

**Annex II**  
**Action Fiche for West Bank and Gaza Strip/ENPI**

**1. IDENTIFICATION**

Title/Number	<b>PEGASE: Governance and Social Development</b>		
Total cost	€10,500,000 <i>[note: No co-financing is currently anticipated from other donors, although it is expected that for support for any Presidential/PLC elections in particular, a number of donors would contribute as for previous elections in 2005/6]</i>		
Aid method / Method of implementation	Project approach – centralised (direct) and joint management with an international organisation		
DAC-code	15110	Sector	Government administration

**2. RATIONALE**

**2.1. Sector context**

The PA has underlined in its current three-year development plan, the Palestinian Reform and Development Plan 2008-10 (PRDP), that better institutions are critical for economic recovery, democratic development and for building the foundations for a future Palestinian state, as envisaged both under the Road Map and the EU Action Strategy. This is important also in terms of enhancing the day-to-day quality of life for the Palestinian people. Without improved enforcement of the rule of law and without sustainable budget, planning and human resources systems and processes, the PA will have difficulty to deliver better services. The PRDP proposes an extensive and far-reaching institution building agenda.

The PA has launched, since June 2007, an ambitious reform of its public financial management (PFM) system, including improvements in budget preparation and execution processes, reporting, and in audit and controls. Further strengthening PFM remains a top priority of the PA, in line with objectives of the Road Map, the PRDP and the EU-PA ENP Joint Action Plan.

With the present political impasse and divide between the West Bank and Gaza Strip, the institutional framