection framework remains an important investment for the EU. In line with national and sector strategies, priority interventions will build on and continue the work of previous achievements, including regular and predictable support to the budget of the cash transfer programme as a means of helping the PA meet its recurrent expenditure whilst it moves ahead with structural and policy reforms and reinforce the capacity of the Ministry of Social Development at institutional and policy levels to meet best practices in the area of social policy and poverty reduction - with a focus on strengthening policy planning and monitoring, the direct service delivery at the local level (including de-concentration) and rationalisation of local partnerships (including social accountability).

This Pillar addresses several **cross-cutting issues**. It will focus on access to services by the most vulnerable strata of the population in line with the Right-Based Approach. Particular attention will be given to women and girls, children, elderly and persons with disabilities.

Pillar 4: Access to Self-Sufficient Water and Energy (Infrastructure and Institutional Focus)

The **provision of self-sufficient, equitable, affordable and sustainable access to energy, safe water and sanitation services for all** will be supported with the explicit target of improving access to water and waste water services particularly with a particular focus on vulnerable and marginalised populations. Additionally, access to electricity will be improved and expanded through increasing predictability and improving the use of renewable electricity generation and energy efficiency. Moreover, Palestinian statehood heavily relies on the control, predictability and availability of energy as a key enabling factor to all sectors. Since the 1995 Oslo II Accord, Israel has taken control of over 80%, of all water resources in the West Bank, and the limited access to water and sanitation in the West Bank and the Gaza Strip is a growing concern, with the management of transboundary waters a key unresolved issue. European donors will support: (i) Palestinian national institutions and service providers to improve the operation of water and wastewater infrastructure to ensure adoption and application of quality standards, affordable and cost-covering water tariff systems, and improved collection rates. With regard to electricity, Palestine is fundamentally dependent on Israeli imports in a context of limited generation capacity and constrained control over its land and borders; and (ii) the PA to improve energy security and increase independence in the energy sector, amongst others through developing renewable energy.

This Pillar is divided into two sub-sectors: (i) support to the **Water Sector**; and (ii) support to the **Energy Sector**.

(i) **Water sector:** In response to Policy Priorities of the NPA and on the basis of the Palestinian Water Law, EU and MS will continue to support national institutions and service providers in: improving the sustainable operation of water and wastewater infrastructure and the management of water resources, as well as improving sustainable access to water supply and wastewater systems by contributing to the rehabilitation and construction of water wells and distribution/collection systems, sewerage networks, desalination and wastewater treatment plants.

(ii) **Energy sector:** In response to Policy Priorities of the NPA, EU and MS will focus on providing access to affordable, reliable and resilient energy services to end consumers, improving the financial sustainability and regulation of the energy sector and putting forward specific policies and innovative actions to promote the green economy, access to energy services for marginalised groups and participation in the decision-making process.

This Pillar addresses several **cross-cutting issues**. By connecting peripheral communities to water networks and centralised wastewater treatment plants as well as focusing on the Gaza Strip, European development cooperation also supports the PA in giving priority to marginalised localities and low-income areas thereby addressing distributive justice and the rights of vulnerable groups, also taking into account the gender implications of care burdens. By supporting the PA in implementing the Palestinian Gender Strategy in the Environment Sector focusing on Water and Solid Waste Management (2013-2017), the EU and its MS aim at promoting gender participation equality and equity in the sector on the policy level, the institutional level, and the project planning processes at the local level. The EU and its MS also support the PA to implement recommendations of Human Rights reports related to water and sanitation in particular in relation to the International Covenant on Economic, Social and Cultural Rights and Convention on the Rights of the Child treaties.

Pillar 5: Sustainable Economic Development (Private Sector Development and Agriculture)

The **Palestinian economy is heavily dependent** on donor support, the public sector, and trade with Israel. In addition, **access to natural resources and property is limited and exposed to gender based discriminations**. The EU will address these issues by promoting inclusive, sustainable and private sector led development across all economic sectors and in accordance with the objective set out in the NPA. The EU and its MS will **promote inclusive, sustainable and private sector led development and equitable access to natural resources, paving the way to economic independence**.

This Pillar is divided into two sub-sectors: (i) **Private Sector Development**; and (ii) **Agriculture**.

Private Sector Development: The Palestinian private sector is characterised by a small number of large holding companies and many small size firms with limited productivity, low investment and scarce competition, in spite of remarkable capacity of local entrepreneurs to adapt to the wide-ranging political and economic constraints. The restrictions on access and movement imposed on goods and persons by the Government of Israel, the non-contiguous control of land by the PA and the lack of access to Area C have contributed to the development of small "insular" economies. The share in the economy of the two core sectors producing tradable goods (manufacturing and agriculture) has considerably shrunk over the last decades. The percentage value of exports to GDP of the Palestinian economy is among the lowest in the world. Exports are highly concentrated in low value-added goods and services, and trade is highly reliant on Imports from Israel. Gender based inequalities are still widespread. The EU support will focus on improving MSMEs competitiveness at the local and international levels, contributing to professional skills development, sustainable job creation and decent work and improving the participation of women in the economy and building the path towards a green economy.

Agriculture: Agriculture continues to play an important role in the lives of the Palestinian people, being a source of steadfastness, food security, livelihood resilience, economic growth, employment and social stability. It remains vitally important for all Palestinians, independent of the political environment and prospects, in particular for the expectation of economic recovery in a very non conducive environment. The EU support seeks to combine two simultaneous approaches: facilitate the conditions for equal and fair participation of small farmers in the competitive market-oriented agricultural and livestock system, mainly through reinforcing and reforming associations and cooperatives; and improve the capacity of the public sector and private businesses to produce and process agricultural products to international standards through work with the PA and a number of international organisations and donors. This includes working towards sanitary and phyto-sanitary standards and systems that meet the World Trade Organisation's expectations. Contesting the limitations of access to natural resources is an important component in the EU strategy, but a closer link to environmental

impact and water sector governance could be explored in the future to emphasise the weight of agriculture in those two sectors.

This Pillar addresses several **cross-cutting issues**. Gender based inequalities are clearly taken into consideration. The EU strategy for rural development also accommodates the pressing needs of populations in Area C, including humanitarian and emergency considerations, to prevent the forced displacement of entire populations in the Jordan Valley, the periphery of East Jerusalem and the South Hebron Hills mainly.

Monitoring and Evaluation

The European Joint Strategy includes a **framework for joint monitoring of implementation and results against agreed indicators** (see Joint Results Framework and the five Pillar Fiches), which are, and will be, predominantly drawn from the NPA and its Sectoral Strategies defined indicators and targets, in order to ensure alignment. The European development partners will support, and actively participate to, the monitoring and evaluation of the NPA as it will be the main mechanism for the monitoring and evaluation of this Joint Strategy. In addition, existing bilateral review mechanisms between European partners and Palestine will be maintained. A **mid-term review** or monitoring exercise will be carried out in 2019.

6. Conclusion

Despite the EU's declarations expressing concerns about the fragile situation in Palestine and the EU's commitment to the Middle East Peace Process, **some of the most significant obstacles to sustainable cooperation are far from being lifted**, leading to the *de facto* deterioration of the Palestinian situation. Attempts to achieve a long-standing political solution have so far failed. The achievement of the two-state solution is constantly being obstructed by new facts on the ground. These include illegal demolitions and settlement expansion, condemned at the EU's highest level, which are progressing with an alarming regularity.¹¹² As highlighted in the Report of the Middle East Quartet of 1 July 2016: *"This raises legitimate questions about Israel's long-term intentions, which are compounded by the statements of some Israeli ministers that there should never be a Palestinian State"*.¹¹³

More innovative approaches and development tools will therefore not be enough to reverse these negative trends, give back a meaning to the two-state solution, and rebuild trust between all parties. Only a **credible, realistic and brave political solution** can put an end to this protracted occupation and ensure that European development practitioners are able to effectively contribute to the two-state solution and to build sustainable livelihoods for all Palestinians.

¹¹² Plus 40% between 2015 and 2016, according to Peace Now.

¹¹³ OQ, 2016: 4.

7. Indicative Multi-annual Financial Allocations by Donor and Sector for 2017-2020¹¹⁴

	Governance Reform, Fiscal Consolidation and Policy	Sustainable Service Delivery	Rule of Law, Justice and Citizen Safety	sustainable Economic Development	Access to Self- Sufficient Water and Energy	Refugees/ UNRWA	Other Sectors (East Jerusalem, civil society etc.)	Total
Austria	-	-	-	-	-	-	-	-
Belgium¹¹⁵	14.5	17.4	-	-	1	8	5.9	46.8
Bulgaria	-	-	-	-	-	-	-	-
Cyprus	-	-	-	-	-	-	-	-
Czech Republic¹¹⁶	-	-	-	0.04	0.5	0.1	0,2	0.84
Denmark	20	-	15	22	-	40	-	97
EU¹¹⁷	358	259	-	86.3	111	333	86.3	1233*
Finland	-	15	-	-	2	18	4.5	39.5
France	36.5	-	-	53	25	24	65	203.5
Greece	-	-	-	-	-	-	-	-
Germany	60	-	-	55	125	-	-	240
Hungary	-	-	-	-	-	-	-	-
Ireland¹¹⁸	-	5.7	-	-	-	8	2.3	16
Italy¹¹⁹	-	-	-	-	-	24	-	85.5
Lithuania	-	-	-	-	-	-	-	-
Malta	-	-	-	-	-	-	-	-
Netherlands	-	-	55	35	20	75	25	210
Norway	80	20	-	-	10	80	150	340
Poland	-	-	-	-	-	-	-	-
Romania	-	-	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-	-	-
Spain¹²⁰	1	-	1.79	2.17	-	1	1.24 ¹²¹	11
Sweden¹²²	-	15	35	15	30	140	-	235
Switzerland¹²³	16.7	-	22 ¹²⁴	16.7	-	86	-	147.7
United Kingdom¹²⁵	-	-	-	-	-	-	-	169.8

* These amounts are indicative and will be adjusted according to Annual Programming exercises.

¹¹⁴ In EUR million.

¹¹⁵ These figures are estimative and do not take into consideration the planned new bilateral programming from 2018 onwards. Regarding UNRWA/refugees, it only covers 2017.

¹¹⁶ Covering the period 2017.

¹¹⁷ Indicative amounts based on the average allocation of EUR 1,109.7 – EUR 1,356.3 M

¹¹⁸ Covering the period 2017-2018.

¹¹⁹ 2017-2020: EUR 24 million for UNRWA and EUR 61.5 million for other Pillars (i.e. EUR 15.4 million per year).

¹²⁰ Covering the period 2017: Annual estimation for AECID and decentralised contribution.

¹²¹ Devoted to gender issues.

¹²² Covering the period 2017-2019. The calculation is based on EUR 1 = 10 SEK (December 2016).

¹²³ In Swiss francs, projections on basis of existing Cooperation strategy 2015-2018; support to EJ or civil society is mainstreamed in the thematic pillars.

¹²⁴ 53% of support to UNRWA is for Palestine.

¹²⁵ Covering the period 2016-2018: (a) £72 million for 1.04.2016 – 31.03.2017 and (b) £72 million for 1.04.2017 – 31.03.2018. According to the "inforEuro" rate of December 2016, £72 million amounts to EUR 84.9 million.

8. Joint Results Framework¹²⁶

Overall objective	Specific objectives	Overall indicators	Baseline	Target
Pillar 1: Governance Reform, Fiscal Consolidation and Policy Reform <i>To support the PA to build capable, accountable, and responsive institutions, which are fiscally sustainable</i>	Support Macroeconomic and Public Financial Management (SO 1.1.1)	PFM Strategy developed, approved, and implemented.	2016: 0	2020: 1
		Domestic revenue as percentage of the total PA expenditure.	2015: 21.4%	2020: TBC
	Support the implementation of public administration reform (SO 1.1.2)	NPA and sector strategies implemented are reviewed on an annual basis with appropriate consultation levels.	2016: 0	2020: 20
	Improve fiscal sustainability of LGUs and strengthen citizen participation in local governance (SO 1.1.3)	Number of LGUs using integrated financial management information system or a system providing the same core functions.	2016: 20	2020: 50
		Percentage of citizen satisfaction with LGU performance and service delivery.	2016: Assessment on-going	2020: 15% increase
Pillar 2: Rule of Law, Justice, Citizen Safety and Human Rights <i>To support viable, capable and accountable Palestinian Security and Justice Sectors</i>	Ensure access to fair justice and alignment of national and international legislations (SO 2.2.1)	Mainstreaming of the right to fair trial.	2016: 0	2020: 1
		Number of legislative initiatives advancing gender equality and human rights.	2016: No baseline	2020: TBC
	An accountable and affordable security sector, compliant with international human rights standards (SO 2.2.2)	Adoption of a legal framework defining mandates, roles and responsibilities.	2016: 4 laws covering PSO, GI, CD and the Law of Service	2020: Comprehensive legal framework covering all services
		Development of a clear community engagement strategy.	2016: 0	2020: 1
Pillar 3: Sustainable Service Delivery <i>To ensure the equitable and inclusive access of all Palestinians to quality social services</i>	Ensure access to quality education (SO 3.2.1)	Percentage of the gross Enrolment Rate (GER) in pre-school.	2016: 56.1%	2019: 70%
		Approval of a new curriculum framework integrating cross-cutting priorities.	2016: 0	2020: 1
	Improve equitable access to health coverage (SO 3.2.2)	Percentage of persons benefiting from governmental health insurance.	2015: 65.6%	2020: 85%
		Decrease of the maternal mortality rate.	2014: WB: 20% GS: 31%	2020: WB: 15% GS: 20%
	Reduce poverty through access to social protection (SO 3.2.3)	Poverty rate in Palestine.	2011: 25.8%	2020: TBC
		Proportion of vulnerable people receiving social services.	2016: TBC	2020: TBC
Pillar 4: Self-Sufficient Water and Energy Services <i>To ensure the provision of self-sufficient, equitable, affordable and sustainable access to energy, safe water and sanitation services for all</i>	Improve equitable access to quality water sources (SO 4.2.1)	Quantity of water from conventional and unconventional water resources (in mcm).	2014: WB: 103,8 mcm GS: 175,4 mcm	2020: WB: 235 mcm GS: 205 mcm
		Percentage of households connected to wastewater system or suitable on-site sanitation system.	2014: WB: 31% GS: 72%	2020: WB: 50% GS: 90%
	Improve equitable access to sustainable energy (SO 4.2.2)	Household expenditure on energy/GDP per household.	2015: 11.40%	2020: 10.40%
		Share of renewable energies in the national energy mix.	2012: 16.60%	2020: 17.60%

¹²⁶ The specific indicators will be reviewed following the PA publication of its sector strategies, in order to ensure the alignment of results.

Pillar 5: Sustainable Economic Development <i>To promote inclusive, sustainable and private sector led development and equitable access to natural resources, paving the way to economic independence.</i>	Revitalize the national economy through private sector development (SO 5.2.1)	Cumulated share of industry and agriculture in the GDP.	2016: 13.7%	2020:
		Unemployment rate.	2016: 26.9%	2020: TBC
	Reduce food insecurity through agriculture (SO 5.2.1)	Number of water sources for agriculture.	2011: 146 mcm	2020: TBC
		Percentage of food insecure households.	2014: 27%	2020: TBC
All Pillars	Process indicator	The European Joint Strategy is monitored regularly through inclusive and accessible processes, which reflect the participative nature of the Strategy and focus on the most marginalised groups.	2016: 0	2020: 4

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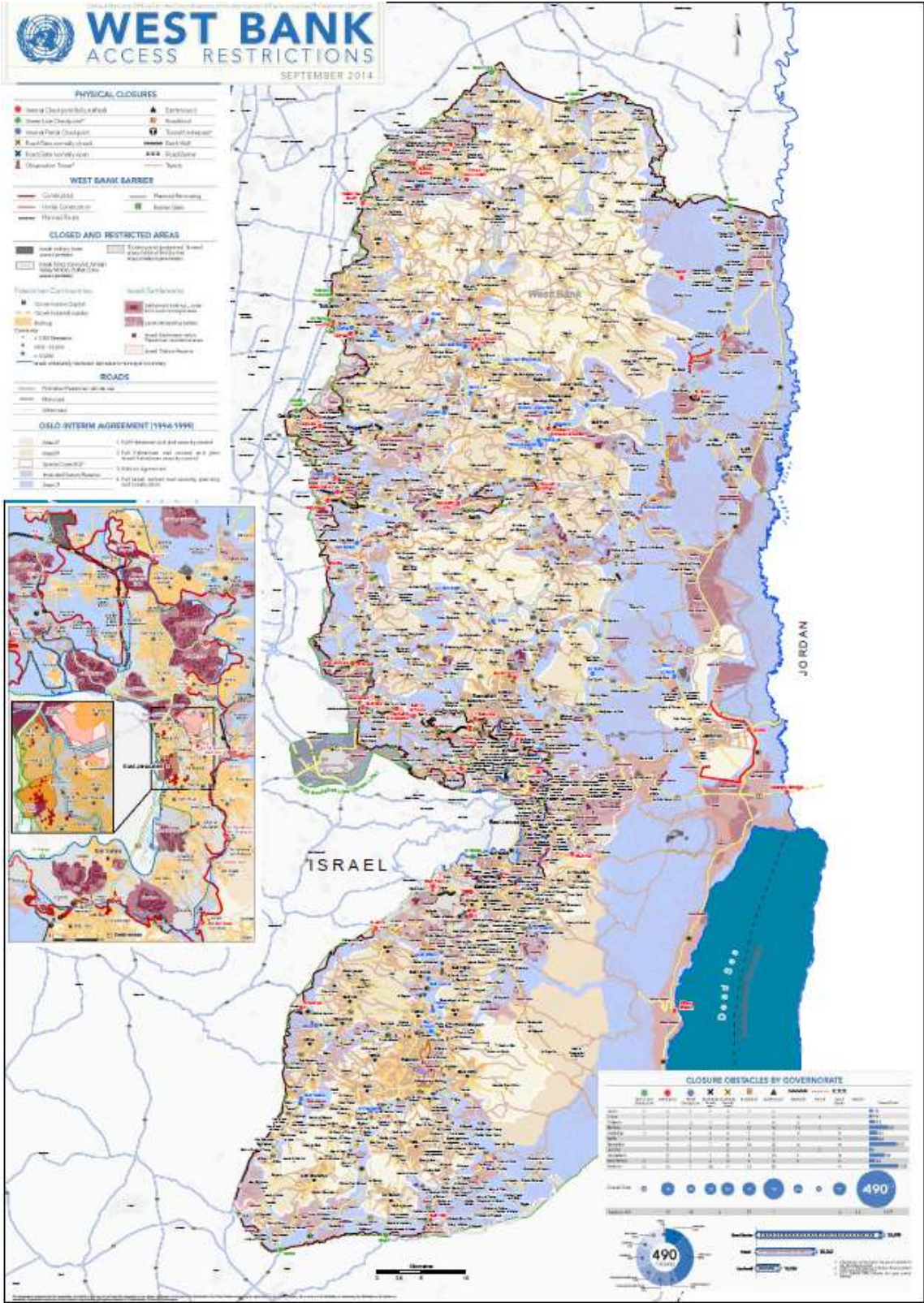
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Annexes

Annex 1: Maps



Map 1: West Bank Access Restrictions (Source: OCHA, September 2014)



Map 2: Gaza Strip Access and Movement (Source: OCHA, August 2016)

Annex 2: Council Conclusions on the Middle East Peace Process

18/01/2016	18:30	Press release	14/16	Foreign affairs & international relations
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1. The Council is deeply concerned that the continuing cycle of violence has led to a serious loss of human life in Israel and the Palestinian territory in recent months. The EU firmly condemns the terror attacks and violence from all sides and in any circumstances, including the death of children. The EU calls on political leaders to work together through visible actions to contribute to calm and address the underlying causes of the tensions. The EU recalls the special significance of the holy sites, and calls for upholding the status quo put in place in 1967 for the Temple Mount / al-Haram al-Sharif in line with previous understandings and with respect to Jordan's special role.

2. The EU urges all parties to refrain from any action that would worsen the situation by way of incitement or provocation and calls on the parties to condemn attacks when they occur and adhere strictly to the principles of necessity and proportionality in the use of force. It commends both sides for upholding security coordination in the light of an extremely challenging situation. The EU welcomes progress on the Duma investigation and calls for Israel to hold all perpetrators of settler violence to account. The EU also calls on both sides to jointly and resolutely fight incitement and hate speech, for instance by establishing a mechanism to consult on incitement along the lines of their previous commitments.

3. The EU is convinced that only the reestablishment of a political horizon and the resumption of dialogue can stop the violence. Security measures alone cannot stop the cycle of violence. The underlying causes of the conflict need to be addressed. The EU reaffirms its support to the Quartet calls for significant transformative steps to be taken, consistent with the transition envisaged by prior agreements, in order to restore confidence and rebuild trust. The EU urges both sides to implement these measures at the earliest juncture possible. A fundamental change of policy by Israel with regard to the occupied Palestinian territory, particularly in Area C, will significantly increase economic opportunities, empower Palestinian institutions and enhance stability and security for both Israelis and Palestinians.

4. The EU is united in its commitment to achieving a two-state solution - based on parameters set out in the Council Conclusions of July 2014 - that meets Israeli and Palestinian security needs and Palestinian aspirations for statehood and sovereignty, ends the occupation that began in 1967, and resolves all permanent status issues in order to end the conflict. It strongly opposes all actions that undermine the viability of the two state solution and urges both sides to demonstrate, through policies and actions, a genuine commitment to a two-state solution in order to rebuild trust and create a path back to meaningful negotiations. To this end, the EU will continue to closely monitor developments on the ground and their broader implications and will consider further action in order to protect the viability of the two-state solution, which is constantly eroded by new facts on the ground.

5. Securing a just and lasting peace, ending all claims, will require an increased common international effort. The EU, including through the action of its Special Representative, will work actively with all relevant stakeholders, including partners in the Quartet, notably the United States, in the region and in the United Nations Security Council, towards a renewed multilateral approach to the peace process. Recalling the spirit of dialogue and cooperation that presided over the Madrid Conference 25 years ago, the establishment of an International Support Group and a further international conference are both possible ways to contribute to this end. The EU recalls its willingness to engage further with regional partners on the basis of the Arab Peace Initiative which provides key elements for the settlement of the Arab-Israeli conflict as well as the opportunity for building a regional security framework.

6. The EU recalls that compliance with international humanitarian law and international human rights law by states and non-state actors, including accountability, is a cornerstone for peace and security in the region. The EU calls for the protection of children, including ensuring

the right to education in a safe and secure school environment. The Council highlights the importance of unhindered work of civil society both in Israel and the occupied Palestinian territory and follows recent developments in this regard with concern.

7. Recalling that settlements are illegal under international law, constitute an obstacle to peace and threaten to make a two state solution impossible, the EU reiterates its strong opposition to Israel's settlement policy and actions taken in this context, such as building the separation barrier beyond the 1967 line, demolitions and confiscation - including of EU funded projects - evictions, forced transfers including of Bedouins, illegal outposts and restrictions of movement and access. It urges Israel to end all settlement activity and to dismantle the outposts erected since March 2001, in line with prior obligations. Settlement activity in East Jerusalem seriously jeopardizes the possibility of Jerusalem serving as the future capital of both States.

8. The EU and its Member States are committed to ensure continued, full and effective implementation of existing EU legislation and bilateral arrangements applicable to settlements products. The EU expresses its commitment to ensure that - in line with international law - all agreements between the State of Israel and the EU must unequivocally and explicitly indicate their inapplicability to the territories occupied by Israel in 1967. This does not constitute a boycott of Israel which the EU strongly opposes.

9. The EU urges all Palestinian factions to engage in good faith in the reconciliation process which is an important element for reaching the two state solution. The EU will continue its support to Palestinian aspirations for Statehood. It is of the utmost importance that the positive results of the past are not lost and Palestinian institutions must continue to grow stronger, more transparent, more accountable and more democratic. The EU calls upon the government to work towards genuine and democratic elections for all Palestinians. Strong, inclusive and democratic institutions, based on respect of the rule of law and human rights, are crucial in view of the establishment of a viable and sovereign Palestinian State. To this end, the EU calls on all Palestinian factions to find common ground and to work together to address the needs of the Palestinian population.

10. The EU calls for all parties to take swift steps to produce a fundamental change to the political, security and economic situation in the Gaza Strip, including the end of the closure and a full opening of the crossing points, while addressing Israel's legitimate security concerns. Recent rocket fire by militant groups is unacceptable and underlines again the danger of escalation. All stakeholders must commit to non-violence and peace. The EU urges the Palestinian sides to make the reconstruction of Gaza an overarching national priority especially as regards to health, energy and access to water. The Palestinian Authority must fully resume its governmental functions in Gaza, as it is an integral part of a future Palestinian state. The EU welcomes the steps that Israel has taken to ease some restrictions on Gaza. However the lifting of restriction on movement of people, services and goods - particularly those designated as 'dual-use items' - is needed to allow reconstruction efforts and basic service delivery. The EU calls all parties, state and non-state actors to guarantee unimpeded humanitarian access to Gaza, as foreseen by international humanitarian law, for national, local and international humanitarian organizations, including EU bodies and Member States. The EU remains ready to engage with the parties and relevant stakeholders towards resolving the situation and calls on the international community to swiftly honour its pledges.

11. The EU reiterates its offer to both parties of a package of European political, economic and security support and of a Special Privileged Partnership with the EU, which offers substantial benefits to both parties, in the event of a final peace agreement. The EU underlines that the future development of the relations between the EU and both the Israeli and Palestinian partners will also depend on their engagement towards a lasting peace based on a two-state solution.

Source: <http://www.consilium.europa.eu/en/press/press-releases/2016/01/18-fac-conclusions-mepp/>

Annex 3: EU Member States Division of Labour

Pillar Fiche N°1: Governance Reform, Fiscal Consolidation and Policy Reform			
Specific Objectives	Macroeconomic Support and Public Financial Management	Public Administration Reform	Local Government Reform
Lead EU Donors	The EU	The UK	Denmark
Active EU Donors	France and the UK	The EU and France	Belgium, France, Germany, Sweden, the Netherlands, the UK and the EU
Like-Minded Donor Countries	Norway	Switzerland	Switzerland
Other Major Donor Countries	The US	-	-
Other Major Stakeholders	The World Bank and IMF	UNDP and UNSCO	US, Japan
Technical Advisers	EUBAM	EUBAM	The World Bank[1]

Pillar Fiche N°2: Rule of Law, Justice, Citizen Safety and Human Rights		
Specific Objectives	Justice Sector	Security Sector
Lead EU Donors	The Netherlands	The UK
Active EU Donors	The EU, Italy, Sweden, and the UK	The EU, Germany, Spain, Sweden, and the Netherlands
Like-Minded Donor Countries	-	-
Other Major Donor Countries	Switzerland, the US and Canada	Switzerland, the US (INL/USSC) and Canada
Other Major Stakeholders	-	-
Technical Advisers	EUPOL COPPS, EUBAM, OQ	EUPOL COPPS, EUBAM, OQ

Pillar Fiche N°3: Sustainable Service Delivery			
Specific Objectives	Education Sector	Health Sector	Social Protection
Lead EU Donors	Belgium, Finland	Italy	The EU
Active EU Donors	France, Germany and Ireland	Sweden and Austria	N/A [Austria, Belgium, Finland, Italy, Ireland and Spain <i>through PEGASE</i>]
Like-Minded Donor Countries	Norway	Norway	-

Other Major Donor Countries	The US and Japan	Japan	-
Other Major Stakeholders	The World Bank, UNESCO, UNICEF, and UNRWA	WHO, UNRWA, UNFPA, UNICEF, World Bank, and USAID	The World Bank, UNICEF and WFP
Technical Advisers	-	-	-

Pillar Fiche N°4: Self-Sufficient Water and Energy Services		
Specific Objectives	Water Sector	Energy Sector
Lead EU Donors	Germany	France
Active EU Donors	The EU, Austria, Finland, France, Spain, Sweden and the Netherlands	The EU, Czech Republic, Italy, the Netherlands and the EIB
Like-Minded Donor Countries	-	Norway
Other Major Donor Countries	Japan	China
Other Major Stakeholders	USAID and the World Bank	The World Bank
Technical Advisers	-	-

Pillar Fiche N°5: Sustainable Economic Development		
Specific Objectives	Private Sector Development	Agriculture Sector
Lead EU Donors	The EU	Spain
Active EU Donors	France, Germany, Italy, Sweden, the Netherlands, and the UK	The EU, Denmark, Italy, and the Netherlands
Like-Minded Donor Countries	-	Switzerland
Other Major Donor Countries	USAID, Canada, and Japan	Australia, Canada, and Japan
Other Major Stakeholders	IDB	USAID
Technical Advisers	-	-

[1] A number of UN institutions such as UNDP and UN-Habitat, supported among others by the EU and MS, also provide support to the sector at local and national level.

Annex 4: List of consultations

Consultations on the Pillar Fiches

PILLAR FICHE 1: Governance, Fiscal Consolidation and Policy Reforms					
Date	Title of the consultation	Areas of intervention	Type	Lead	Participants
27 July 2016	Consultation with Civil Society for the Pillar Fiches related to "Governance Reform, Fiscal Consolidation and Policy Reform " and "Service delivery"	Education and Social Protection	LACS	EU and DK	British Council, GIZ, PNIN, DCA/NCA, MoL, Finnish Rep Office, Al Nayzak, Juhoud, STC, Birzeit University, PCS TCC
July 2016	Consultation with MDLF Technical Team	Local Government	Bilateral	DK	
July 2016	Consultations with MoFP	Public Financial Management	Bilateral	EU	
July 2016	Consultations with GPC	Public Administrative Reform	Bilateral	EU, UK, DK	
July 2016	Consultations with SAACB	Public Financial Management	Bilateral	EU	
July 2016	Consultations with Minister for Local Government	Local Government	Bilateral	DK	
July-August 2016	Consultations with MoLG and MDLF	Local Government	Bilateral	DK	
August 2016	Consultations with PMO	Public Administrative Reform	Bilateral	EU	
August 2016	Consultations with EU MS sector donors	Local Government		DK	
August 2016	Consultations with General Director of Property Tax	Local Government	Bilateral	DK	

PILLAR FICHE 2: Rule of Law, Justice, Citizen Safety and Human Rights					
Date	Title of the consultation	Areas of intervention	Type	Lead	Participants
July 2016	Consultation with EU leads, active donors and cross-cutting leads	Security and Justice	Joint meetings	UK and NL	Switzerland, Italy, Germany, Sweden, Spain, EUPOL COPPS, EUREP
15 August 2016	Consultation with PA	Security	Joint meetings	UK; NL;	UK, MoI, EUREP

				EU	
23 August 2016	Consultation with the PA	Justice	LACS	UK; NL; EU	EUPOL COPPS, LACS, MoJ, HJC, AGO
26 August 2016	Consultation with the UN	Security and Justice	Joint meetings	UK; NL; EU	UN Women, UNDP, OHCHR, UNICEF, UNODC, UNOPS
15 August 2016	Consultations with other donors	Security and Justice	Written comments	UK	US-USAID-USS- INL Canada, Quartet, DCAF
31 August 2016	Final consultation with sector leads and active member states	Justice and Security	Joint meetings	UK, NL	UK, NL, Italy, Spain, Germany, Sweden, EUREP, EUPOL COPPS, Switzerland
17 August 2016	Consultation with Civil Society	Security and Justice	Joint meeting at ICHR	UK, NL and EU	Addameer, Al-Haq, AMAN, JLAC, QADER, Social and Economic Policies Monitor, MIFTAH, Musawa, SHAMS, PNGO, ICHR, WCLAC, Palestinian Centre for Policy and Survey Research, Birzeit University, PCRS, Federation of independent trade unions

PILLAR FICHE 3: Sustainable Service Delivery					
Date	Title of the consultation	Areas of intervention	Type	Lead	Participants
27 July 2016	Consultation with Civil Society for the Pillar Fiches related to "Governance Reform, Fiscal Consolidation and Policy Reform " and "Service delivery"	Education and Social Protection	LACS	EU and BE	British Council, GIZ, PNIN, DCA/NCA, MoL, Finnish Rep Office, Al Nayzak, Juhoud, STC, Birzeit University, PCS TCC
05 July 2016	Consultation with active EUMS, main development partners	Social Protection	Bilateral	EU	World Bank
June-July 2016	Consultation with Ministries (MoEHE, MoH and MoSD)	Social Protection	Bilateral	EU	
22 June 2016	Consultation with active EUMS, main development partners	Education	Bilateral	BE	Finland, Germany

21 June 2016	Consultation with Ministries (MoEHE, MoH and MoSD)	Education	Bilateral	BE	
15 June 2016	Consultation with active EUMS, main development partners	Health	Bilateral	IT	Sweden (several meetings), Norway, WHO
June-July 2016	Consultation with Ministries (MoEHE, MoH and MoSD)	Health	Bilateral	IT	
June-July 2016	Consultation with Civil Society	Health	Bilateral	IT	
18 May 2016, 03 and 15 June 2016, 11 and 14 July 2016	Consultation with cross-cutting leads (environment, gender, human-rights based approach and NSA)	All	Bilateral	BE; IT; EU	

PILLAR FICHE 4: Access to Self-Sufficient Water and Energy

Date	Title of the consultation	Areas of intervention	Type	Lead	Participants
14 June 2016	Consultation with PWA	Water	Joint meetings	DE	DE and PWA
13 July 2016	Consultation with Civil Society	Water	LACS	EU	7 NGOs (GVC, UAWC, Oxfam, PHG, ICRC, ACPP, and ARIJ) and the UPWSP
19 June 2016	Consultation with MoFP	Energy	Joint meetings	IT	IT and MOFP Directorate International Relations & Projects
20 June 2016	Consultation with PERC	Energy	Joint meetings	IT	IT, FR, PERC General Manager
20 June 2016	Consultation with WB	Energy	Joint meetings	IT	IT, FR, WB
20 June 2016	Consultation with PETL and PEA	Energy	Joint meetings	IT	IT, PEA Chairman, PETL General Manager, PETL Director of Operations
28 June 2016	Consultation with JICA	Energy	Joint meetings	IT	IT, JICA HoC, JICA

PILLAR FICHE 5: Sustainable Economic Development

Date	Title of the consultation	Areas of intervention	Type	Lead	Participants
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01 June 2016	Consultation with EU leads, EU active donors and EU cross-cutting leads	PSD and agriculture	Joint meetings	EU/ES	All active European donors and cross-cutting leads were invited. Participants included: Swiss, Demark, Holland, Italy (both as active donors and cross-cutting lead for gender), EUREP (cross-cutting lead on civil society) and France. Sweden provided written comments.
15 June 2016	Consultation with the PA (Ministries of National Economy and Agriculture), international stakeholders, civil society and business organisations	PSD and Agriculture	LACS	EU/ES	ACR, ARIJ, Canada, FAO, Federation of Palestinian Chambers, GVC, ILO, LACS, MoA, MoNE, OXFAM, Palestinian Federation of Industries (PFI), Palestinian Industrial Estate and Free Zones Authorities (PIEFZA), PARC, UNIDO, Paltrade

CROSS-CUTTING ISSUES					
Date	Title of the consultation	Areas of intervention	Type	Lead	Participants
14 July 2016	Consultation Workshop with Civil Society on Gender mainstreaming in the Palestine-European Joint Strategy 2017-2020 in support of and alignment with the National Policy Agenda 2017-2022	Gender	LACS	IT	
2 February 2016 and 18 May 2016	EU/MS and like-minded Informal Working Group on Environment	Environment	Internal	SE	EU/MS and like-minded donors

Consultations on the European Joint Strategy (draft 0)

Date	Venue	Participants
Consultations with the Business Community		
26 September 2016	Gaza	UK/DFID, Spain and the Netherlands
27 September 2016	Ramallah	UK/DFID, Belgium, Czech Republic, Denmark, Finland, Germany and the Netherlands
Consultations with the Civil Society Organisations		
26/09/2016	Gaza	Spain and the Netherlands
27 September 2016	Ramallah	Spain/AECID, Belgium, Czech Republic, Denmark, Finland, Germany, Italy, Sweden and the Netherlands
Consultations with the Palestinian Authority		
28 September 2016	Ramallah	Belgium, Czech Republic, Denmark, EUBAM Rafah mission, EUPOL COPPS, Finland, France, Germany, Ireland, Sweden, Switzerland, the Netherlands and the UK/DFID
Presentation to the EU Heads of Mission		
29 September 2016	Jerusalem	EU/MS HoMs
Consultations with international key players		
30 September 2016	Jerusalem	Austria, Belgium, Czech Republic, Denmark, EUBAM Rafah mission, EUPOL COPPS, Finland, France, Germany, Ireland, Italy, Sweden, Switzerland, the UK/DFID, UNSCO, World Bank, International Monetary Fund, Office of the Quartet, Canada and US Consulate. Apologies from USAID, Turkey, Japan and Australia.
11 October 2016	Jerusalem	USAID and Turkey – Bilateral meeting with EUREP.
10 November 2016	Jerusalem	Association of International Development Agencies (AIDA) – Bilateral meeting with EUREP.
13 November 2016	Jerusalem	UNICEF – Bilateral meeting with EUREP.
Consultations with EU Missions in Tel Aviv		
08 November 2016	Tel Aviv	DELTA – Bilateral meeting with EUREP.

Pillar Fiche N°1: Governance Reform, Fiscal Consolidation and Policy Reform

Alignment with the NPA/SDGs		
Pillar	National Priorities	National Policies
Government Reform	Citizen-Centred Government	Responsive Local Government
		Improving Services to Citizens
	Effective Government	Strengthening Accountability and Transparency
		Effective, Efficient Public Financial Management

Corresponding SDGs	
SDG 5	Gender Equality
SDG 10	Reduced Inequalities
SDG 11	Sustainable Cities and Communities
SDG 16	Peace, Justice and Strong Institutions

Corresponding Objectives of the EU Gender Action Plan 2016-2020	
6	Partnerships fostered between EU and stakeholders to build national capacity for gender equality
17	Equal rights and ability for women to participate in policy and governance processes at all levels
18	Women's organisations and other CSOs and Human Rights Defenders working for gender equality and women's and girls' empowerment and rights freely able to work and protected by law

1.1. Overall Objective of the Governance Reform, Fiscal Consolidation and Policy Reform Pillar

The Overall Objective of the Governance Reform, Fiscal Consolidation and Policy Reform Pillar is to support the PA to build representative, capable, accountable, inclusive and responsive institutions which are fiscally sustainable.

Rationale

During this programming cycle (2017-2020) we will support the Palestinian Authority (PA) to build **capable, accountable, and responsive institutions which are fiscally sustainable**. The pillar is divided into three parts:

¹²⁷ The target of the indicators specified below is 2020, unless indicated otherwise. In line with SDG 17 target 18, "the availability of high- quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts" will be progressively enhanced and reflected in the indicators of this document.

a) Macroeconomic Support and Public Financial Management

The PA faces a severe and growing fiscal crisis, and remains vulnerable to major fiscal shocks. Current debt levels are above 40% and the annual fiscal gap is expected to top USD 600 million in 2016. The fiscal crisis is a result of multiple factors including the failure to implement and/or update economic agreements established by the Oslo accords, a decline in budget support from USD 1.8 billion in 2008 to USD 709 million in 2015 and Israel's withholding of revenues to the PA (e.g. bridge crossing fees, property tax in Area C, timely transfer of clearance revenue).

Growth has been constrained by severe restrictions on access and movement due to the Occupation.¹²⁸ The World Bank (WB) estimates that granting Palestinian businesses access to economic activity in Area C (which remains under the control of the Government of Israel) would boost the Palestinian economy by about a third; and halve the PA's deficit. The International Monetary Fund (IMF) estimates that, in the absence of Israeli restrictions and political uncertainty, GDP per capita (on a PPP basis) would be at least 37 percent higher and possibly 130 percent higher.

The PA has made progress in reducing the recurrent deficit in recent years, including through controlling the wage bill and expanding the tax base. It has also made progress on PFM and anti-corruption reforms. However, further Public Financial Management (PFM) reforms are urgently needed to cut expenditure in a social sound manner; and raise revenue.¹²⁹ MoF is working on a PFM strategy as part of the new planning process but has not yet released it. A PEFA assessment is due to be carried out in 2017 which will help guide PA reforms and donor support.

b) Public Administration

The effort to strengthen public administration in Palestine is hampered by the split between the West Bank (governed by the Fatah-dominated PA) and the Gaza Strip (controlled by Hamas) since 2006. The split has led to two separate legal and administrative setups – and different levels of development (GDP 22% lower in Gaza). While the PA has limited access to Gaza, it spends 40% of its budget there and collects 13% of its revenues from there. Both Hamas-employed civil servants and PA-employed civil servants are present. There have been repeated efforts to reintegrate the two administrations through Fatah-Hamas negotiations but these have so far failed and the talks are currently frozen.¹³⁰ The PA's ability to delivery services is not only hampered in Gaza but also in Area C and East Jerusalem (under Israeli control).

The PA needs to undertake public administration reforms to help build capability and accountability at all levels of the PA's institutions. This includes institution-building at the centre-of-government to strengthen policy and planning (and monitoring); reform of the civil service to ensure it is a modern, efficient and merit-based organisation; and strengthening of social sector line ministries to underpin improved service delivery.

¹²⁸ More than 500 internal checkpoints and roadblocks restrict Palestinian movement inside the West Bank, and only 17% of the materials necessary for the Gaza Strip's reconstruction have entered the territory. Real Gross Domestic Product (GDP) growth levels have fallen significantly from an average of 8% (2007-11) to 2.7% (2012-2014).

¹²⁹ Tax revenues remain substantially below potential. The revenue to GDP ratio of 23.5% is significantly below the world average of 31.6% and relevant comparators – 28.6% in emerging and developing economies.

¹³⁰ Reintegration refers to the reintegration/legalisation of part or all the Gaza employees employed by the de facto authority in the Gaza Strip since 2007, and the reintegration of the PA civil servants in the Gaza Strip.

However, without overcoming the intra-Palestinian split, these reforms will have only limited impact, particularly in the Gaza Strip. Reintegration – and sequenced reforms – of the West Bank and Gaza administrations therefore remains a priority.

c) Local Government

Local Government Units (LGUs) form the backbone of public administration in Palestine, and play a crucial role in Palestinian State-building.¹³¹ Mandated to provide 27 essential services and other functions, they directly impact local living standards as well as public perceptions of the PA.¹³²

Despite having benefitted from a number of programmes, the sector still faces considerable challenges. Lack of fiscal resources undermines the capacity of LGUs to deliver accountable, efficient and effective local services or address local development priorities. Legal reforms clarifying the status and respective roles and responsibilities of central and local government are long overdue, as is a uniform approach to merging LGUs. Inadequate planning frameworks hinder attempts to leverage economies of scale, while the existence of rival authorities in the West Bank and the Gaza Strip undermine sector cohesion and performance. The Occupation has led to territorial and jurisdictional fragmentation in the West Bank, while in Gaza, restrictions on cross-border movement and several wars have devastated basic infrastructure and eroded opportunities for local revenue generation.

Key priorities include reforms that facilitate greater decentralisation and fiscal sustainability; coupled with improvements in policy formulation, sector oversight and donor coordination. This includes diversifying and augmenting LGU own source revenue streams, promoting local economic development and improving intergovernmental fiscal transfers; supporting legal reforms and more unified planning frameworks; rationalising LGU functions and expenditures and improving service delivery; improving LGU financial management while reducing debt arrears and ‘netlending’; and strengthening citizen engagement.

Cross-cutting issues

This pillar addresses several cross-cutting issues. These include the promotion of human rights principles embodied in international treaties signed by the PA, such as participation, inclusion, accountability and transparency. This is made all the harder by the suspension of the Palestinian Legislative Council since 2007, coupled with the absence of other vertical and horizontal forms of accountability. Notwithstanding, this pillar will support civil society to more effectively exercise its oversight role of the PA and to better represent the interests of vulnerable groups, while also actively supporting

¹³¹ LGUs include both municipalities and village councils (VCs). The latter tend to be smaller in size (approximately 85% have a population size below 4000 inhabitants), are constrained by capacity constraints and limited potential for own source revenue generation, and often provide fewer functions than municipalities.

¹³² LGUs are mandated to provide 27 functions under the Palestinian Local Authorities Law No. (1) of 1997, including basic utilities and most common local public services, such as town planning, the provision of social assistance programs, providing rainwater drainage systems, and regulating and monitoring public health standards. The law makes no distinction between municipalities and VCs in identifying functional assignments despite continuing disparities in terms of size, access to resources and capacity. Approximately 80% of municipalities provide no more than 12 of the functions they are responsible for, while many VCs provide no more than 4. The most commonly provided services are revenue generating, particularly electricity and water, while most LGUs also provide sewerage and solid waste management.

more inclusive government at both the national and local level, with a particular focus on improving the participation of women, youth and disadvantaged groups (including gender responsive budgeting). In line with the PA's human rights obligations, attention will also be given to further improving quality and coverage in service delivery, as well as environment, planning and sustainable urban development. There is also a need to assess the rights of refugees to participate in local government.

1.1.1 Specific Objectives in Macroeconomic Support and Public Financial Management

(National Priority: Effective Government. National Policy: Effective, Efficient PFM)

Partners involved	
Lead EU Donors	The EU
Active EU Donors	France and the UK
Like-Minded Donor Countries	Norway
Other Major Donor Countries	The US
Other Major Stakeholders	The World Bank and IMF
Technical Advisers	EUBAM

1.1.1.1 Specific Objective (SO 1.1.1.1): Improved public financial management systems with strengthened transparency and accountability

Expected Results	Indicators	Baseline	Means of verification
a) Strengthened MoFP leadership and accountability for PFM reforms	a1) A PFM Strategy is developed by the MoFP and approved by the PA by 2017.	0 (No Strategy yet)	MoFP reports
	a2) An implementation plan for the PA's PFM Strategy – with a clearly defined timetable and CSO participation – is developed by mid-2017 and implemented by 2020.	0 (No implementation plan)	
	a3) A biannual M&E review of implementation plan is realized, with clear recommendations and a follow-up plan.	0 (No implementation or M&E plan)	

b) Improved capacity of PA staff to deliver PFM strategy	b1) 600 ¹³³ additional PA staff are trained, resulting in increased capacity implement the PFM strategy. ¹³⁴	2000 PA staff trained	MoFP, PPFI reports. PPFI to specifically assess capacity - with support from GPC and MoFP - for baseline and regular intervals. ¹³⁵
	b2) At least 40 additional internal trainers ('Trainers of Trainers') are trained, amounting to 60 trainers in total, by 2020.	20 PA trainers trained in 2015	

1.1.1.2 Specific Objective (SO 1.1.1.2): Improved Fiscal Sustainability and Macroeconomic Stability

Expected Results	Indicators	Baseline	Means of verification
a) Improved fiscal position of PA.	a1) The domestic revenue, as percentage of total PA expenditure, is increased yearly.	21.4% of PA expenditure in 2015 represented domestic revenue.	MOFP, IMF and WB reports
	a2) The recurrent deficit is reduced year on year as percentage of GDP.	2015: Recurrent deficit represents 9.9% of GDP.	
	a3) By 2020, the PA's expenditure does not exceed the rate of inflation.	Expenditure estimated at 2% in 2016 Budget; Inflation currently 1.7%.	
b) PA's debt position more sustainable.	b1) The percentage of debt as GDP is reduced yearly.	Debt is 43% of GDP.	MoFP, IMF and WB reports

1.1.1.3 Specific Objective (SO 1.1.1.3): Strengthened civil society oversight and gender mainstreaming in the Budget Preparation and Budget Execution process

¹³³ Data disaggregated by gender.

¹³⁴ This includes relevant employees of line ministries and agencies as well as MoFP with an appropriate gender balance.

¹³⁵ Data should be gender-disaggregated.

Expected Results	Indicators and Baseline	Baseline	Means of verification
a) Improved Civil Society engagement with the PA on fiscal issues.	a1) The PA publishes timely accurate financial information in line with international standards which enables civil society to perform effective monitoring role. ¹³⁶	Does not meet international standards. ¹³⁷	MOFP and General Secretariat reports. PEFA and Open Budget Initiative reports. CSO reports, including Aman (Palestinian Transparency International). Citizen Budget.
	a2) Annual public hearings on Budget Preparation and Budget Execution process attended by senior level PA officials reach a minimum of 2 per year.	No public hearings in 2015, only bilateral meetings between PA and CS.	
b) Gender Responsive Budget frameworks and performance measurement are in place	b1) The PA Budget is gender responsive	Previous budget thought to be gender-sensitive but no analysis available	UN Women reports MoFP reports MoWA reports
	b2) The PA Budget contains gender-responsive performance measurement.	Gender-responsive allocations ¹³⁸ and actual expenditures and performance measurement in National Budget.	
c) Environment and climate responsive planning and budgeting principles in place	c1) The PA's use of strategic environment and climate budgeting and expenditure monitoring tools.		EQA reports Earlier budgets
	c2) The PA sources finance from the Green Climate Fund, the Adaptation Fund and GEF.		

1.1.2 Specific Objectives in Public Administration Reform

(National Priorities: Citizen-Centred Government and Effective Government. National Policies: Improving Services to Citizens; and Strengthening Accountability and Transparency.)

¹³⁶ This should include disaggregated information for financial flows to the Gaza Strip as well as the West Bank.

¹³⁷ Currently, the PA does not meet transparency standards as per Open Budget Initiative and PEFA recommendations. Data is not disaggregated between Gaza and West Bank.

¹³⁸ Gender Responsive Budgeting is intended as the application of gender mainstreaming principles to the allocation of financial resources.

Partners involved	
Lead EU Donors	The UK
Active EU Donors	The EU and France
Like-Minded Donor Countries	Switzerland
Other Major Stakeholders	UNDP and UNSCO
Technical Advisers	EUBAM

1.1.2.1 Specific Objective (SO 1.1.2.1): A unified Public Administration across Palestine

Expected Results	Indicators	Baseline	Means of verification
a) The legal, political and financial division between administrative systems in the West Bank and the Gaza Strip is addressed.	a1) By 2020, a cross-factional agreement on a roadmap is formally approved by a national consensus government.	A PA roadmap was approved by PA Cabinet in December 2014 but not agreed to by Hamas.	PA Official Journal PMO/GPC Reports.
	a2) By 2020, an implementation plan is developed by the PA, including broad consultations with all stakeholders.	0 (No agreed roadmap or implementation plan).	

1.1.2.2 Specific Objective (SO 1.1.2.2): Strengthened policy and planning capacity of centre-of-government institutions¹³⁹

Expected Results	Indicators	Baseline	Means of verification
a) PMO leads more coherent planning and prioritising across the PA.	a1) Level of implementation of the National Policy Agenda.	Policy Matrix approved but NPA not yet approved by the Cabinet.	Annual report of the General Secretariat PA Official Journal PMO/GS reports. Ad hoc surveys, GPC reports PCBS analysis
	a2) NPA and sector strategies reviewed by PA on an annual basis with appropriate donor and CS consultation.	Sector strategies being developed.	
	a3) Mid-term (3 year) revision carried out on timely basis with appropriate donor and CS consultation.	No baseline (No NPA in place yet).	
b) Improved	b1) Annual M&E reports are	0 (Reports	PA Official

¹³⁹ "Centre-of-government institutions" is used here to refer primarily to the Prime Minister's Office and General Secretariat, and also the Ministry of Finance.

ability of the General Secretariat to support the Cabinet decision-making process and monitor/evaluate Ministry performance	produced by the General Secretariat.	currently not produced)	Journal PMO / GS reports
c) Sector strategies being developed	c1) Planning and Budget Management Groups (PBMG) in each line ministry meet regularly as per the official guidelines.		MoFP reports
	c2) Program Managers are institutionalized as full-time official functions in the organizational structure of each line ministry and agency.		

1.1.2.3 Specific Objective (SO 1.1.2.3): A more efficient, transparent and professional unified civil service

Expected Results	Indicators	Baseline	Means of verification
a) Professionalization of civil service personnel.	a1) The legal framework for civil service reform and civil service development strategy are approved and being effectively implemented to guide an improved PA-wide approach.	The new civil service reform law and strategy have been developed but not approved by the PA cabinet yet.	PA Official Journal, PMO / GPC / GS / PNSA reports.
	a2) Yearly increase in the percentage of civil service personnel, both male and female, trained by the Palestinian National School of Administration (PNSA) ¹⁴⁰	No baseline (No long-term PA-wide training programme in place)	
	a3) Level of implementation of the GPC Strategic Plan 2017-2022.	No baseline (The Strategic Plan is being	GPC report

¹⁴⁰ The PNSA was established by a Presidential decree of February 2016.

		finalised)	
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1.1.2.4 Specific Objective (SO 1.1.2.4): Strengthened PA capacity to develop policy on cross-cutting issues (e.g. gender, youth) with improved public participation in policy formulation

Expected Results	Indicators	Baseline	Means of verification
a) Improved technical and operational capacity of the National Gender Equality Mechanism (NGEM).	a1) The number and quality of professional development programmes for Gender Units and staff in ministries/institutions are increased annually.	Number of staff trained and achievements from previous programmes (information available end 2016).	EU donors reports MoWA/Gender Units/GPC Reports UN WOMEN reports and independent evaluation report
	a2) The percentage of women in senior positions within Civil Service is increased year on year.	No baseline	GPC report
	a3) The percentage of women in senior positions within Civil Service is increased by 2020.	11% of mid-managers and grades above are women.	
b) Youth friendly policies are promoted	b1) The number of PA public hearings with youth, both boys and girls, is increased by 2020.	Number of public audiences with youth by the end of 2016.	PYALARA/Sharek Youth Forum reports and press releases UN Agencies (UNICEF, UNFPA)
	b2) Youth friendly policies ¹⁴¹ are developed and implemented. ¹⁴²	No baseline (No measure currently used).	
c) Environment and climate responsive policies developed	c1) Environment and climate policy instructions are issued to relevant line ministries.		EQA reports
	c2) Relevant sector strategies are environment and climate responsive.	Earlier sector strategies.	EQA reports

Strengthen citizen participation in local governance

1.1.3 Specific Objectives in Local Government Reform

¹⁴¹ A gender perspective should be used to develop policies and to set policy priorities.

Agreement needed with the PA on who determines what a youth friendly policy actually is and what the process is for making such a judgement.

Partners involved	
Lead EU Donors	Denmark
Active EU Donors	Belgium, France, Germany, Sweden, the Netherlands the UK and the EU
Like-Minded Donor Countries	Switzerland
Other Major Donor Countries	US, Japan
Other Major Stakeholders	The World Bank ¹⁴³

1.1.3.1 Specific Objective (SO 1.1.3.1): Local Government Units are more fiscally sustainable

NPA Priority: Responsive Local Government (Citizen-Centred Government) and Effective, Efficient Public Financial Management (Effective Government)

Expected Results	Indicators	Baseline	Means of verification
a) Local Government Unit (LGU) budgeting and financial management is improved	a1) By 2020, at least 50 municipalities are using Integrated Financial Management Information System (IFMIS) or a system providing the same core functions.	20 municipalities upon completion of Municipal Development Program (MDP) II (subject to verification via MDP II ranking assessment on <i>LGU Compliance with IFMIS</i> due mid-2017).	MDP III ranking assessment; audits undertaken by the State Audit and Administrative Control Bureau (SAACB); Baladiyat.ps
	a2) By 2020, 55 municipalities have a 5% surplus in Operational and Enterprise budgets and/or no increase in arrears.	46 municipalities (this figure is subject to verification via MDP II ranking assessment due mid-2017)	MDP III ranking assessment
	a3) By 2020, at least 60% of Village Councils (VCs) submit their annual budget electronically to the MoLF (via baladiyat.ps) and have disclosed their budgets publically.	TBC	Local Government Services Improvement Program (LGSIP)
	a4) Schedule for	Netlending debts	Ministry of

¹⁴³ A number of UN institutions such as UNDP and UN-Habitat, supported among others by the EU and MS, also provide support to the sector at local and national level.

	“netlending” debt repayment is concluded between central and local government and advances per agreed timeframes, supported by cross-sectoral monitoring arrangements.	per LGU covering the period until end 2013 agreed in 2015.	Local Government (MoLG); Ministry of Finance (MoF)
b) Progress made in reforming local tax collection and intergovernmental fiscal transfers.	b1) Property Tax coverage (evaluations and collection) is extended to 80% of municipalities in West Bank by 2020. ¹⁴⁴	Property Tax coverage currently extends to 65 LGUs in West Bank	MoF Property Tax records; LGU budgets.
	b2) By 2020, at least 10 LGU’s directly collect Property Tax in the West Bank and/or institutionalisation of Property Tax fiscal transfers on a regular basis.	0 LGUs collect Property Tax; intergovernmental fiscal transfers are unpredictable and non-transparent.	LGU budgets; MoLG and or MoF figures
	b3) By 2020, at least 70% of VCs receiving transparent and predictable Annual Capital Grants.	0 VCs at present	LGSIP

1.1.3.2 Specific Objective (SO 1.1.3.2): Institutional and Policy Reforms are implemented

Expected Results	Indicators	Baseline	Means of verification
a) Strengthened PA sector oversight and policy reforms implemented	a1) The Local Government Sector Strategy 2017-22 is finalized.	Local Government Sector Strategy 217-22 yet to be finalised	Local Government Sector Strategy 2017-22 Framework Plan, Program Document and Implementation Plan.
	a2) The number of joint projects implemented based on improved inter-LGU planning frameworks (7 joint projects approved and implemented by municipalities under MDP, and 16 joint projects by VCs approved and	0 joint projects at either municipal or VC level	MDP III; LGSIP

¹⁴⁴ Municipalities in Gaza are already responsible for direct collection of Property Tax.

	implemented under LGSIP).		
	a3) The MoLG develops guidelines for a unified approach to increasing functional and institutional cooperation among LGUs and/or reducing the number of LGUs. ¹⁴⁵	No guidelines exist	Municipal Development and Local Government Sector Working Group (MDLG SWG)
	a4) 50% of municipalities graduating higher on MDP performance ranking and/or 60% of VCs meeting LGSIP program eligibility criteria annually.	MDP II Municipal Performance Rankings; 0 VCs	MDP III Municipal Performance Rankings; MoLG assessment for eligible VCs under LGSIP
b) Improved donor coordination in line with principles of aid effectiveness	b1) The number of funding mechanisms channelling support to the sector is reduced by 20% and/or the funding channelled through the MDLF is increased to 40% of all sector assistance.	GIZ Donor Mapping Report (2014)	GIZ Donor Mapping Report (planned)
	b2) By 2020, a harmonized approach is adopted to prioritizing local governance projects in Area C. ¹⁴⁶	No harmonised approach	MDLG SWG
	b3) Institutionalisation by MoLG of technical/policy coordination meetings (possible MDLG SWG sub-group) and/or a standard agenda for SWG meetings is adopted.	No MDLG SWG sub-group exists, while only national working groups on SDIP, Social Accountability and LED currently meet.	MoLG; MDLG SWG

¹⁴⁵ Several models currently co-exist, including amalgamation, agglomeration, Joint Service Councils, LED clusters and Joint Municipalities.

¹⁴⁶ Currently, several programs exist with different provisions related to construction permits issued by the Israel Civil Authority (ICA). A small minority of donors do not require permits in advance of supporting construction projects in Area C. A second group of donors have agreed to support construction in Area C without an ICA permit if the latter fails to respond to a permit request 18 months or longer after it was submitted. A third group of donors require an ICA permit before construction can commence in Area C regardless of timeframes.

1.1.3.3 Specific Objective (SO 1.1.3.3): Citizen Engagement, Gender Mainstreaming, and Support for Marginalised Communities are all Strengthened, as well as Improved Environmental and Climate Change adaptation

(NPA Priority: Improving Citizen Services (Citizen-Centred Government) and Strengthening Accountability and Transparency (Effective Government)).

Expected Results	Indicators	Baseline	Means of verification
a) Enhanced citizen engagement and improved responsiveness of LGUs.	a1) By 2020, citizen satisfaction with LGU performance and service delivery increases by 15%.	To be based on World Bank/USAID <i>Local Government Performance Assessment Household Survey</i> (due early 2017)	World Bank/USAID <i>Local Government Performance Assessment Household Survey</i> (updated 2020)
	a2) All 144 municipalities publically disclose budgets and/or investments by 2020.	109 municipalities currently disclose budgets	MDP III assessment rankings
	a3) Number of municipalities will introduce participatory budgeting and readable budgets. ¹⁴⁷	TBC	MoLG
	a4) Roll out a Participatory Monitoring and Evaluation Manual to all 144 municipalities on citizen inclusion, including strengthened provisions for citizen monitoring of infrastructure projects	Participatory Monitoring and Evaluation Manual piloted in 7 municipalities	MDP III
	a5) The number of municipalities that have effective complaints handling mechanisms increases by 20% by 2020.	88 municipalities with one stop shops	MDP III
b) Gender is more effectively mainstreamed in development	b1) Strategic Development and Investment Plans (SDIPs) are prepared in accordance with guidelines for female and youth	TBC	MDP III performance assessment

¹⁴⁷ Precise indicators will be available end 2016/early-2017 once agreement is reached with MoLG on a suitable format for readable municipal budgets.

planning	participation (mandating 30% participation rate). ¹⁴⁸		
	b2) The percentage in satisfaction rates among women with LGU performance and service delivery increases by 5% by 2020.	To be based on World Bank/USAID <i>Local Government Performance Assessment Household Survey</i> (due early 2017)	World Bank/USAID <i>Local Government Performance Assessment Household Survey</i> (updated 2020)
c) Support for marginalised communities is enhanced	c1) 55 projects are implemented providing access to basic services for marginalised communities in Area C	23 projects implemented	Municipal Development and Lending Fund (MDLF)
d) Improved environment and climate change adaptation	d1) Kilowatt of power (kWp) generated by LGUs through renewable energy increases by 5%	300 kWp under MDP II cycle I and II on solar energy/LED innovations	MDP III program documents
	d2) Municipal provision of green spaces increases to over 0.3 m ² per capita in the West Bank and Gaza Strip	TBC	MDLF

1.2 Donor coordination and policy dialogue

Macro-economic and PFM

Donor support on Macro-economic and PFM issues is coordinated through several forums, including the EU Pegase funding mechanism, the World Bank Donor Trust fund group and the Fiscal Sector Working Group (FSWG). The IMF and PA Ministry of Finance co-chair the FSWG which sits within the overall Local Aid Coordination Secretariat (LACs) structure. This meets every six months, usually ahead of the AHLIC. The IMF also chairs the PFM core donor group which includes the EU, UK and France as active donors. EUREP leads on both Macro-economic and PFM issues within the EU group.

These forums have helped to harmonise both donor priorities and policy dialogue. Donors share similar key priorities – fiscal sustainability and transparent effective management of public funds. These are already largely aligned with the NPA priorities under National Priority 4. The EU and WB have also made efforts to ensure the EU Results Orientated Framework and WB Policy Matrix complement and reinforce each

¹⁴⁸ Other measures to strengthen SDIPs, including improved gender mainstreaming, will be identified following completion of a DK funded study on SDIP performance and lessons learned to be undertaken by the World Bank in 2017.

other. However, the FSWG has struggled to ensure consistent high-level participation from the PA and does not always take place on a regular basis.

Public Administration

The Public Administration Working Group (PAWG) has been in abeyance for several years undermining donor coordination and policy dialogue between donors and the PA. One issue is the lack of a strong and effective PA counterpart for donors. The Ministry of Planning and Development (MoPAD) – the former co-chair with the UK - was dissolved in December 2015 with its core functions distributed between the Ministry of Finance, Prime Minister's Office and General Secretariat. The PAWG may therefore be re-activated as part of the overall LACs review. In the meantime, the UN continues to lead on reconciliation / reintegration at the broader political level while the UK, EU and UNDP coordinate informally. The UK leads on Public Administration for the EU.

Local Government

The Municipal Development and Local Governance Sector Working Group (MDLG SWG) promotes strategic dialogue between the Ministry of Local Governance (MoLG) and donors. Co-chaired by the MoLG and Denmark, it meets four times a year. As lead donor, Denmark also hosts periodic donor meetings to improve programme harmonisation and coordination with the PA. In addition, bi-monthly meetings are held between Denmark's HoM and the Minister of Local Government to discuss sector-related developments. At the programme level, the multi-donor Municipal Development Programme (MDP) and Local Governance and Services Improvement Programme (LGSIP) increase donor coordination and harmonise approaches. Several examples of co-funding and complementary programming also exist.

The sector still lacks an appropriate forum(s) to facilitate regular and in-depth technical and policy dialogue (e.g., a Joint Technical Group or thematic Sub-Groups). Also lacking is a structured approach to reform dialogue with the MoLG (including the adoption of a standard agenda for the SWG), although a joint donor response to a draft outline of the Local Government Sector Strategy 2017-22 was recently submitted to the MoLG. Organisational and capacity constraints continue to weaken the MoLG's policy oversight as well as its ability to monitor and evaluate progress made against national sector priorities, while cross-sectorial coordination between PA institutions remains weak, especially impacting efforts to reform service delivery (e.g., water and electricity).

1.3 Overall risk assessment of the sector intervention

Risk	Level	Mitigating measures
Lack of progress towards PA fiscal sustainability due to continued restrictions on movement of people and goods, high debt levels and declining donor aid.	High	<ul style="list-style-type: none"> - Regular and sustained EU and EU MS political engagement with the Government of Israel on the importance of lifting restrictions. - Focus policy dialogue (and TA) with the PA on areas that are within its control when setting priorities for the reform agenda. - Regular and predictable donor aid.
Continued internal Palestinian division makes it difficult for the PA to operate effectively and efficiently, or to expand its authority over Gaza, leading to weak national ownership and continued development of two separate administrations.	High	EU and EU MS encourage intra-Palestinian reconciliation.
Macroeconomic and Fiscal Shocks	High	<ul style="list-style-type: none"> - Supporting the PA in mobilising revenues, strengthen their cash planning. - Ongoing donor support for the PA to ease the severe macroeconomic and fiscal position of the PA.

Pillar Fiche N°2: Rule of Law, Justice, Citizen Safety and Human Rights

Corresponding NPA Priorities and Policies		
Pillar	National Priorities	National Policies
Path to Independence	National Unity	One Land; One People
		Upholding Democratic Principles
	Strengthening Palestine's International Status	Broadening Palestine's International Participation
Government Reform	Effective Government	Strengthening Accountability and Transparency
		Effective, Efficient Public Financial Management
Sustainable Development	Social Justice and Rule of Law	Improving Access to Justice
		Gender Equality and Women's Empowerment
	Resilient Communities	Ensuring Community Security, Public Safety and the Rule of Law

Corresponding SDGs	
SDG 5	Gender equality
SDG 16	Peace, Justice and Strong Institutions

Corresponding Objective of the Gender Action Plan 2016-2020	
7	Girls and women free from all forms of violence against them (VAWG) both in the public and in the private sphere
9	Protection for all women and men of all ages from sexual and gender based violence in crisis situations; through EU supported operations

2.1 Overall Objective of the Rule of Law, Justice, Citizen Safety and Human Rights Pillar

The Overall Objective of the Rule of Law, Justice, Citizen Safety and Human Rights Pillar is to strengthen the Justice and Security sectors in Palestine,¹⁴⁹ in line with the principle of rule of law¹⁵⁰ and international human rights standards.

Viable, capable and accountable Palestinian Security and Justice Sectors are key elements of a future Palestinian State ensuring that both its male and female citizens are safe and secure while living in peace alongside Israel. Moreover, a growing body of evidence has demonstrated that the lack of safety, security and justice directly leads to

¹⁴⁹ This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue.

¹⁵⁰ The "rule of law" is defined as "a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards. It requires, as well, measures to ensure adherence to the principles of supremacy of law, equality before the law, accountability to the law, fairness in the application of the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness and procedural and legal transparency" (Report of the Secretary-General on the rule of law and transitional justice in conflict and post-conflict societies S/2004/616, para. 6).

poverty and underdevelopment.¹⁵¹ Safety, security and justice are fundamental to ensure economic development and the legitimacy of a state and foster societal trust in conflict-affected countries.

The Occupation of Palestine and Palestinian internal political divisions contribute to a situation where the PA Security¹⁵² and Justice¹⁵³ Sectors face unparalleled complex arrangements and responsibilities, both in terms of i) access and movement restrictions; and ii) the legislative frameworks applicable to Palestinians.

The PA exercises different degrees of authority in different areas of Palestine, and the security and justice sectors are perhaps the most affected by the continuing impact of the Occupation. In the security sector, the PA's reach across the territories is largely limited to Area A. This has created rule of law vacuums, especially in Area C where the Government of Israel exercises full control under military law but also in Area B where 41% of Palestinians live. Different issues face Palestinians living in annexed East Jerusalem where they fall under Israeli jurisdiction.

Internally, the split between Gaza, the West Bank, including East Jerusalem has widened in recent years, leading to further legal fragmentation across Palestine. The security and justice sector in Gaza is under the control of the de facto authorities. Furthermore, the lack of a functioning Palestinian Legislative Council means that there is no proper mechanism for parliamentary oversight and it also severely hampers the introduction of much needed legal reforms, since laws can presently only be passed by presidential decree.

Nevertheless, in 2014 the PLO became party to an additional 33 international legal instruments including 7 of the 9 core Human Rights¹⁵⁴ conventions, demonstrating commitment and creating opportunities for change in line with international standards. Also, in 2016 became a member of the Climate Convention and was already part of the Biodiversity Convention and the Basel Convention of Transboundary Movement of Hazardous Waste. In total Palestine acceded to date to 54 international treaties. Significant effort is needed to ensure that the national legal, judicial and security system fully adhere to these new treaty obligations.

¹⁵¹ Ismail, O. and Hendrickson, D. (2009). *What is the case for a security and justice focus in development assistance programming?* An assessment of existing literature and evidence. London: King's College London.

¹⁵² The PA Security Sector comprises 18 entities. The Ministry of Interior is legally mandated to exercise supervision over the Palestinian Civil Police, the Preventive Security Organisation, the Civil Defence and the Customs Police. Other security institutions include: The National Security Force, Presidential Guard, General Intelligence, and Military Intelligence. There are a number of auxiliary agencies and commissions including the Central Finance Administration, Logistic Commission and the Medical Services Directorate.

¹⁵³ The Palestinian formal justice sector is comprised of Ministry of Justice, High Judicial Council, Public Prosecution, Palestinian Judicial Institute, Independent Commission for Human Rights, Military Justice Authority, Palestinian Anti-Corruption Commission, Bureau of Legal Opinion and Legislation and the Higher Council of Family Courts (also referred to as Sharia Courts). The High Constitutional Court as an institution is not considered part of the justice sector; however, it is part of the judiciary.

¹⁵⁴ Convention Against Torture And Other Cruel Inhuman Or Degrading Treatment Or Punishment, Convention On The Elimination Of All Forms Of Discrimination Against Women, Convention On The Rights Of The Child, Convention On The Rights Of Persons With Disabilities, International Covenant On Civil And Political Rights, International Convention On The Elimination Of All Forms Of Racial Discrimination, International Covenant On Economic Social And Cultural Rights, Optional Protocol To The Convention On The Rights Of The Child On The Involvement Of Children In Armed Conflict.

Progress to date

Over the past few years the PA security and justice sector institutions, in the geographical have made progress in a number of areas, thanks to greater leadership and commitment, as well as extensive international support. However, progress remains limited geographically to areas under the PA's control.

Although currently available data on the capabilities of certain security sector institutions appear to be limited, the MoI has highlighted that external partners provide the security establishment with imbalanced support, given that a significant number of ongoing projects focus on a limited number of services¹⁵⁵.

The PA MoI has increasingly played a coordinating role in the security sector, particularly in relation to strategy implementation and project management. For the first time the Ministry has developed and adopted a standardised methodology to prioritise project proposals submitted by security sector institutions. However, the ministry needs to further develop capacity in a number of areas, including policy development, strategic planning, human resources, financial management and monitoring and evaluation.

Regarding the performance of the security sector, a recent survey has shown that a large majority of Palestinians living in the West Bank consider themselves safe in their neighbourhoods both during the day (90%) and at night (76%), albeit with significant differences between Area C and non-Area C.¹⁵⁶ Across all areas of the West Bank, 71.6% of the public consider that the Palestinian Civil Police does an excellent job in responding to the needs of their communities.¹⁵⁷ The number of Palestinian households that regards Palestinian security and justice institutions as legitimate, independent and effective has increased.

In the PA justice sector, performance, coordination and cooperation mechanisms have seen improvements, also as a result of implementation of important parts of the 2014 – 2016 National Strategy for the Justice and Rule of Law sector. Efforts to standardise aspects of law-making have been made, guided by the PA's Legislative Plan. The MoJ and HJC are currently engaged in structural organizational reform processes. Automation of the sector has made tremendous progress. The caseloads in the first instance courts and magistrate courts have increased, indicating increased trust in the PA court system. While previous years have seen an encouraging decrease in the backlog of cases, backlogs were slightly increasing again in 2015, demonstrating the need to examine and address the causes. Cooperation between police and prosecution has developed well, in particular at district level, however continued progress needs to be achieved. The appointment of judges to the High Constitutional Court is in itself lawful and could in principle lead to better of protecting individual rights as well as ensuring that state powers are exercised within the limits of the constitutional laws. However, it is necessary to ensure the independence and transparency of the Constitutional Court and build the confidence of all Palestinians in it, including in Gaza.

¹⁵⁵ MoI, Security Sector Project Priorities 2014-2016, March 2015.

¹⁵⁶ Public Perceptions of Palestinian Civil Police Performance, May 2015.

¹⁵⁷ Ibid.

The juvenile Justice Law was adopted and progress was made to establish a family violence unit at the public prosecution. Across the sector there is heightened focus on data collection and monitoring and evaluation, with all institutions increasingly recognizing the importance and value of having reliable data as a basis for further planning.

As a significant step towards enhancing the protection, promotion and fulfilment of the human rights of its population, Palestine acceded in 2014 to 7 of the 9 core human rights conventions. Notably, Palestine acceded to the treaties without filing any reservation, which is unprecedented in the Arab region. The core human rights treaties are monitored through Treaty Bodies and as a first obligation Palestine has to submit Initial Reports for each of the seven core human rights conventions. Consequently, the PA established an institutional framework, led by MoFA, to facilitate and coordinate the reporting procedures. The PA put much effort in finalizing these reports within the deadline however no reports were yet submitted to the Treaty Bodies in Geneva. Efforts will need to be focused on integrating the treaties requirements in national legislation and judicial systems.

Over the past few years, civil society organisations working on human rights issues have significantly increased their capacities and expertise to promote human rights and to hold duty-bearers to account. They will have a key role to play through shadow reporting to the treaty bodies.

Challenges

Despite progress, significant challenges remain, including the limited reach of the PA security and justice sector across Palestine. In the West Bank, the adherence by the PA to a path of reforms in the justice and security sectors must be a key priority. The EU together with other donors will continue to support the institution-building efforts of the PA. However, it must go in parallel with progress on key reforms. These include an institutionalized change management approach across key PA institutions (MoI and MoJ) as well as continued improvements to strengthen the delivery of security and justice services which meet the rights of Palestinians.

More specifically, this should include:

Clarifying the legislative and institutional framework to ensure sustainability of the justice and security sectors

There is still a need to design a comprehensive reform approach related to the sectors. Despite efforts to rationalise the legal framework of the PA Security Forces and the justice system, the framework remains incomplete and lacks coherence. There is a need to clarify and define further justice and security sector governance (e.g. status of the public prosecution, status of the police, family courts, legal and institutional framework of border management system,¹⁵⁸ mandates of the Ministry of Justice and the High

¹⁵⁸ An efficient and transparent border management system, both in Gaza and the West Bank, compliant with international human rights standards and in line with the principle of rule of law, is essential in securing public security and safety concerns. Additionally, this will contribute to protecting the environment and public health, inhibiting the illegal flow of money that could fund criminal deeds, such as money laundering or tax evasion, tackling the counterfeiting of goods and intellectual property rights, ensuring only appropriate imports or exports of sensitive

Judicial Council). There are key pieces of legislation (e.g. Police Law, amendments to Judicial Authority Law) which are required to clarify institutional relationships and to align with international human rights obligations (e.g. Family Protection Law, Personal Status Law, Penal Code and Criminal Procedure Code, Juvenile Protection Law).

Further steps should be taken to institutionalise the legislative process including systematic consultation on draft laws and legal initiatives, especially with relevant stakeholders and civil society institutions. As long as Palestinian internal political division continues, and in the absence of a functioning legislative chamber with as a result the adoption of laws by decree, consultations in general and in particular including representation of Gaza-based stakeholders are of primary importance, in order to avoid widening the (legal and regulatory) gap between the West Bank and the Gaza Strip, pending reconciliation and reintegration of the justice sector and the security services. Laws also need to be checked on their compatibility with the international treaties to which Palestine has acceded and arrangements have to be made to make the system work in line with international requirements.¹⁵⁹

Enhancing accountability and transparency of the security and justice sectors

The PA Security Forces employ an estimated 64,000 personnel¹⁶⁰ across the Gaza Strip and the West Bank.¹⁶¹ Both the PA justice and security sectors are dominated by men: only 15% of judges are female, most of them in lower courts; the Palestinian Civil Police (PCP) comprises only 3.3 % of women and the military justice system only 2%. No women are present in forensic medicine, which is concerning given the key role of forensic doctors in cases of sexual and gender-based violence. The World Bank¹⁶² assess that by any standard, the PA's wage bill is very large and substantially over-graded. The Bank estimates that around USD 450 million or 3% of GDP could be saved by reducing the number of higher ranked staff in the substantially "over-ranked" security sector. Addressing the sustainability of the PA security apparatus will take time. This will require steps to improve the financial accountability of the PA Security Sector and sector-wide human resources management. At the same time, there is a need for increased personnel, in particular women, in both the Civilian Police and Judicial Police. The MoI has sought assistance to strengthen civilian oversight, build its organisational capacity and improve the management of reform efforts across the security sector, but this needs to be supported by clear political commitment and leadership.

The justice sector is smaller both in terms of personnel as well as allocated budget, and actually suffers from understaffing in most of its institutions, in particular at the level of magistrates (number of both judges and prosecutors is insufficient leading to high case-load ratio's) and capacity of enforcement of judicial rulings. At the same time, structural

technology, which could be used to crate weapons, combatting trafficking in people, drugs, and weapons, as well as protecting endangered species and cultural heritage.

¹⁵⁹ Palestinian environmental law exists but needs to be further developed and enforced to protect citizens, regulate management of natural resources, address emerging threats, ensure accountability and forms of redress, and incorporate provisions from recently signed international conventions.

¹⁶⁰ DCAF, Challenges to reunifying the Palestinian security and justice sectors, January 2016

¹⁶¹ DCAF estimates that there are around 33,550 PA security personnel in Gaza (banned from working, costing the PA around USD 40m per month) and 31913 PA security personnel in the West Bank. There are also an estimated 17,813 security personnel paid by the de facto authorities in Gaza.

¹⁶² World Bank, Assessment of the Wage Bill in the Education and Security Sectors, 2015.

organisational reform is needed, in particular at the level of MoJ, for the ministry to be able to fulfil the full spectrum of its role and functions, and to lead the adoption and implementation of key structural reforms in order to improve governance, oversight and accountability in the sector. Steps have been made at the level of for instance enhancing judicial oversight (performance by judges) but in general the sectors' different components are in need of strengthened frameworks of oversight and accountability. In this regard as well as from the point of view of increased transparency in sector governance, the ability to investigate and prosecute cases of corruption with full transparency is key, and with the Palestine Anti-Corruption Commission playing a fundamental role in implementing and enforcing the Anti-Corruption Law across Palestine and all PA sectors. There is also a need to build an enhanced capacity to investigate and prosecute security related crimes while adhering to international standards of due process and the rule of law. Civil Society organisations play a key role in holding duty bearers in the justice and security sector accountable and need to be supported in their efforts to increase transparency and combat corruption. In all institutions of the security and justice sector there is a need to increase the number of women at the frontline of service delivery as police officers, prosecutors and judges. Evidence shows that an increase of women in service provider roles correlates with an increase in reporting of Gender-Based Violence by both men and women victims and reduced attrition of cases through the justice chain.¹⁶³

Strengthening the protection and promotion of human rights of all Palestinians, including the most vulnerable groups

While emphasis was placed on meeting the reporting obligations, Palestine needs to step up the implementation of the obligations deriving from the human rights treaty accession, e.g. policy and legal reform. This will facilitate overcoming current human rights concerns such as access to justice and the right to a fair trial from the justice perspective and accountability and transparency from the security perspective. Since security, justice and human rights are closely interlinked there is a need for better cooperation and coordination between the security and justice sector, leading to increased human rights compliant service delivery of both sectors.

By applying a human rights based approach, emphasis should be placed on enhancing the human rights of the most vulnerable groups such as women and children, including where possible in the Gaza Strip, East Jerusalem and Area C. In fact, notwithstanding the PA's will to strengthen gender equality and women's rights, women and girls in Palestine continue to experience violence at home and within the society. This includes discriminatory laws, traditional practices, domestic violence from family members and intimate partners.

Although reform is underway, and progress has been made, the prosecution and legal services still lack sufficient capacity to develop and implement gender-responsive processes. The number of specialized prosecutors has increased in the West Bank, but the legal framework to ensure that women and girls' rights are protected through access to justice and security services is still weak and there is still a lack of specialized judges

¹⁶³ In Pursuit of Justice, Progress of the Worlds Women, UN Women 2012.

in civil, criminal and family courts. Referral mechanisms between the various security and justice institutions also need further improvement. In Area C, the absence of specialised security and justice services means victims often resort to the informal justice system. In EJ, often Palestinian are not informed about their rights and don't trust the Israeli justice and security sectors. Encounter between children, youth and ISF is frequent in particular in sensitive neighbourhoods where you have settlements. NGOs and CBOs play an important role in improving awareness as well as access to justice.

While the PA has made significant progress in the field of justice for children, including the establishment of a juvenile justice system, the amendment of the child law (2012), the access of the Convention on the Rights of the Child and the adoption of the Law on Juvenile Protection in 2016, poor implementation and lack of oversight undermine a proper functioning juvenile justice system which does not correspond with the principle of best interest of the child: Juveniles are often detained together with adults, they are rarely informed of their rights.

2.2. Specific Objectives

2.2.1. Specific Objectives in the Justice Sector

Partners involved	
Lead EU Donors	The Netherlands
Active EU Donors	The EU, Italy, Sweden, and the UK
Other Major Donor Countries	Switzerland, the US and Canada
Technical Advisers	EUPOL COPPS, EUBAM, OQ

2.2.1.1 Specific Objective (SO 2.2.1.1): The institutional and organisational architecture of justice sector institutions allows effective implementation of mandates in compliance with international human rights standards¹⁶⁴

(NPA Priority: Effective Government, Social Justice and Rule of Law)¹⁶⁵

Expected Results	Indicators	Baseline	Means of verification
a) The organisational structure of the justice sector has been improved following international standards	a1) Amended Judicial Authority law is in place clarifying the mandates and implemented across the sector through relevant organisational reforms.		PA official documents; procedures, policies, and decisions; organizational charts; terms of reference; reports of justice institutions;
	a2) Level of implementation of the proposed organisational reforms.		
	a3) Sector institutions are empowered and have the		

¹⁶⁴ For justice-security cooperation, see 3.2.2.1c).

¹⁶⁵ The first sub-sector is on justice (2.2.1) and second is on security/safety (2.2.2).

	capacity to independently plan and execute their budgets on the basis of regular plans and strategies.		assessment report on the legislative process
	a4) Institutional and sector strategic plans and reports are regularly produced and publicised.		
	a5) Institutional human resources systems are based on rationalised structures and transparent career management		
b) The legislative process has been further standardized and institutionalized, is transparent and ensures public consultation and support	b1) Ideally, the Palestinian Legislative Council is reactivated.		PA official documents; reports and meeting minutes of PA institutions and EU MS supporting the legislative drafting process; reports from CSOs
	b2) The law on the legislative procedures of 1995 is reviewed, as well as the interim procedure in the absence of the PLC.		
	b3) The manuals on legislative drafting and public consultations are approved and implemented and include a human rights and gender equality compliance check.		
	b4) Level of outreach of the consolidated legislative drafting process among justice actors, including from the Gaza Strip.		
	b5) Number of consultations on draft laws and legal initiatives, in particular with general public and civil society organisations (disaggregated data), which represent vulnerable and discriminated against groups, including from the Gaza Strip, East Jerusalem and Area C.	Number at start of the consultations.	

2.2.1.2 Specific Objective (SO 2.2.1.2): The justice system is able to provide fair, transparent and equitable justice across Palestine

Expected Results	Indicators	Baseline	Means of verification
a) Due processes, courts' efficiency, quality of judgments and executions for all courts (including religious courts) are in place	a1) The right to fair trial is mainstreamed in legislation and streamlined in trial and pre-trial procedures.		Laws and PA official documents; statistics of courts; reports PA institutions and EU MS supporting the justice sector
	a2) Level of adherence to optimum timelines.		
	a3) Further reduction of case backlog.		
	a4) Number of cases resolved taking into account international standards.		
	a5) Availability of legal assistance. ¹⁶⁷		
	a6) Review of regulatory systems taking into account international standards on independency, transparency fair trial, gender and human rights.		
	a7) Quality of legal education provided by the Palestinian Judicial Institute (PJI) to judges and prosecutors.		
	a8) Steps are taken to ensure the capacity, independence and transparency of the Constitutional Court and public confidence in it.		
	a9) Existence of protocols to implement laws and mechanisms to ensure coordination between different institutions intervening in the legal chain (including Ministry of Social Affairs).		
	a10) Improved quality of judicial decisions, as a key component of developing a consistent jurisprudence.		
	a11) Number of children		

¹⁶⁶ The first sub-sector is on justice (2.2.1) and second is on security/safety (2.2.2).

¹⁶⁷ Data disaggregated by gender and age.

	arrested, in detention and pre-sentence detention.		
	a12) Existence of mechanisms to ensure the reintegration of child offenders into their communities with the involvement of the families and community leaders.		
b) A modern, gender and human rights compliant legal framework has been adopted and is implemented	b1) Number of legislative initiatives to advance gender equality and human rights.		PA official documents; reports and meeting minutes PA institutions and EU MS supporting the justice sector
	b2) Number of laws reviewed/amended /adopted across Palestine incorporating human rights provisions (including the Penal Code, the Criminal procedure code, the Family Protection Law, the Personal Status Law, the Police Law, the Judicial Authority Law, the Legal Aid Law, the Media Law and the Freedom of Information Law).		
	b3) Number of policies developed to guarantee the implementation of such laws, including a policy on informal justice.		
	b4) Human rights and gender equality provisions incorporated, including the existence of a national plan for the prevention of child involvement in crime.		
	b5) Number of initiatives undertaken to raise the level of awareness among society of human rights.		
c) Civil Society is strengthened and supported to hold duty bearers to account	c1) Number of initiatives undertaken by civil society organisations to raise awareness on human rights and gender issues. ¹⁶⁸		CSO reports
	c2) Number of public campaigns undertaken by CSO's in support of the PA		

¹⁶⁸ Data disaggregated for the West Bank, including East Jerusalem, and the Gaza Strip.

	national integrity system.		
	c3) Number of complaints raised by the general public and CSO's to all three duty bearers (de facto government, PA and Occupying power).		
	c4) Number of recommendations of CSO's adopted by duty bearers.		
	c5) Number of opened Palestinian public interest cases in East Jerusalem		
	c6) Number of protected families for housing and residency cases in East Jerusalem.		

2.2.1.3 Specific Objective (SO 2.2.1.3): Integrated and specialized services are available and the right to access to justice is guaranteed to vulnerable groups, including women and children¹⁶⁹

(NPA Priority: Effective Government, Social Justice and Rule of Law)¹⁷⁰

Expected Results	Indicators	Baseline	Means of verification
a) Mechanisms have been enhanced to guarantee the right of access to justice to vulnerable groups in West Bank, including East Jerusalem), and the Gaza Strip.	a1) Specific legislation protecting vulnerable groups (including disadvantaged and GBV survivor women, children and people with disabilities reviewed and endorsed.		PA official documents and PCBS statistics, CSO reports UN Agencies (incl. UNICEF)
	a2) Number of specialised prosecutors, judges and lawyers dealing with women and children.		
	a3) Number of cases adjudicated by specialised services.		
	a4) Convictions and average sentences for crimes of violence against women		
	a5) Percentage of women and men accessing justice through formal and informal systems.		

¹⁶⁹ Related to Mainstreamed/Cross-cutting Priorities of (inter alia) Gender, Youth, Civil Society, Environment, Human Rights and Peace Building (as applicable).

¹⁷⁰ The first sub-sector is on justice (2.2.1) and second is on security/safety (2.2.2).

	a6) Existence of defined quality diversion measures, alternative to pre-trial detention and alternatives to imprisonment, including percentage of children sentenced receiving a custodial sentence and percentage of children diverted or sentenced who enter a pre-sentence diversion scheme.		
	a7) Number of recommendations by human rights CSO's on access to justice for specific groups adopted by duty bearers.		
	a8) Existence and performance of gender, juvenile and human rights units in justice chain institutions such as Ministry of Justice, High Judicial Council, Attorney General's office, Police).		
	a9) Level of enhancement of correction services in compliance with human rights. ¹⁷¹		
	a10) Number of Jerusalemites, especially minors, provided with legal support and defence.		
b) The quality of services provided to vulnerable groups has improved and is in line with international standards and treaties	b1) Number of capacity building initiatives carried out for specialised prosecutors, judges and lawyers to improve service delivery.		Statistics; official reports; public perception surveys, CSO reports
	b2) Views of men and women on court processes and their outcomes.		
	b3) quality and accessibility of infrastructure (including rehabilitation centres) especially for disadvantaged groups of women, juveniles and people living in area B and C.		

¹⁷¹ I.e. women detained separately from male, children detained separately from adults, complaint mechanisms in place, inspection mechanisms in place and follow-up of inspection mechanisms.

2.2.2 Specific Objectives in the Security Sector

Partners involved	
Lead EU Donors	The UK
Active EU Donors	The EU, Germany, Spain, Sweden, and the Netherlands
Other Major Donor Countries	Switzerland, the US (INL/USSC) and Canada
Technical Advisers	EUPOL COPPS, EUBAM, OQ

2.2.2.1 Specific Objective (SO 2.2.2.1): An Affordable and Accountable Security Sector (Compliant with International Human Rights Standards)

(NPA Priority: Safety)

Expected Results	Indicators	Baseline	Means of verification
a) Re-structuring of the security sector is underway, to make it more transparent, efficient and sustainable	a1) By 2020, the MoI has developed a plan to re-structure the security sector	0 (No plan yet).	Official documents; reports; action plans; CSO reports
	a2) By 2020, a clear legal framework which defines mandates, roles and responsibilities across the sector (including the adoption of a police law in line with international standards).		
	a3) By 2020, the new sector strategy has a detailed budget for both recurrent and capital expenditure, taking into account existing donor support.		
	a4) By 2020, mechanisms established to ensure robust and transparent financial management of security sector expenditure.		
	a5) By 2020, a viable human resources management strategy linked to expenditure has been developed.		
b) Accountability mechanisms operate effectively and transparently	b1) By 2020, relevant legislation (including police law) has been adopted, as well as publication of regular reports on the implementation of relevant treaties and conventions on human rights, particularly ICCPR, CAT, CEDAW, CRC, and CRPD.		Laws and other PA official documents; reports of PA institutions and UN/ EU MS supporting the security sector

	b2) By 2020, 1 Inspector General is appointed at the MoI.	0	
	b3) By 2020, effective and coherent public complaints mechanism set up.		
	b4) By 2020, the ICHR is able to exercise oversight over the security services (including detention and interrogation centres), access files and ensure clear procedures while investigating citizens' complaints.		
	b5) Evidence of policy dialogue between the PA Security Institutions and Civil Society Organizations.		
	b6) Evidence of civil society capacity to monitor and report on human rights issues.		
c) The MoI has the institutional capacity ¹⁷² to oversee the relevant PA Security Forces and exercises this responsibility effectively and transparently	c1) By 2020, 1 full-time Minister of Interior (MoI) is appointed.	0	Official documents, including the Security Sector Strategy and related progress reports; human rights reports; disciplinary measures/convictions statistics
	c2) The MoI leads the effective implementation of, and reporting on, the Convention against Torture.		
	c3) By 2020, a Security Sector Strategy and Action Plan has been developed, with clear baseline, targets and priorities, agreed in consultation with the services as well as with civil society and other relevant stakeholders.		
	c4) By 2020, gender and human rights standards, accountability and oversight are increasingly incorporated into strategy, policies and plans and implemented.		
	c5) By 2020, a professional reporting system and M&E framework exist for the MoI.		

¹⁷² Institutional capacity refers the set of competencies, knowledge and resources required to operate effectively and in an accountable manner.

2.2.2.2 Specific Objective (SO 2.2.2.2): Community Security and Public Safety

(NPA Priority: Safety)

Expected Results	Indicators	Baseline	Means of verification
a) The Palestinian security sector adopts a citizen-centred approach	a1) Shared understanding of citizen-centred approach to security.	No baseline.	PA official documents; surveys; reports of PA institutions and EU MS supporting the security sector; CSO reports.
	a2) By 2020, guidelines, policies and/or implementation plans policies (and subsequent use of these) on community-oriented policing exist (developed in consultation with CSOs) and are used.		
	a3) By 2020, a clear community engagement strategy exists.	0	
b) The Palestinian security sector provides services which are based on the rights of citizens, and meet the expectations of communities	b1) A human rights-based, gender responsive and community needs based assessment carried out by the PA, recommendations formulated and implemented.		ICHR reports PCBS survey (public perception and community surveys); PA official documents; surveys; reports of PA institutions and EU MS supporting the security sector
	b2) Satisfaction among both men and women in the provision of timely, responsive police and civil defence services, including in Area's B and C, is increased by 2020.		
	b3) Extent to which citizens replace informal justice and security services by formal, governmental services.		
	b4) The number of mobile district units is increased by 2020.		
	b5) The number of complaints submitted by Palestinians against PCP officers.		
	b6) By 2020, national contingency plans exist for the management of environmental disasters and crises.	0	
	b7) By 2020, mechanisms have been established to enable effective investigation and		

	prosecution of security related crimes while adhering to international standards of due process.		
c) Legal, institutional and procedural framework for border security agencies guarantees compliance with international standards, accountability and responsiveness	c1) Border control activities comply with Human Rights	No baseline.	EU BAM – Rafah reporting
	c2) Border related crimes are effectively addressed.	No baseline.	
d) Justice and security institutions cooperate in an efficient, transparent and effective way	d1) Mechanisms of cooperation in place between the relevant justice and security institutions.		PA official documents; reports and meeting minutes; PCBS surveys
	d2) Reliable statistics on crime in Palestine are available.	No baseline.	
	d3) Mechanisms of cooperation in place to address crimes committed by security staff.		
	d4) The number of agreed procedures developed and reviewed, including procedures on Gender-Based Violence (GBV).		
	d5) The level of satisfaction of cooperation among police officers and prosecutors at headquarters and district level.		
	d6) The Judicial Police force is expanded to effectively execute judicial and prosecutorial orders.	0	
e) Provisions from the multilateral environmental conventions are part of the domestic legislation	e1) Environmental law is expanded and by-laws to ensure means of enforcement are drafted and adopted.		

2.2.2.3 Specific objective (2.2.2.3): Adequate specialised security services are provided to vulnerable groups¹⁷³

(NPA Priority: Safety)

Expected Results	Indicators	Baseline	Means of verification
a) The Palestinian Legislative Framework has been amended in order to guarantee adequate specialised security services, including for women, boys and girls (victim or witnesses of crime), as well as for women perpetrators of crime and children in conflict with the law, taking into account recommendations from CSOs	a1) Adoption of the draft Law on Protection of the Family from Violence (the Law has a broad scope not limited to domestic violence).		PA official documents; reports of PA institutions and UN/EU MS supporting the security sector; CSO reports
	a2) Existence of an action plan/ strategy/monitoring mechanisms for the implementation of the Juvenile Law.		
	a3) Number of East Jerusalem children/youth in conflict with the law provided with legal aid by the PA		
b) Mechanisms are put in place to ensure that equitable services are provided to vulnerable groups	b1) An effective policy is adopted to increase the number of women working in the civilian police and other security services.	0	PA official documents, statistics on complaints, reports of gender units; crime statistics
	b2) The number of women in frontline of service delivery increased by 2020.		
	b3) The number of women police officers is increased by 7% by 2020.		
	b4) Standard Operating Procedures for Family and Juvenile Protection Units are adopted and implemented.		
	b5) One-stop Centre in		

¹⁷³ Including women and juveniles.

	Ramallah is functional (number of cases, clients, referral, etc.) and plans are developed for additional one-stop centres in Nablus and Bethlehem.		
	b6) Gender Units in security services are fully functional.		
	b7) Number of complaints related to gender discrimination, GBV.		
	b8) Policies and procedures are developed and adopted by security services, including PCP, for persons with disabilities.		

2.3. Donor coordination and policy dialogue

Formal coordination of donor interventions takes place under the Local Aid Coordination Structure's Sector and Justice Working Groups. These are co-chaired respectively by the UK and the PA Ministry of Interior, and by the Netherlands and the PA Ministry of Justice. These Sector Working Groups aim to facilitate dialogue between the donors and the PA institutions responsible for implementing the Security Sector and Justice Sector Strategies.

There are a number of other coordination structures under the EU. Bilateral policy dialogue with the Palestinian Authorities takes place within the framework of the European Neighbourhood Policy to follow up on its Action Plan both at the level of EU-Palestine Subcommittee on Human Rights, Good Governance, and Rule of Law and at the level of the Joint Committee both of which are normally held on an annual basis. Furthermore, high level meetings may be requested to treat specific issues.

The EU/MS Results-Oriented-Framework (RoF) which so far was based on six of the 16 EU/MS Sector Strategy Fiches will be expanded to all Five Pillar Fiches. This will constitute an important tool for a more structured, coherent results-oriented EU policy dialogue with the PA.

2.4 The PA's financial and policy commitments

Sector Strategies developed with clear baselines, targets, priorities, responsibilities including budgetary resources, agreed in consultation with the services as well as with civil society and international community. Political commitment to review and adapt institutional structures and the legislative and regulatory framework in line with international standards and treaties, to implement those commitments and to assign the necessary human and financial resources.

2.5 Overall risk assessment of the sector intervention

There are a number of high risks which can affect progress across security and justice sector reform. There is a continued need for PA political leadership and commitment to reform to handle the following key risks:

Risk	Level	Mitigating measures
Continued challenges relating to access and movement restrictions across Palestine, and lack of PA reach across all parts of Palestine.		
Limited PA and donor resources.		

Pillar Fiche N°3: Sustainable Service Delivery

Corresponding NPA Priorities and Policies		
Pillar	National Priorities	National Policies
Government Reform	Citizen-Centred Government	Responsive Local Government
		Improving Services to Citizens
Sustainable Development	Social Justice and Rule of Law	Escaping Poverty
		Strengthening Social Protection
		Improving Access to Justice
		Gender Equality and Women's Empowerment
		Our Youth; Our Future
	Inclusive, Quality Education for All	Improving Early Childhood and Pre-School Education
		Improving Primary and Secondary Education
		From Education to Employment
	Inclusive, Quality Health Care for All	Better Health Care Services
		Improving Citizens' Health and Well-Being
	Resilient Communities	Ensuring a Sustainable Environment
		Preserving our National Identity and Cultural Heritage

Corresponding SDGs	
SDG 1	No Poverty
SDG 2	Zero Hunger
SDG 3	Good Health and Well-being
SDG 4	Quality Education
SDG 5	Gender Equality
SDG 10	Reduced Inequalities
SDG 16	Peace Justice and Strong Institutions

Corresponding Objectives of the EU Gender Action Plan II 2016-2020	
7	Girls and women free from all forms of violence against them (VAWG) both in the public and in the private sphere.
10	Equal access to quality preventive, curative and rehabilitative physical and mental health care services for girls and women.
11	Promoted, protected and fulfilled right of every individual to have full control over, and decide freely and responsibly on matters related to their sexuality and sexual and reproductive health, free from discrimination, coercion and violence.
12	Healthy nutrition levels for girls and women and throughout their life cycle.
13	Equal access for girls and women to all levels of quality education and vocational education and training (VET) free from discrimination.

The pillar is also in line with the **EU country roadmap or engagement with civil society**, notably Priority 3: *"Strengthening participation of civil society, including*

vulnerable groups, in public policy formulation and monitoring of public policies implementation and delivery".¹⁷⁴

3.1. Overall Objective of the Sustainable Service Delivery Pillar

The Overall Objective of the Sustainable Service Delivery Pillar is to **improve equitable and inclusive access for all Palestinians to quality services in health, education and social protection.**

By 2030, the population of Palestine will increase to an estimated 6.9 million¹⁷⁵ (from 4.7 million today): 1.3 million will be living in the Gaza Strip; youth will represent a large part (an estimated 35% below 14 years-old). Population growth will increase the demand for health and education services but also access to employment opportunities and social protection. The availability and inclusive access of *all* Palestinians to quality social services remains essential to strengthen social capital and foster sustainable development.

Since 2008, the sector has been supported by EU and MS through PEGASE Direct Financial Support to the PA providing unconditional funding to recurrent expenditures (salaries, pensions, social allowances, East Jerusalem Hospitals referrals' costs). In addition, complementary programmes in institutional capacity building and sector reform have been supported. For the period 2017-2020, PEGASE will strengthen the linkages between funding and the achievement of objectives commonly agreed by the PA and the EU.

Cross-cutting issues

The pillar will focus on access to services by the most vulnerable strata of the population in line with the Right-Based Approach. Particular attention will be given to women and girls, children, elderly and persons with disabilities. Monitoring and evaluation will be gender disaggregated.

3.2 Specific Objectives

3.2.1 Specific Objectives in the Education Sector

Partners involved	
Lead EU Donors	Belgium, Finland
Active EU Donors	France, Germany and Ireland
Like-Minded Donor Countries	Norway
Other Major Donor Countries	The US and Japan
Other Major Stakeholders	The World Bank, UNESCO, UNICEF, and UNRWA

¹⁷⁴ Under this priority the EU supports Palestinian civil society organisations' contributions towards reinforced governance, inclusive policy-making and public authorities' accountability, in order to ensure that citizens' need, particularly those of vulnerable groups, are satisfied.

¹⁷⁵ "Palestine 2030: Demographic Change: Opportunities for Development", UNFPA December 2016.

3.2.1.1 Specific Objective (SO 3.2.1.1): Safe, inclusive and equitable access to education at all levels of the system is ensured

(National Priority "Inclusive, Quality Education for All", Education Development Sectoral Plan (EDSP 2017-2022) goal 1;

Expected Results	Indicators	Baseline	Means of verification
a) Pre-School Education is expanded	a1) The gross Enrolment Rate (GER) in pre-School is increased to 70% by 2019.	2016: 56.1%	EDSP M&E Progress Report (MoEHE)
	a2) The number of licensed governmental and private Kinder Garden classes is increased to 8015 by 2019.	2015: 5349	
b) Access to Vocational Education is expanded, in particular for girls in non-traditional sectors	b1) The percentage of enrolment in Secondary Vocational Streams ¹⁷⁶ is increased to 5% by 2019. (Female: 1% and male: 4.5%).	2015: 2.1% (0.6% for female students and male students 4.2%)	EDSP M&E Progress Report (MoEHE)
c) Improved equitable access to education in the most suffering areas (Gaza Strip, Area C, East Jerusalem) – all levels	c1) The dropout rate in schools exposed to violations in basic education is decreased to 0.9% by 2019.	2015: 1.7%	EDSP Annual Progress M&E Report (MoEHE)
d) Educational facilities are constructed and/or upgraded to ensure educationally enabling learning environments in basic education	d1) The percentage of classrooms meeting the national standards of educationally enabling classrooms is increased to 85.8% by 2019, including access to people with disabilities.	2014: 84.3%	ESDP M&E report (MoEHE)
	d2) In East Jerusalem 2230 classrooms are meeting national standards by 2019. ¹⁷⁷	East Jerusalem: Shortage of 2200 classes. ¹⁷⁸	
e) Improved equitable access to higher education	e1) The Gross Enrolment rate in Higher Education Institutions (UNESCO	Overall gross enrolment rate in 2015 is:	TBC

¹⁷⁶ This entails the vocational streams at the level of secondary education from year 10 to 12.

¹⁷⁷ Earmark at least 50% school construction and rehabilitation programs for Gaza, East Jerusalem and Area C (Baseline: 2015)

¹⁷⁸ Source: MoEHE.

	ISCED scale 5-8) for programmes that have labour-market demand is increased by 2019.	44.3%. Male: 34.5% and female: 54.4%	
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3.2.1.2 Specific Objective (SO 3.2.1.2): A student-centred teaching and learning pedagogy and environment is developed

(NPA Priorities "Inclusive, Quality Education for All", National Policies "Improving Early Childhood and Pre-school Education" and "Improving Primary and Secondary Education", EDSP 2017-2022 goal 2)

Expected Results	Indicators	Baseline	Means of verification
a) The Palestinian curriculum is modernised and reformed, and integrates gender, environmental awareness, human rights and social cohesion	a1) A new curriculum for all grades 1-12 is implemented by 2019.	2016: the overarching framework guidelines are approved by cabinet.	EDSP M&E Progress Report (MoEHE)
	a2) Degree of integration of the criteria on gender, youth, environment and human rights in all curricula textbooks (1-12) by 2019.	0 (under preparation). Baseline will be set in 2017.	
	a3) The new Palestinian curriculum for all grades is used in all schools (public/private, UNRWA) in East Jerusalem.	2016: 100%	EDSP Progress report (MoEHE)
b) Teaching capacities are improved (basic education)	b1) The percentage of qualified male and female teaching staff in the basic cycle (1-10), in accordance with the Teacher Education Strategy (TES), is increased to 70% and for secondary education (grades 11-12) increased to 50% by 2019.	2015: 56.6% for basic education 2015: 24% for secondary education	EDSP M&E report (MoEHE)
	b2) The number of male and female teachers employed in East Jerusalem schools is increased to 70%	2015: 44.9%	

	to cover the current shortage. ¹⁷⁹		
c) Student-centred learning is enhanced through increased use of educational technology and resources in basic education	c1) The percentage of classes that utilize digital, non-digital and speciality teaching tools in basic education is increased to 40% by 2019, with equal access to boys and girls, marginalised groups and accessible to children with disabilities	C1)2015: 28.9%	ESDP M&E report (MoEHE)
	c2) The percentage of technology classes (5-10th grade) during which technological teaching tools are employed is increased to 40% by 2019	C2) 2015: 21.8%	
d) TVET programmes are better aligned to the needs of the labour-market (including VTCs that operate under MoL)	d1) 50% of TVET programs under MoEHE include work-based learning components ¹⁸⁰ by 2020, with equal access to boys and girls, marginalised groups and accessible to children with disabilities	No baseline.	MoEHE & MoL reports
	d2) 75% of schools integrate vocational subjects within standard education from grade 7 to 9 by 2019, including vocational subjects that are equal in 'value' accessible to children with disabilities.	2016: 17%	
	d3) The governance of TVET programmes includes the private sector.	No baseline	
	d4) By 2020, 75% of children are enrolled in vocational stream as a result of receiving vocational guidance benefit from career guidance	2015: 65.3%	

¹⁷⁹ According to the MoEHE, school staff and students from the West Bank have difficulties to obtain permits to enter East Jerusalem.

¹⁸⁰ Work based learning is a broad term that includes all forms of learning schemes with the private sector, including apprenticeship schemes, internships, etc.

	programs in years 7 to 9.		
e) Strengthen national capacity in science and research towards enhancing relevance of higher education	e1) The percentage of male and female students enrolled in the scientific stream in the Palestinian Higher Education institutions is increased by 2020.	No baseline.	EDSP Annual Progress Report (MoEHE)

3.2.1.3 Specific Objective (SO 3.2.1.3): Accountable and results-based leadership, governance and management is enhanced

(NPA Priority "Citizen Centered Governance", EDSP 2017-2022 goal 3)

Expected Results	Indicators	Baseline	Means of verification
a) Community participation in education is increased based on the principles of participation, accountability, information, non-discrimination and equality.	a1) The percentage of local community involvement in schools is increased to 70% by 2019.	2015: 40.1%	EDSP M&E report (MoEHE)
	a2) The percentage of local community involvement in East Jerusalem schools is increased to 70% by 2019.	2015: 32.9%	
b) Management reform of the education system towards results-based service delivery and program-based management is implemented	b1) The Cabinet approves a new organisational model for the education sector that integrates service-delivery structure and program-based approach by 2017, which is implemented by 2018 and includes an accountability mechanism.	2016: New skeleton is approved internally	EDSP Annual Progress Report (MoEHE)

3.2.2 Specific Objectives in the Health Sector

Partners involved	
Lead EU Donors	Italy
Active EU Donors	Sweden and Austria
Like-Minded Donor Countries	Norway
Other Major Donor Countries	Japan

Other Major Stakeholders	WHO, UNRWA, UNFPA, UNICEF, World Bank, and USAID
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3.2.2.1 Specific Objective (SO 3.2.2.1): Strengthen the national health system to achieve universal health coverage, improve efficiency and reduce internal fragmentation

(NPA Priority "Inclusive, Quality Health Care for All"; National Policies "Better Health Care Services" and "Improving Citizens' Health and Well-Being")

Expected Results	Indicators	Baseline	Means of verification
a) Social health insurance reform which allows equal access to health services is drafted, adopted and implemented, after stakeholder consultations	a1) The percentage of persons with governmental health insurance (GHI) is increased to 85% by 2020.	2015: 65.6%	Ministry of Health (MoH), GHI Department; Palestinian Central Bureau of Statistics (PCBS)/National Health Accounts; MoSD; CSO reports
	a2) The number of poor persons with GHI covered by Ministry of Social Development (MoSD) in the West Bank is increased to 200,000 by 2020.	2015: 97,228 people	
	a3) The percentage of out of pocket spending, as % of total health spending, is decreased to 20% by 2020.	2013: 37.7%	
b) Efficiency in health spending is improved, also in terms of inclusion, participation, transparency and accountability.	b1) The percentage of drugs with one provider (patent) in the annual drug tender is decreased to 5% by 2020.	2016 percentage: 18%	MoH/Drug Directorate MoH/Service Purchase Department
	b2) The cost of drugs with one provider (patent) in the annual drug tender is decreased to 80 M ILS by 2020.	2015 Cost: 120 M ILS	
	b3) The percentage and actual spending for medical referrals to Israeli hospitals are decreased to 7% and 100 M NIS by 2020.	2015: Percentage: 11.5% Real spending: 239,475,923 ILS	
c) Planning of Primary Health Care (PHC) and hospital networks and quality assurance systems are defined and	c1) A quality-based accreditation system for public and private health providers agreed with stakeholders and implemented.	0	MoH/Planning Directorate; MoH/Service Purchase Department; MoH/Hospital Directorate; WHO
	c2) The contracting out Palestinian hospital providers is defined and implemented.	No baseline.	

implemented, and include mechanisms for equal participation and access to information to ensure accountability.	c3) A case-based hospital payment system for all contracted providers is defined and implemented.	No baseline.	
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3.2.2.2 Specific Objective (SO 3.2.2.2): Reinforce primary health care programs to tackle Non-Communicable Diseases (NCDs) and mental health problems, and improve women and child health

(NPA Priority "Inclusive, Quality Health Care for All"; National Policies "Better Health Care Services" and "Improving Citizens' Health and Well-Being")

Expected Results	Indicators	Baseline	Means of verification
a) Family Medicine (FM) program is implemented	a1) The number of PHC centres running the FM programme with mental health care integration and community orientation is increased to all PHC centres.	2016: 5	MoH/PHC Directorate; WHO
	a2) % of persons satisfied for quality of FM program by age and gender.	No baseline.	
	a3) The percentage of youths aged 14-25 with alcohol or drug addiction in East Jerusalem is decreased by 2020.	Baseline for East Jerusalem children using drugs: 6000 between the ages of 14-25.	Ad hoc survey
	a3) The number of drug-use-prevention and treatment centres in Palestine is increased to 5% by 2020.	2016 = 1% (Ramallah)	MoH/PHC Directorate
b) Primary and secondary prevention programs for NCDs are strengthened	b1) The number of eligible women (40-65 years) screened by the MoH mammographic programme is increased to 50,000 by 2020.	2015: 8,478 women screened by MoH.	MoH Annual Report; MoH Legal Affairs Department; National Nutrition Surveillance
	b2) The by-law of Law 25/2005 (No Smoking Law) is approved and effectively enforced, and WHO's Framework Convention on	0 (by-law not approved yet).	

	Tobacco Control signed and implemented.		
	b3) The percentage of overweight or obese school children (girls and boys) is decreased to 20% by 2020.	2014: 25.9%	
c) Maternal and child health, including early child development and sexual and Reproductive Health and Rights (SRHR), is improved with involvement of men and boys whenever necessary	c1) The maternal mortality rate is decreased to 15% in the West Bank and 20% in the Gaza Strip by 2020. ¹⁸¹	2014: 24.7 x 100.000 (19.9 West Bank; 30.6 Gaza Strip)	MoH Annual Report; MoH/UNICEF Palestine Multiple Indicators Cluster Survey Report; PCBS Multi-indicators survey; MoEHE
	c2) The percentage of breastfeeding women using exclusive breast-feeding under 6 months is increased to 60% by 2020.	2014: 38.6 %	
	c3) The contraceptive prevalence rate by any method is increased by 2020.	2014: 57.2%	
	c4) The number of schools providing comprehensive education on SRHR is increased.	No baseline.	

3.2.2.3 Specific Objective (SO 3.2.2.3): Enhance the stewardship role of the Ministry of Health in promoting healthy communities¹⁸²

(NPA Priority "Inclusive, Quality Health Care for All"; National Policies "Better Health Care Services" and "Improving Citizens' Health and Well-Being")

Expected Results	Indicators	Baseline	Means of verification
a) Access to health services for marginalised people is expanded using a needs assessment participatory approach	a1) The yearly number of persons ¹⁸³ in underserved communities in Area C benefitting from mobile clinic services is increased to 300,000 people by 2020.	2015: 200,000 people ¹⁸⁴	OCHA oPt Humanitarian Dashboard; MoL/MoSD
	a2) The number of disabled persons, disaggregated by gender, age and community, involved in social cooperatives/social enterprises (including mental disability) is increased to 250	27 disabled persons (24 men and 3 women) involved in small micro-credit enterprises in the West Bank	

¹⁸¹ Data disaggregated by geographical area.

¹⁸² Related to cross-cutting priorities.

¹⁸³ Women and men, disaggregated by gender, age and disability.

¹⁸⁴ No data disaggregated by gender is available.

	people in the West Bank.	(MOSD) (3 social cooperatives/MoL)	
b) Health system response to violence against women and children is strengthened	b1) The number of women and children benefitting from the National Referral System for GBV is increased to 50% by 2020.	No baseline.	MoH/Women Health Directorate; UNFPA; MoH/Legal Affairs Department
	b2) The number of public or private hospitals with special triage for women and children victims of GBV in Palestine is increased to 50% by 2020.	June 2016: 5 hospitals	
	b3) The laws concerning GBV (Personal Status Law, Criminal Law, Family Protection Bill) are approved and enforced and the of the Istanbul Convention "Action against violence against women and domestic violence" is signed.	0	
c) Sustainable environment is safeguarded and environmental and occupational health risk factors are reduced with community participation	c1) The percentage of total produced waste disposed in sanitary landfill or recycled/composted is increased to 90% by 2020.	2015: 75%	MoH/Environmental Health Department; MoLG; MoL; CSO reports
	c2) The percentage of workplaces implementing the occupational health regulations out of those inspected is increased to 75% by 2020.	No baseline.	

3.2.3 Specific Objectives in *Social Protection*

Partners involved	
Lead EU Donors	The EU
Active EU Donors	N/A [Austria, Belgium, Finland, Italy, Ireland, Spain and Portugal <i>through PEGASE</i>]
Other Major Stakeholders	The World Bank, UNICEF and WFP

3.2.3.1 Specific Objective (SO 3.2.3.1): Enhance access to services for the poorest and most vulnerable Palestinians in the West Bank, including East Jerusalem, and the Gaza Strip

(NPA Priority: "Improving services to citizens" and "Escaping poverty", Social Sector Development Strategy objective 1 and 2)

Expected Results	Indicators ¹⁸⁵	Baseline	Means of verification
a) Social protection services delivered by the Ministry of Social Development (MoSD) are inclusive, interconnected	a1) The proportion of vulnerable people (persons with disabilities, elderly, children and women victim of violence) receiving social services increased by 2020.	TBC - MoSD data ¹⁸⁶	CTP database; MoSD Operational Reports; CTP Operational Manual; MoSD Annual Action Plans
	A2) The number of poor and vulnerable covered by a health insurance is increased by 2020.	2016: 30,902 people	
b) The social allowances of the Cash Transfer Programme reach the poorest and most vulnerable families	b1) The % of households living in extreme poverty receiving social allowances under the Cash Transfer Programme (CTP) is increased by 2020.	MoSD disaggregated data. Baseline for East Jerusalem: 75.4% of all Palestinian Jerusalemites (and 83.9% of children), are living below the poverty line. ¹⁸⁷	PA budget; Monthly expenditure reports of the Ministry of Finance and Planning (MoFP); PCBS
	b2) Methodology for poverty and vulnerability based targeting is regularly refined (use of multidimensional poverty factors, use of 2017 Palestinian Expenditure Consumption Survey, regular recertification).	Proxy-means testing based on 2009 PECS data	
	b3) Adequate level (Y NIS) of allowance is paid time 4 times a year	2016: X NIS/families paid four times a year	
c) Socio-economic empowerment/income generating	c1) The number beneficiaries ¹⁸⁸ benefitting from	No baseline.	MoSD operational reports;

¹⁸⁵ Indicators and benchmarks to be revised once the Social Development Strategy M&E is in place

¹⁸⁶ Data disaggregated by gender, age, ethnic group and by geographic location (Gaza Strip, West Bank including East Jerusalem, and Area C).

¹⁸⁷ ACRI, 2015.

¹⁸⁸ Disaggregated by age, gender and geographical location.

programmes targeting the poorest and most vulnerable are developed and implemented by MoSD	economic empowerment/income generating programmes is increased by 2020.		UNDP DEEP reports
	c2) The number of households benefiting from CTP channelled to the Deprived Families Economic Empowerment Programme (DEEP) is increased by 2020.	2015: 1,692 households ¹⁸⁹	

3.2.3.2 Specific Objective (SO 3.2.3.2): Enhance evidence-based policy and institutional frameworks for service delivery at national and local level, including improved public-private partnership

(NPA Priority 8: "Escaping poverty" Social Sector Development Strategy objective 3 and 4)

Expected Results	Indicators	Baseline	Means of verification
a) Monitoring and evaluation mechanism for the social development sector is developed by MoSD	a1) An M&E framework for the social development strategy is available by April 2017	0	Social Protection Sector Strategy; M&E reports; PCBS reports; CSO reports
	a2) An annual monitoring report, using the CTP database is produced by MoSD together private/NGO service providers by 2018	0	
	Appeal and grievance mechanisms are in place	0	
b) Improved local partnership and referral networks are implemented and monitored	b1.1) Joint Planning Groups are established by Ministry decree in 4 new regions (Ramallah, Yatta, Tubas and Tulkarem) by 2018 b1.2) All JPGs hold regular meetings, have a plan of action and a reporting system by 2019	Three JPG in Jerusalem, Nablus, Hebron	MoSD regional offices M&E reports; JPG action plans and meeting minutes Beneficiary Councils; CSO reports
	b2) Case management system for the vulnerable	0 (Not available yet).	

¹⁸⁹ Data disaggregated by age, gender and geographical location.

	group is designed and used by social workers at local level by 2018		
	b3) A referral mechanism is available at regional directorate's level by 2018	0 (Not available yet).	

3.3. Donor coordination and policy dialogue

The EU/EUMS play a leading role in the existing **local aid coordination structures**. Relevant platforms include the Social Development Working Group, the Education Sector Working Group (co-chaired by Belgium and the Ministry of Education and Higher Education), the Health Sector Working Group and the Social Protection Sector Working Group (co-chaired by the EU and the Ministry of Social Development). The effectiveness of these groups to act as coordinating structure varies per sector. Regular **results-oriented policy dialogue** on service delivery also takes place under the **PEGASE Result Oriented Framework** and the **ENP sub-committee on Health and Social Affairs**. The ROF builds on jointly-agreed progress indicators on macro-economic consolidation, public finance management and **service delivery**, including health, education and social protection, to guide a structured and results-oriented policy dialogue with the PA on the basis on **nationally-defined objectives**.

3.4 The PA's financial and policy commitments

The PA recognises the role played by social services as a **key institution** of the independent Palestinian State. The national priorities defined in the NPA 2017-2022 articulate around a **Responsive Government** promoting locally-based service delivery with increased public-private partnership, **Social Protection** focusing on the most vulnerable and promoting socio-economic empowerment and **quality Education and Health for all**. These sectors remain priority investments for the PA albeit at different scopes and levels. Despite the volatility of the political and security contexts, as well as financial constraints, comprehensive sector plans have been developed and the respective Ministries show good levels of commitment and capacity to implement them. Despite many examples of good practises, modern attitudes and professional interventions, access to and the quality of these services remain overall insufficient due to fiscal difficulties, limited capacities and skills, institutional constraints and ageing infrastructures. Fiscal priority for government spending in the social sectors (health, education and welfare) - both in terms of recurrent expenditure and investment - should be encouraged to achieve national objectives. A results-based M&E framework, with smart indicators and attainable targets should be developed to monitor progress and shape national priorities in these sectors. The worsening socio-economic conditions in the **Gaza Strip**, where the needs remain great, are of concern and should remain a full part of the national development strategy (including in terms of budgetary commitment).

3.5. Overall risk assessment of the sector intervention

Risk	Level	Mitigating measures
Conflicts, civil strife or protracted emergencies disrupt functioning of service delivery.	Medium	Monitoring and advocacy
PA's commitment to pursue and implement sector reforms.	Medium	Continuous policy dialogue, enhanced partnership, gradual shift to incentive system
Strikes of civil servants in the social sectors affect service delivery.	Medium	
Fiscal situation of the PA deteriorates reducing the share of service delivery in the PA budget	High	

Pillar Fiche N°4: Self-Sufficient Water and Energy Services

Corresponding NPA Priorities and Policies		
Pillar	National Priorities	National Policies
Path to Independence	National Unity	One Land; One People
	Strengthening Palestine's International Status	Expanding Palestine's Bilateral Relations
Government Reform	Citizen-Centred Government	Responsive Local Government
	Effective Government	Improving Services to Citizens
		Strengthening Accountability and Transparency
Sustainable Development	Economic Independence	Effective, Efficient Public Financial Management
		Building Palestine's Future Economy
		Creating Job Opportunities
		Improving Palestine's Business Environment
	Social Justice and Rule of Law	Promoting Palestinian Industry
		Gender Equality and Women's Empowerment
	Inclusive, Quality Education for All	Our Youth; Our Future
	Inclusive, Quality Health Care for All	From Education to Employment
	Resilient Communities	Improving Citizens' Health and Well-Being
		Meeting the Basic Needs of Our Communities
		Ensuring a Sustainable Environment

Corresponding SDGs	
SDG 1	No Poverty
SDG 5	Gender Equality
SDG 6	Clean Water and Sanitation
SDG 7	Affordable and Clean Energy
SDG 9	Industry, Innovation and Infrastructure
SDG 10	Reduced Inequalities
SDG 12	Responsible Consumption and Production
SDG 13	Climate Action
SDG 15	Life on Land

Corresponding Objectives of the EU Gender Action Plan II 2016-2020	
16	Equal access and control over clean water, energy, transport infrastructure, and equitable engagement in their management, enjoyed by girls and women.

4.1 Overall Objective of the Self-Sufficient Water and Energy Services Pillar¹⁹⁰

The Overall Objective of European development cooperation within the Self-Sufficient Water and Energy Services Pillar is to support the PA to provide sufficient, equitable, affordable and sustainable access to energy, safe water and sanitation services for all.

Rationale

The management of shared water resources and transboundary water affairs is one of the disputes to be settled between Israel and the Palestine. Currently, Israel maintains control over 80% of the water resources in the West Bank. The Joint Water Committee, which was supposed to discuss water-related issues according to the Oslo II Accord of 1995, is not functioning and thus the political and technical framework to ensure fair distribution of water between Israel and Palestine is not in place.

Since the establishment of the Palestinian Water Authority in 1995, Palestinians have been trying to take over their share of responsibilities in the management of water affairs. Efforts have been concentrated on capacity building, infrastructure development, lobbying, research and institutional development with an on-going sector reform.

Gaza's population gets most of its water from the Coastal Aquifer. 96, 4 % of the pumped water exceeds the WHO acceptable limits for human consumption. Furthermore the coastal aquifer will be unusable by 2016, and irreversibly damaged in 2020 (UN report, 2012). Additionally, the reoccurring conflicts during the last decade had devastating impact in particular on water and energy infrastructures and systems. The intra-Palestinian split contributes to increase challenges as regards water and energy sector in the Gaza strip.

According to UN OCHA 70% of the communities located entirely or mostly in Area C are not connected to water and sanitation systems. Furthermore, construction or rehabilitation of wells is also constrained by the Israeli planning regime.

Cross-cutting Priorities of Gender, Civil Society, Environment

By connecting peripheral communities to water networks and centralised wastewater treatment plants as well as focusing on the Gaza Strip, European development cooperation also supports the PA in giving priority to marginalized localities and low-income areas thereby addressing distributive justice and the rights of vulnerable groups, also taking into account the gender implications of care burdens.

By supporting the PA in implementing the *Palestinian Gender Strategy in the Environment Sector focusing on Water and Solid Waste Management (2013-2017)*, the EU and its MS aim at promoting gender participation equality and equity in the sector on the policy level, the institutional level, and the project planning processes at the local level. The same applies for activities that help enhance resilience especially of vulnerable communities against water scarcity and climate change shape in line with *the*

¹⁹⁰ The pillar overall objective is directly contributing to the Palestinian National Development Plan (PNDP) 2014-2016 overall objective "to provide sufficient quantities of energy to consumers, meeting the international standards, through continued support to the development of the transmission and distribution system". Moreover, it is in alignment with the Energy Sector Strategy 2011-13 vision and specific objectives. PENRA is currently reviewing the update of the Strategy (2015-2020) which in its draft version (December 2015) shows consistency with the previous one though it is widened to embrace the hydrocarbon sector.

Palestinian Water Strategy and the Climate Change Adaptation Strategy and Programme of Action of the PA. The EU and its MS also support the PA to implement recommendations of Human Rights reports related to water and sanitation in particular in relation to the International Covenant on Economic, Social and Cultural Rights (ICESCR) and Convention on the Rights of the Child (CRC) treaties which are key reference document for water and energy.

4.2 Specific Objectives¹⁹¹

The specific objectives of this pillar are differentiated between energy and water. They are mentioned below in Chapters 4.2.1 and 4.2.2. By following these objectives the European Development Cooperation shall continue to foster an enabling environment for the establishment of a future Palestinian state within the framework of a negotiated two-states-solution.

The EU supports Palestinian state-building to create a setting for peaceful and inclusive development, improved legitimacy by ensuring participation, accountability and transparency as well as the implementation of human rights and gender equality obligations. The European Development Cooperation addresses key peace building imperatives as outlined in the Chapter on European Values. Therefore, the EU development cooperation in the domain of water and energy seeks to ensure that:

Social and territorial cohesion is enhanced through the implementation of programs in the West Bank, Gaza and East Jerusalem and refugee camps.

Political and social participation (legitimacy of PA) is enhanced through a participatory approach for the design of infrastructure projects and in the process of setting a socially and financially sustainable water and energy tariff, to be inclusive of women and men, youth and persons with disabilities needs. Participation, accountability and transparency should be increased in all processes conducted by the water sector institutions as foreseen in the Water and Energy Laws. Engagement with the Civil Society will be crucial in this regard.

Foundations for Palestinian livelihood are safeguarded by improved living conditions through improving energy, water and wastewater services for all parts of the Palestinian population.

4.2.1 Specific Objectives in the Water Sector

Partners involved	
Lead EU Donors	Germany

¹⁹¹ The pillar is directly contributing to “Community access to clean water and sanitation” as well as to “Expand wastewater management”, the strategic goals of the **PWA Strategic Development Plan 2017-2022** (Draft May 2016), are addressed through the specific objectives: i) Integrated management and sustainable development of water resources, ii) Improving quality and reliability of water supply services and ensuring fair water distribution, iii) Improving wastewater services and structures (collection, treatment and re-use of treated water and sludge), iv) Development of water sector institutions to reinforce good governance and v) Ensuring financial sustainability of water service providers.

Active EU Donors	The EU, Austria, Finland, France, Spain, Sweden and the Netherlands
Other Major Donor Countries	Japan
Other Major Stakeholders	USAID and the World Bank

To this end and in response to Policy Priorities of the 2016 Palestinian National Policy Agenda listed for this pillar and on the basis of the Palestinian Water Law, EU and Member States will continue to support national institutions and service providers¹⁹² in:

- ***Improving the sustainable operation of water and wastewater infrastructure and the management of water resources (Specific Objective 4.2.1.1)***

To this end, management capacities have to be enhanced and regulatory processes have to result in adoption and application of quality standards, affordable and cost-covering water tariff systems and to facilitate improved collection rates. Institutional capacities to conduct efficient, inclusive, accountable and transparent administrative procedures, including accessible and non-discriminatory complaint mechanisms, have to be provided and strengthened. Establishing functioning institutions in charge of production and distribution of bulk water and responsible for water and wastewater services will also be necessary in order to gain benefits for the population from infrastructure investments (see below).

- ***Improving sustainable access to water supply and wastewater systems by contributing to the rehabilitation and construction of water wells and distribution/collection systems, sewerage networks, desalination and wastewater treatment plants (Specific Objective 4.2.1.2)***

Securing water supply by investing in water leakage reduction, developing water resources, fostering integrated water resource management (including regional cooperation for shared resources and access to data), maximising investments in renewable energy sources and in energy-efficient equipment, wherever appropriate, will contribute to better availability of water and energy as well as to climate and environment protection. The EU and its MS are committed to promoting efficient use of water in all sectors with a special focus on agriculture. Therefore, the use of treated wastewater for irrigation should be examined for all interventions in the wastewater sector and taken up wherever possible.

4.2.1.1 Specific Objective (SO 4.2.1.1): Support national institutions and service providers in improving operation and management

(National Policy Agenda Policy Priority)

NPA National Priority 3.5: Resilient Communities

Corresponding NPA Policy: Meeting the Basic Needs of Our Communities

¹⁹² National institutions and service providers include but are not be restricted to: Relevant governmental institutions (PWA, RWC, etc.), service providers as in municipalities and existing/future water utilities, the Union of Palestinian Water Service Providers (UPWSP), bulk water suppliers, Civil Society and academic institutions. The private sector could also play a strategic role.

Expected Results	Indicators ¹⁹³	Baseline	Means of verification
a) Institutions of the water sector have improved their capacities and apply sector related regulations	a1) An effective Water Sector Regulatory Council is operational and efficiently fulfilling 6 of its core responsibilities in accordance with the Water Law no.14/2014.'	2016: 2 core responsibilities are being fulfilled.	PWA reports WSRC reports PCBS, Average Consumer Price for Water Tariffs by Region, 2014
	a2) The PWA finalizes and submits to the CoM 10 bylaws and policies required for the implementation of the water law and in accordance to the reform process (especially for the Regional Water Utilities and the National Water Company)	2016: 0%	
	a3) Creation of the National Water Company is achieved through specific by-laws by 2020.	0	
b) Regulations and tariff systems are respected and applied by service providers and contribute to improved financial stability while ensuring equitable inclusion of all.	b1) The number of monitored water service providers (serving more than 60 % of the population) which apply water tariffs recovering O&M costs is 50 by 2020	2014: 18 monitored water service providers recover O&M costs	PWA reports WSRC reports PCBS - Needed, Supply and Consumed Quantities, Population and Deficit in Domestic Supply in the West Bank by Governorate
	b2) The number of water tariffs that are in line with the Tariff Bylaw and are approved by WSRC is increased to 50 by 2020.	2016: 2 water tariffs approved by WSRC	
c) Gender-Strategy has been implemented	c1) The measures from the action plan of the PA Gender Strategy in the Environment Sector (policy, professional and community levels) implemented from all sector institutions is	2016: 2 measures are being implemented	Gender reports from MoSD, MoFP and PWA

¹⁹³ The initial baseline and the indicators will be, respectively, completed and reviewed by 2017 in alignment with the National Policy Agenda.

	increased to 10 measures		
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4.2.1.2 Specific Objective (SO 4.2.1.2): Improve sustainable access to water supply and wastewater systems

(National Policy Agenda Policy Priority)

NPA National Priority 3.5: Resilient Communities

Corresponding NPA Policy: Ensuring a Sustainable Environment and Expand wastewater management

Expected Results	Indicators	Baseline	Means of verification
a) Access to water supply and resources has increased, including for vulnerable groups and in marginalized areas.	a1) The quantity of water from conventional and unconventional water resources (in million cubic meters) is increased by 2020.	2014: Gaza Strip: 175,4 mcm West Bank: 103,8 mcm	PWA reports WSRC reports PCBS, Annual Available Water Quality in Palestine by Region and Source PCBS, Quantity of Water Supply for Domestic Sector, Water Consumed, Total Losses, Population and Daily Allocation per Capita in the Gaza Strip and West Bank, by Governorate
	a2) The quantity of water (referred as potable based on WHO standard) delivered to households and communities increased to a minimum of 100 litre per capita per day in the Gaza Strip and in the West Bank.	2014: Gaza Strip: 70 l/c/d West Bank: 72 l/c/d	
	a3) The percentage of non-revenue water is reduced to 20% in the West Bank and Gaza Strip. ¹⁹⁴	2014: 32%	
b) Access to advanced wastewater treatment has increased, including for vulnerable groups and in marginalized areas	b1) The number of operational medium-large ¹⁹⁵ wastewater treatment plants (WWTP) is increased to 6 WWTP in the West Bank and 4 WWTP in the Gaza Strip, therefore increasing the overall percentage of wastewater treated in WWTP.	2016: Gaza Strip: 2 WWTP West Bank: 3 WWTP	PWA reports WSRC reports PCBS - Percentage Distribution of Households in Palestine by Wastewater Disposal Method, Region, and Locality
	b2) The percentage of households connected to a wastewater system or suitable on-site sanitation	2014: Gaza Strip: 72% West Bank: 31%	

¹⁹⁴ Unaccounted-for- water comprises of: Unbilled authorised consumption, physical losses, commercial losses.

¹⁹⁵ Flow > 30 m3/d

	system (septic tanks + infiltration beds) is increased to 90% for the Gaza Strip and 50% for the West Bank by 2020.		
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4.2.2 Specific Objectives in the Energy Sector

Partners involved	
Lead EU Donors	France
Active EU Donors	The EU, Czech Republic, Italy, the Netherlands and the EIB
Like-Minded Donor Countries	Norway
Other Major Donor Countries	China
Other Major Stakeholders	The World Bank

To this end and in response to Policy Priorities of the 2016 Palestinian National Policy Agenda listed for this pillar, the EU and MS will support Palestine in achieving the following three specific objectives:

- ***Provide access to affordable, reliable and resilient energy services to end consumers (SO 4.2.2.1).*** The EU and MS are committed to support Palestine in meeting international and environmental standards, through the improvement of the transmission network and the development of a fair distribution system; the application of modern technologies for energy generation; and an efficient and productive consumption of energy. Moreover, to support Palestine in addressing climate change, the EU and MS will promote, on the supply side, the use of renewables for generation and on the demand side, the application of energy-efficient measures.
- ***Improve the financial sustainability and regulation of the energy sector (SO 4.2.2.2).*** The EU and MS are committed to support Palestine in reducing fiscal leakages in the energy sector, such as the “net lending” and fuel smuggling. Moreover, the EU and MS will provide assistance in developing institutions and governance mechanisms fostering and furthering reforms, with the ultimate goal of ensuring full accessibility and affordability of energy services.
- ***Put forward specific policies and innovative actions to promote the green economy, access to energy services for marginalized groups and participation in the decision-making process (SO 4.2.2.3).*** The EU and MS are committed to support Palestine in promoting the adoption of devices and technologies (for example agri-waste and landfills waste conversion into gas) aiming at increasing the resilience of local communities and marginalized groups. In turn, this will result in better affordability of the energy services (electricity bill, motor vehicles fuel, etc.) while at the same time, will promote participation, awareness and ownership in accessing locally available energy resources.

4.2.2.1 Specific objective (SO 4.2.2.1): Provide access to affordable, reliable and resilient energy services to end consumers

NPA National Priority 3.5: Resilient Communities

Corresponding NPA Policy: Expand community access to reliable energy.

Expected Results	Indicators ¹⁹⁶	Baseline	Means of verification
a) Energy transmission and distribution improved	a1) The total energy losses/total energy supply (in Terajoul) in Palestine are reduced of 0.4% by 2020.	2012: 7%	PCBS ¹⁹⁷
	a2) The suppressed demand (MVA), defined as (shortage of current) + (non-active load), is decreased by 2020 of 10% in the West bank and 5% in the Gaza Strip.	September 2016: ¹⁹⁸ West Bank: 1120 MVA Gaza Strip: 280 MVA	Data provided by PETL on a monthly basis.
b) Energy supply increased, diversified and made more resilient and independent	b1) The share of renewable energies in the national energy mix increases to 17.60% by 2020.	2012: 16.60%	PCBS ¹⁹⁹
	b2) Available electricity in Palestine but the Israeli Electricity Company electricity imports/Total available electricity in Palestine. increases to 12.15% by 2020	2012: 11.15%	PCBS ²⁰⁰
c) Efficiency, productivity	c1) The GDP/unit of energy consumed is increased of	0.68 USD/Kwh	PCBS ²⁰¹

¹⁹⁶ The initial baseline and the indicators will be, respectively, completed and reviewed by 2017 in alignment with the National Policy Agenda

¹⁹⁷ Source: 2012 Energy Tables in Palestine (published in 2014), Table 12, http://www.pcbs.gov.ps/site/lang_en/886/Default.aspx.

For reference, ISR in 2010 = 2, 5%; losses due to the refugee camps are difficult to reduce, hence the target for PA less ambitious could be a yearly decrease between -0,1% and -0,25%.

¹⁹⁸ Data provided by PETL on 21.09.2016. Data for JDECO (Governorate Bethlehem, Ramallah, Jerusalem, Jericho) were not provided, so the data is extrapolated from the number of customers of the other DISCOs (pro-rata). It remains an approximation as DISCOs do not cover all consumers.

¹⁹⁹ Source: 2012 Energy Tables in Palestine (published in 2014), Table 12, http://www.pcbs.gov.ps/site/lang_en/886/Default.aspx.

²⁰⁰ Source: 2012 Energy Tables in Palestine (published in 2014), Table 3,4 and 5, http://www.pcbs.gov.ps/site/lang_en/886/Default.aspx.

²⁰¹ Source: http://www.pcbs.gov.ps/Portals/_Rainbow/Documents/e-naexpcurr-1994-2014.htm
PCBS, 2012: 2012 Energy Tables in Palestine (published in 2014), Table 12, http://www.pcbs.gov.ps/site/lang_en/886/Default.aspx

and affordability of energy consumption increased	1% by 2020.		
	c2) Household expenditure on energy/GDP per household is decreased to 10.40% by 2020.	2015: 11.40%	RCREEE/UNDP ²⁰² IMF report to AHLC Sept. 2015 ²⁰³

4.2.2.2 Specific objective (SO 4.2.2.2): Improve the financial sustainability and regulation of the energy sector

NPA National Priority 3.5: Resilient Communities

Corresponding NPA Policy: Ensuring a Sustainable Environment

Expected Results	Indicators ²⁰⁴	Baseline	Means of verification
a) Institutions and governance mechanisms strengthened	a1) The % of municipalities regulated by PERC has increased of 70% by 2020..	150 municipalities are not transferred to DISCOs	PERC yearly report
	a2) PETL revenue stream starts in 2017 and increases by 20% per year as of the financial year 2018 up to the financial year 2020.	0	PETL yearly financial audit report
b) Financial management and sustainability improved	b1) The percentage of entities operating in the energy market paying taxes to the Ministry of Finance and Planning (MoFP) is increased of 20% by 2020.	No baseline	MOFP tax department
	b2) The collection rate (distribution) is increased to 85% in the West Bank and 75% in the Gaza Strip by 2020.	2013 ²⁰⁵ : West Bank: 81% Gaza Strip: 71%	PERC yearly report, DISCOs yearly reports

²⁰² RCREEE/UNDP, 2015: Arab Future Energy Index, AFEX 2015 – Energy Efficiency, Source: http://www.res4med.org/uploads/strategic/14474238452_AFEX-Energy%20Efficiency.pdf

²⁰³ Source for 2014:

<http://www.pcbs.gov.ps/site/512/default.aspx?tabID=512&lang=en&ItemID=1566&mid=3171&wversion=Stagin>

²⁰⁴ The initial baseline and the indicators will be, respectively, completed and reviewed by 2017 in alignment with the National Policy Agenda

²⁰⁵ Source: 2014, WB (PWC) report on Net Lending, <http://documents.worldbank.org/curated/en/120271468317065014/pdf/ACS93930WP0P1469990Box385388B00OU0090.pdf>

c) Transparency and cooperation improved	c1) The Palestinian energy sector institutions publish yearly financial statements.	0	PEA, PETL, PERC, ²⁰⁶ PEC, GPC (MoFP). DISCOs
	c2) Quarterly PERC reports of DISCOs KPIs and status reports are published.²⁰⁷	0	PERC quarterly reports

4.2.2.3 Specific Objective (SO 4.2.2.3): Put forward specific policies and innovative actions to promote the green economy, access to energy services for marginalized groups and participation in the decision-making process

NPA National Priority 3.5: Resilient Communities

Corresponding NPA Policy: Manage, protect and promote sustainable use and conservation of natural resources (land, water and energy).

Expected Results	Indicators²⁰⁸	Baseline	Means of verification
a) Social and environmental costs of energy services reduced	a1) Carbon intensity of the energy sector: under preparation.	No baseline	PEA, PEC, EQA reporting to be identified.
	a2) Per capita GHG emissions: under preparation.	No baseline	
	a3) The number of priority adaptation measures of the "Climate Change Adaptation Strategy and Programme of Action for the PA" adopted is increased.	No baseline	
b) Fairness and affordability in distribution of energy services, with a special attention to marginalized areas and groups, achieved	b1) Customers unable to pay are well identified and an action plan implemented decreasing them is in place as of 2019.	No baseline ²⁰⁹	TBD
	b2) Inclusive and gender-responsive energy policies and budgeting are developed and a specific action plan for	No baseline.	

²⁰⁶ PERC 2015 yearly report not yet published, under preparation. PETL by-annual reports but not shared with EUREP.

²⁰⁷ Publishing means making available the report on PERC's webpage.

²⁰⁸ The initial baseline and the indicators will be, respectively, completed and reviewed by 2017 in alignment with the National Policy Agenda, updates can be found at: <http://www.climasouth.eu/en/node/57>

²⁰⁹ 2012 benefitted cases: 8,759 customers for an average of 100NIS per month. For the baseline, PWC report Source: 2014, WB (PWC) report on Net Lending, page 111, <http://documents.worldbank.org/curated/en/120271468317065014/pdf/ACS93930WP0P1469990Box385388B00OU0090.pdf>

	gender mainstreaming in the energy sector is in place as of 2019.		
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4.3. Donor coordination and policy dialogue

The Infrastructure Strategy Group (ISG), co-chaired by the Ministry of Public Works and Housing (MoPWH) and the United States Agency for International Development (USAID), is the operational forum for strategic PA-donor coordination on energy and water & sanitation related issues. More specifically, in the water & sanitation sector, donor coordination is ensured through the Sector Working Group on Water and Sanitation as well as on the basis of the MoU on harmonization and alignment of partners signed in 2012 by PWA and donors.

Regularity of meetings, meaningful Agenda-Setting and preparation for the meeting requires commitment from all sides. Reform of the LACS system might help to more efficiently and accountably make use of donors' readiness for coordination and for involvement of relevant sector institutions. The MoU foresees a regular review of the terms and conditions of coordination. A review could help identifying whether roles and responsibilities as foreseen in MoU and Water Law are taken up accordingly and what could be provided in order to improve existing mechanisms and achieve sector reform objectives. Despite significant efforts and national sector reforms, donor coordination remains elusive. The Water Sector remains institutionally fragmented and shows weaknesses in absorption capacity.

In the Energy sector, donor coordination is led by PENRA Chairman through yearly meetings with all donors in the sector involved, and more frequent ad hoc bi-lateral meetings called once every two to three months. It is in fact PENRA that according to the concept note "Restructuring the energy sector in Palestine" endorsed in May 2013 by the Cabinet Infrastructure Committee, has been given to date the lead of the energy sector coordination and reform.

Coordination in the energy sector can be improved with direct benefit to development partners' effectiveness and increased PA absorption capacity. In particular, a yearly PA reporting on the Energy Sector to the development partners and the public would definitely help. To this aim, measurable KPIs should be added to the draft strategy being finalised and the development of an energy monitoring system considered as a priority by both PENRA and the development partners.

4.4 The PA's financial and policy commitments

The achievement of the specific objectives will require strong government leadership, good coordination of development partners by PWA, PEA, PETL and other public and private institutions and stakeholders. Implementing, operating and maintaining of energy and water/wastewater infrastructure as well as tariff-setting processes that apply above mentioned requirements on social, economic and environmental sustainability demand strong institutions with clearly defined tasks, separating policy and regulatory functions. Direct control of project design, tendering procedures and implementation by political decision-making hinders efficient work and easily delays implementation of infrastructure investments. Impact of donor interventions will remain limited, unless coordination capacities, communication skills and political

readiness for the achievement of reform objectives will significantly increase. Until the WSRC is able to collect fees for its licenses and services, it will be prevented from becoming fully operational and financially sustainable. Until the National Water Company is established the responsibility for the production and supply of bulk water at a national level will remain unclear. Promoting stronger service providers and solving the net lending problem will also be helpful in order to reach a more sustainable governance of the sector.

The PWA estimates the financial needs of the Water and Wastewater sector at USD 350 million/year in average until 2032, compared with an annual budget available of USD 150 million (average since 2011). The national water strategy will need to be reviewed and prioritised by the PA to plan on the basis of the available resources. Supporting donors' efforts by complying with the PA's contribution to programs, e.g. provision of financial contributions for land acquisition (compensation) within an appropriate timeframe, especially with regard to the Gaza Strip, should be included solidly in PA's budget planning.

In the energy sector, for the time being, the PA's overall financial commitments/needs are not yet consolidated, also because the Palestinian Energy Strategy 2016-2020 is not yet endorsed by the PA Cabinet. The Energy Strategy 2011-13 focused primarily on the electricity subsector, and the estimated required investment was of approximately €414 M; the Palestinian National Development Plan (PNDP) 2014-2016, the total development expenditure destined to the energy sector shows to be the highest among all the Infrastructure sectors (water, housing, environment and transportation) reaching USD 118 million though the PA funds allocated were only the 28%. Meanwhile, and based on the unapproved draft of the strategy 2016-2020 funds needed are of about USD 1,8 billion. Data remains uncertain though due to the absence of a systematic programming and monitoring system in the sector.

4.5. Overall risk assessment of the sector intervention

Risk	Level	Mitigating measures
Political and economic instability: Politically, the restrictions imposed by ISR the Israeli occupation constitute the greatest risks, as there are complicated and politicised processes of permitting, the restriction of personnel entry and material import to the Gaza Strip as well as the prevailing risk of a further war in the Gaza Strip. More specifically, in the water & sanitation sector, the dysfunctional Joint Water Committee (JWC) might hinder the implementation of the present strategy. Economic instability, ongoing recession constitutes a risk	High	Risks can be mitigated – to a limited extent – by continuing close follow-up with COGAT and ICA to facilitate approvals for Area C construction and import of materials into West Bank and the Gaza Strip and with a view to simplify procedures for importing of material into the Gaza Strip. It could be helpful to speak up for each other's projects and also to consider joint high-level meetings. Requesting fast track approvals by ISR Israel overcoming stagnation of the Joint Water Committee (JWC) should also be pursued jointly and more consistently.

for the – anyway limited – ability and willingness of beneficiaries to pay for energy, water and wastewater services.		
Delay of water sector reform: Delays in the implementation of reform objectives and principles, like the separation of policy and regulatory functions, increases risks for successfully conducting tariff setting processes and for finding satisfying solutions in situations of conflicting interests. Phasing out of technical project implementation institution for donor funded projects in accordance with the Water Law is crucial to ensure smooth project implementation	Medium	Risk could be mitigated by continuing close dialogue with PWA on strengthening the PWA as central and leading institution within the sector, on the need for closer cooperation between PWA and Water Sector Regulatory Council, on ensuring financial stability for the WSRC, on the establishment of National Water Company and Regional Water Utilities and for closer coordination with the water service providers.
Insufficient availability of energy, especially in the Gaza Strip, and relevance of Area C to the Palestinian energy security: Insufficient availability constitutes one of the main risks for the functionality if nearly all water/wastewater infrastructure.	High	Risks could be mitigated by designing projects as self-sufficient as possible with regard to energy. This includes not only the use of renewables, especially solar energy, wherever possible, but also the consistent use of energy-efficient equipment and procedures as well as accompanying interventions on raising awareness of energy and water saving behaviour.
Failure in debt repayment to IEC and/or amounts due by PETL to IEC, or by DISCOs/Municipalities to PETL, as of September 2016 hurts the PA budget	High	The risk can be mitigated through i) providing in the short term the required TAs support to assist PETL becoming operational and developing complementary support (billing system, National Control Center etc.); ii) supporting and strengthening the development of PA mechanisms for financial shock absorption during the first 3 years as of the signature of the PPA between PETL and IEC.
The PA is unable to diversify its electricity market (local and regional PPAs other than with Israeli IEC). Moreover, also regional cooperation and interconnections of the Palestinian grid with the other neighboring countries like Jordan and Egypt–despite being a priority in view of the sustainability of the	Medium /High	The risk can be mitigated by increasing the effectiveness and visibility of Palestine within regional coordination platforms i.e. UfM platforms, MEDREG. etc., and by developing a regional investment facility for private investment involving Palestine.

electricity market, is so far inefficiently tackled.		
Due to the Israeli occupation the PA is not in a position to exercise its sovereignty on the exploitation of C land for the development of the Palestinian transmission backbone and the access to the energy resources of Area C, mainly gas, renewables and oil.	High	Mitigation through increasing regional coordination and cooperation, as well as increased policy dialogue and advocacy about Palestine's entitlement to its own resources based on international conventions and standards on shared/transboundary energy resources.
Electricity shortage in Gaza and the isolation of some parts of East Jerusalem and Area C from access to regulated services are politically sensitive and do require ad hoc complex solutions, more complex than intervening in support of the West Bank.	Very high	Mitigation via an ad hoc task force dealing with marginal areas and studying as hoc technical solutions and policy dialogue/advocacy required.

Pillar Fiche N°5: Sustainable Economic Development

Corresponding NPA Priorities and Policies		
Pillar	National Priorities	National Policies
Path to Independence	Ending the Occupation; Achieving Our Independence	Mobilizing National and International Support
	National Unity	One Land; One People
Government Reform	Citizen-Centred Government	Improving Services to Citizens
Sustainable Development	Economic Independence	Building Palestine's Future Economy
		Creating Job Opportunities
		Improving Palestine's Business Environment
		Promoting Palestinian Industry
	Social Justice and Rule of Law	Escaping Poverty
		Gender Equality and Women's Empowerment
		Our Youth, Our Future
	Inclusive, Quality Education for All	From Education to Employment
	Resilient Communities	Meeting the Basic Needs of Our Communities
		Ensuring a Sustainable Environment
		Revitalizing Agriculture and Strengthening Our Rural Communities
		Preserving Our National Identity and Cultural Heritage

Corresponding SDGs	
SDG 1	No Poverty
SDG 2	Zero Hunger
SDG 5	Gender Equality
SDG 8	Decent Work and Economic Growth
SDG 9	Industry, Innovation and Infrastructure
SDG 10	Reduced Inequalities
SDG 12	Responsible Consumption and Production
SDG 13	Climate Action
SDG 14	Life Below Water
SDG 15	Life on Land

Corresponding Objectives of the EU Gender Action Plan II 2016-2020	
14	Access to decent work for women of all ages
15	Equal access by women to financial services, productive resources including land, trade and entrepreneurship

5.1 Overall Objective of the Sustainable Economic Development Pillar

The Overall Objective of European development cooperation within the Sustainable Economic Development Pillar is to promote inclusive, sustainable and private sector led

development and equitable access to natural resources, paving the way to economic independence.

The Palestinian economy is heavily dependent on donor support, the public sector, and trade with Israel. In addition, access to natural resources and property is limited and exposed to gender based discriminations. The EU will address these issues by promoting inclusive, sustainable and private sector led development across all economic sectors and in accordance with the objective set out in the PA National Policy Agenda.

Cross-cutting themes

Cross-cutting issues are a core component of European support to Sustainable Economic Development.

- They are fully embedded into the overall objective, which includes the notion of inclusive and sustainable development and of equal access to natural resources.
- They have been streamlined in the core sectoral specific objectives of this pillar fiche (The two first specific objectives for each of the two components: private sector development and agriculture). In addition, for both components, a third specific objective is specifically dedicated to tackling key cross-cutting issues that are relevant for the sector. -In the case private sector development, the main cross-cutting issues identified are:
 - Supporting the access of Youth, Women, and marginalised groups such as refugees to economic opportunities (including employment).
 - Supporting the Palestinian Economy in an environmentally friendly way and reinforcing energy efficiency and the use of renewable energies.
- In the case of agriculture, the main cross-cutting issues identified are:
 - Increased role of women in agricultural productive activities and formal acknowledgement of their contribution to the familiar and local economy; increased access to production and income generating resources for women and youth in rural areas
 - Introduce environmentally sustainable production techniques to combat climate change: alternative sources of water for agriculture and promotion of ecological production

5.2 Specific Objectives

5.2.1 Specific Objectives in Private Sector Development

National Policy Agenda: Sustainable Development/Economic independence, Education for All, Resilient Communities

Partners involved	
Lead EU Donors	The EU
Active EU Donors	France, Germany, Italy, Sweden, the Netherlands, and the UK
Other Major Donor Countries	USAID, Canada, and Japan

Other Major Stakeholders	IDB
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The Palestinian private sector is characterised by a small number of large holding companies and many small size firms with limited productivity, low investment and scarce competition, in spite of remarkable capacity of local entrepreneurs to adapt to the wide-ranging political and economic constraints. The restrictions on access and movement imposed on goods and persons by the Government of Israel, the non-contiguous control of land by the PA and the lack of access to Area C have contributed to the development of small "insular" economies. The share in the economy of the two core sectors producing tradable goods (manufacturing and agriculture) has shrunk between the Oslo Accords time and today. The percentage value of exports to GDP of the Palestinian economy is among the lowest in the world. Exports are highly concentrated in low value-added goods and services, and trade is highly reliant on Imports from Israel. Gender based inequalities are still widespread. Women are disadvantaged in the access to and control of natural resources. Labour market presents challenges for women, both in terms of vertical access (decision-making) and segmental discrimination (sexual division of labour, informal work, wage gap).

The EU support to Private Sector Development will contribute to the pillar sector fiche overall objective and support the PA National Policy Agenda by:

- Improving MSMEs competitiveness at the local and international levels;
- Contributing to professional skills development, sustainable job creation and decent work;
- Improving the participation of women in the economy and building the path towards a green economy.

While the scope of the EU support to Private Sector Development (PSD) is Palestine as a whole, particular attention will be placed on taking into account the specificities of area C, East Jerusalem and the Gaza Strip in the design of cooperation programmes.

5.2.1.1 Specific Objective (SO 5.2.1.1): Improvement of MSMEs competitiveness at the local and international levels

(National Policy Agenda Policy/Priority):

- National Unity/ One land; one people
- Citizen-Centred government/ Improving services to citizens
- Economic Independence/Building Palestine future economy;
- Economic Independence/Improving Palestine's Business Environment;
- Economic Independence/Promoting Palestine Industry

Expected Results	Indicators²¹⁰	Baseline	Means of verification
a) Increased investment and	a1) Private gross capital formation/GDP.	2014:15.4%	PCBS; IMF

²¹⁰ When available, date will be disaggregated by geographica²¹⁰ area. Targets will be updated according to the NPA once it is released.

trade	a2) Exports/GDP.	2014: Exports / GDP= 17.1%	PCBS; IMF; National Export Council
	a3) National Export Strategy priority sectors Exports /Total Exports.	2014: d) Stone and Marble: 21% e) Textile and Garments: 1% f) Olive oil: 3% g) Processed Meat: 1% h) Fresh Fruits, Vegetables and Herbs: 7% i) Furniture: 11% j) Footwear and Leather: 5%	Paltrade, PCBS
	a4) Trade balance	2015: USD -4,029.7	
b) The Palestinian industrial and agribusiness MSMEs are reinforced and modernised in an inclusive and environmentally friendly way ²¹¹ .	b1) The share of industry in GDP is increased.	Q1 2016: 10.6%	PCBS
	b2) The contribution of East Jerusalem to the Palestinian GDP is increased.	2000: < 8% ²¹²	
	b3) Existing MSEs in East Jerusalem are sustained and the number of newly established Palestinian MSEs in EJ is increased by 2020.	TBC	
	b3) The East Jerusalem Chamber of Commerce's services are enhanced and sustainable, and an East Jerusalem MSEs branch is created and operational by 2020.	No baseline. SME branch not established yet.	
	b4) Share of agriculture in GDP.	Q1 2016: 3.1% ²¹³	
c) Improved, sustainable and inclusive business	c1) World Bank doing business DTF ²¹⁴ (Distance to Frontier) score	2017 rank: 53.21%	World Bank Doing Business report PMA, IMF
	c2) Credit to the Private	2014: 17.3%	

According to the NPA once it is released.

²¹⁶ Although this expected result is focusing on industry and agribusiness, services are covered

²¹⁶ UNCTAD, 2013²¹⁷ The area of land suitable for reclamation and development in the West Bank is 467km².

ea. Targets will be updated according to the NPA once it is released.

l be updated according to the NPA once it is released.

according to the NPA once it is released.

environment	Sector / GDP		World Economic Forum GGG Reports
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5.2.1.2 Specific Objective (SO 5.2.1.2): Contribution to professional skills development, sustainable job creation and decent work, especially for young people

(National Policy Agenda Policy/Priority):

- Economic Independence/Creating Job Opportunities
- Economic Independence/ Improving Palestine's Business Environment
- Inclusive, quality Education for all/From Education to Employment
- Social Justice and Rule of Law/ Our Youth, Our Future

Expected Results	Indicators	Baseline ²¹⁵	Means of verification
a) TVET is aligned with the labour market's needs.	a1) The unemployment rate, disaggregated by age, sex and geographical area, is decreased by 2020.	Q2 2016: 26.9%	PCBS
	a2) 50% of all TVET programs under the MoL include a work based learning component.	4300 trainees enrolled	
	a3) Enrolment of trainees in VTC's are increased with 50%.	4300 trainees enrolled	
b) New decent jobs are created for youth and graduates without discrimination based on gender and disabilities.	b1) The youth unemployment rate is decreased by 2020.	Q2 2016: 26.9%, of which: <ul style="list-style-type: none"> • Women: 44.7% • Men: 22.1% • West Bank: 18.3% • Gaza: 41.7% Unemployment age group 20-24: 42.6%, of which: <ul style="list-style-type: none"> • Women: 68.4% • Men: 20-24: 34.2% 2015: East-Jerusalem: 12.3%	PCBS
c) New start-up enterprises are created and sustained.	c1) Number of operating establishments in Palestine.	2012: 144,696	PCBS

²¹⁰ area. Targets will be updated according to the NPA once it is released.

5.2.1.3 Specific Objective (SO 5.2.1.3): Improve participation of women in the economy, build the path towards a green economy, and empower vulnerable groups

(National Policy Agenda Policy/Priority):

- Social Justice and Rule of Law/Escaping Poverty
- Social Justice and Rule of Law/ Gender equality and Women's empowerment.
- Resilient Communities/ Meeting the basic needs of our Communities
- Resilient Communities/ Ensuring a sustainable environment
- Resilient Communities/ Preserving our National Identity and Cultural Heritage.

Expected Results	Indicators	Baseline	Means of verification
a) Barriers that prevent the full participation of women in the economy are reduced.	a1) Women participation in the labour force	Q2 2016: <ul style="list-style-type: none"> • Palestine: 19.6% • West Bank: 18.4% • Gaza: 21.7% 	PCBS
	a2) Unemployment amongst women	Q2 2016: <ul style="list-style-type: none"> • Palestine: 44.7% • West Bank: 30.5% • Gaza: 65.3% 	
	a3) The Gender pay gap is decreased by 2020.		
b) The energy efficiency and the use of renewable sources are increased and the production is cleaner.	b1) Share of renewable energy in energy mix.	2013: 8%	World Bank, Distribution companies; MoNE; Federation of Chambers of Commerce
c) The business environment is conducive for marginalised groups and communities.	c1) The poverty rate in Palestine, by age, gender and geographical location, is decreased by 2020. ²¹⁶	2011: <ul style="list-style-type: none"> • Palestine: 25.8% • West Bank: 17.8% • Gaza: 38.8% 	PCBS
	c2) The refugees' unemployment rate, by age, gender and geographical location, is decreased by 2020.	Q2 2016: <ul style="list-style-type: none"> • Refugees unemployment rate: 34.1% • Women 	

area. Targets will be updated according to the NPA once it is released.

		Refugees unemployment rate: 51.7% <ul style="list-style-type: none"> • Men Refugees unemployment rate: 28.4% • West Bank Refugees unemployment rate: 19.2% • Gaza Refugees unemployment rate: 43.7% 	
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5.2.2 Specific Objectives in the Agriculture Sector

Partners involved	
Lead EU Donors	Spain
Active EU Donors	The EU, Denmark, Italy, and the Netherlands
Like-Minded Donor Countries	Switzerland
Other Major Donor Countries	Australia, Canada, and Japan
Other Major Stakeholders	USAID

Agriculture continues to play an important role in the lives of the Palestinian people, being a source of steadfastness, food security, livelihood resilience, economic growth, employment and social stability. Agriculture remains vitally important for all Palestinians, independent of the political environment and prospects, in particular for the expectation of economic recovery in a very non-conducive environment.

The EU strategy would seek to combine two simultaneous approaches:

1. Facilitate conditions for equal and fair participation of small farmers in the competitive market-oriented agricultural and livestock system, mainly through reinforcing and reforming associations and cooperatives.
2. Improve the capacity of the public sector and private businesses to produce and process agricultural products to international standards through work with the PA and a number of international organisations and donors. This includes working towards sanitary and phyto-sanitary standards and systems that meet the World Trade Organisation's expectations.

Contesting the limitations of access to natural resources is an important component in the EU strategy, but a closer link to environmental impact and water sector governance could be explored in the future to emphasize the weight of agriculture in those two sectors.

The EU strategy for rural development has had to accommodate the pressing need of populations in area C, thus including humanitarian and emergency considerations too, to prevent the forced displacement of entire populations in the Jordan Valley, the periphery of Jerusalem and the South Hebron Hills mainly.

Agriculture is directly affected by climate change and is thus a priority area for adaptation investments, ensuring that farming systems and land-use are resilient in the face of increasing temperatures, reduced rainfall and extreme weather events. EU interventions should therefore be aligned with the PA's Climate Change Adaptation Strategy and Programme of Action.

5.2.2.1 Specific Objective (SO 5.2.2.1): Ensure farmers' resilience and attachment to their land while consolidating an efficient and sustainable management of natural resources and the food security demands of the population

(National Policy Agenda Priority: Sustainable Development/Economic independence and resilient communities)

- Economic Independence/Building Palestine future economy;
- Economic Independence /Creating Job Opportunities
- Resilient Communities/ Meeting the Basic Needs of Our Communities
- Resilient Communities/Ensuring a Sustainable Environment
- Resilient Communities/Revitalizing Agriculture and Strengthening Our Rural Communities

Expected Results	Indicators	Baseline	Means of verification
a) Access to natural resources in West Bank and the Gaza Strip including remoted areas (Area C, Access Restricted Areas, fishermen) is improved	a1) The number of dunums reclaimed by the MoA in the West Bank and Gaza Strip for agricultural use is increased by 2020. ²¹⁷	2015: 9500 dunums (9.5 km ²) reclaimed; 2016: 25,000 dunums (25 km ²) expected to be reclaimed	LRC (2010), Land Suitability for Reclamation and Development in the West Bank MOA, Review of progress indicators for MOA 2014-2016 Strategy. Sept. 2016 (internal document)
	a2) Additional sources of water for agriculture are created through a storage capacity increase by 2020.	Water available for agriculture: • 2011: 146 million cubic metres (mcm) • 2015: additional 2.5 mcm available. • 2016: additional 13 mcm expected by the end of the year.	
	a3) Additional sources of water for agriculture are created through and increase of treated waste water availability for irrigation by 2020.		
b) Cooperatives, farmers' unions and social	b1) The percentage of increase in the number of affiliations, by age, gender	Total number of cooperatives: 1,340;	MoL , "The socioeconomic impact of

²¹⁷ The area of land suitable for reclamation and development in the West Bank is 467km².

enterprises are modernized, actively providing services and included in the policy decision making processes	and geographical location, and of rural cooperatives.	Agricultural cooperatives: 47%. Total members of cooperatives: 45,983. ²¹⁸	cooperatives in the WB”, funded by SIDA, April 2012
	b2) Increase of investments in fixed productive assets by cooperatives.	Portfolio of total cooperatives estimated at USD 137 million, of which agricultural portfolio represents 18% (USD 24.66 million).	
c) Rural development allows for higher food security levels for all layers of population, in particular vulnerable groups	c1) Decrease in number of households considered food insecure (segregated West Bank and Gaza Strip) by geographical location.	2014: 1.6 million people or 27%.	Socio Economic and Food Security Review (SEFSec) 2014 conclusions PCBS & FSS Cluster, SEFSec Survey, Palestine. 2014 PCBS: Labour surveys
	c2) Improvement of food security levels in Palestine is coupled with a reduction of the food insecurity gap between the West Bank and Gaza Strip.	16% in WB and 47% in GS or 555,000 people in WB and about 1 million in people GS in 2014.	
	c3) The percentage of unemployment rates in rural areas, by age, gender and geographical location, are reduced by 2020.	Number of workers in agriculture increased by 9000, or 11% in 2012 over 2010.	
b) Agricultural systems and practices are adapted to the changing climate	b1) Agricultural systems maintain and increase their productivity	2016 yields	MoA statistics

5.2.2.2 Specific Objective (SO 5.2.2.2): Enhance agricultural production, productivity and socially responsible competitiveness thanks to effective and efficient capacities in the public and private sector

(National Policy Agenda Priority: Sustainable Development/Economic independence and resilient communities)

²¹⁸ Of this number, 25% are female, and 45% are members in agricultural cooperative (20,692 total, 7173 female and 15,519 male).

- Economic Independence/Building Palestine future economy;
- Economic Independence /Creating Job Opportunities
- Citizen-Centred Government/Improving Services to Citizens
- Resilient Communities/Ensuring a Sustainable Environment
- Resilient Communities/Revitalizing Agriculture and Strengthening Our Rural Communities

Expected Results	Indicators	Baseline	Means of verification
a) The capacity of the public sector in its regulatory and overseer role and private businesses to produce and process agricultural products according to international standards is increased	a1) The national system for Sanitary and Phyto-Sanitary (SPS) inspection and food safety is able to provide t certification and testing services in the West Bank and Gaza Strip.	0	Food Safety Council Conclusions; PADDRIF Annual Reports ²¹⁹
	a2) The agricultural insurance fund is providing services to people in the West Bank and Gaza Strip, at least partially.	0	
b) A sector-wide shift towards market oriented production systems is consolidated at least in 4 priority subsectors	b1) The ratio of local production in the local consumption is increased by 2020. ²²⁰	Baseline not available	PCBS Trade Surveys
	b2) Income generation is increased across the value chain for the selected subsectors.	Added value of agriculture increased by 5.7% in 2012 compared with 2010, as the value of agricultural production reached about USD 1.3 billion in 2011.	
c) Access to extension and support services to farmers and breeders is universal and	c1) The number of farmers, by age, gender and geographical location, receiving technical assistance by the public extension services in farm	Up to 2015, MoA was providing 363 training courses to enhance the institutional	MoA; National surveys

²¹⁹ First report pending publication in October 2016.

²²⁰ Data disaggregated for the West Bank including East Jerusalem, and the Gaza Strip.

affordable (through different providers)	management is increased by 2020.	capacity of MOA cadres and extension workers.	MOA, Review of progress indicators for MOA 2014-2016 Strategy. Sept. 2016 (internal document)
	c2) The number of farmers, by age, gender and geographical location, receiving affordable technical services by private sector, civil society and cooperatives is increased by 2020.		

5.2.2.3 Specific Objective (SO 5.2.2.3): Advance gender equality in the management of agricultural farms and land tenure; Introduce environmentally sustainable techniques to ensure land and water availability for agriculture

(National Policy Agenda Priority: Sustainable Development/Economic independence and resilient communities)

- Citizen-Centred Government/Improving Services to Citizens
- Social Justice and Rule of Law Gender Equality and Women's Empowerment
- Resilient Communities/Ensuring a Sustainable Environment
- Resilient Communities/Revitalizing Agriculture and Strengthening Our Rural Communities

Expected Results	Indicators	Baseline	Means of verification
a) Increased integration of Palestinian women in the management of farming enterprises	a1) The number of registered women led enterprises and cooperatives is increased by 2020.	Total number of registered women, by age and location, working in agricultural cooperatives in Palestine in 2014: 1514. ²²¹	General Directorate of Cooperation - Ministry of Labour, year 2015 MoNE, Chambers of Commerce
	a2) The number of land registration/tenure legal procedures to register women as rightful owners submitted to courts is increased by 2020.	No baseline.	
	a3) The number of female students in agricultural programmes at the level of	No baseline.	

²²¹ About 7 % of the total members of agriculture cooperatives in Palestine (20,756).

	vocational and technical education is increased by 2020.		
b) Water use efficiency is increased by expanding treated wastewater reuse for agriculture in the West Bank and Gaza Strip and promoting better adaptation of crops to water availability	b1) The volume of Treated Waste Water (TWW) available for agriculture reuse is increased. ²²²	2014: <ul style="list-style-type: none"> • Area of agricultural lands irrigated with TWW: Gaza Strip: 1700 km² West Bank: 0 • % of TWW used for irrigation in the West Bank and Gaza Strip: 0 	PWA, National Water Sector Strategic Plan and Action Plan (2017-2022), Part I: Strategic Development Plan (SDP) May, 2016 Palestine
	b2) The number of dunums moved from rain fed crops to irrigated crops by using TWW or drip irrigation is increased by 2020.	No baseline.	
	b3) PWA and MoA launch public incentives to enhance the re-use of TWW.	No baseline.	
c) Mitigation of climate change effect is introduced in areas such as fight against desertification, adaptation of crops and water saving techniques	c1) A national private-public knowledge exchange platform effectively disseminates good practices among farmers and herders.	Baseline 0 (it does not exist yet: in the process)	MOA, Review of progress indicators for MOA 2014-2016 Strategy. Sept. 2016 (internal document) ²²³ , census

5.3. Donor coordination and policy dialogue

5.3.1 Private Sector Development

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 on economic development. Three working groups have been established by the ESG: fiscal

²²² The objective is to increase agricultural areas suitable for treated water irrigation from unconventional water resources.

²²³ The MoA provides financial and technical support to farmers with regard to reducing the impacts of climate change including: improved soil moisture in rain fed areas management, water harvesting techniques, and the reform of grazing areas, switching to drought-resistant crops, and the development of community irrigation methods.

issues, agriculture (see above) and private sector development & trade (the latter co-chaired by Minister of National Economy (MoNE) and the World Bank). Within the framework of the private sector development & trade working group, an industry development thematic group and an enabling environment thematic group were set up in early 2016. A "Gaza revitalisation" and a "trade thematic" group had been previously created but are currently dormant. Overall Local Aid Coordination Structure is currently under review and might be modified.

An annual policy dialogue is taking place between the EU and the PA in the framework of the European Neighbourhood Policy Subcommittee on Trade and Internal Market, Industry, Agriculture and Fisheries, Customs. Private Sector Development is part of the discussions of this Subcommittee.

In addition, EU policy is coordinated through regular meetings of the EU HOCs and regular ad hoc meetings with other donors to harmonise interventions. Informal coordination amongst donors is crucial, in the context of the very low frequency of the Private Sector Development & Trade Working Groups meetings.

This Pillar Sector Fiche will be the basis for EU and active European donors' coordination in the sector, including regarding policy dialog with the PA. The EU and active European donors will seek to increasingly harmonise their aid and implement more joint-cooperation initiatives.

5.3.2 Agriculture Sector

The Agriculture Sector Working Group (ASWG) forum is useful but does not allow for an informed exchange of positions with the authorities and stakeholders. MoA uses it to highlight intentions and guidelines but it is not the forum to debate the pros and cons of the policies launched. A number of specialized working groups seem to be making progress in the sub-sector coordination field. Internal EU coordination efforts have yielded common principles for interventions in the areas of Land Rehabilitation and Rural Development and in the Value Chain approach and Market Access for different subsectors.

Policy dialogue is managed at the bilateral level. It could be more effective to discuss and analyse policies at closed multilateral forums such as the Sector Group. A set of benchmarks and indicators as the ones being set up in the Joint Response could be very helpful to achieve greater alignment.

5.4 The PA's financial and policy commitments

For the time being, the PA's new strategies for Private Sector Development and Agriculture and the financial commitments associated with them are not yet finalised and shared with donors.



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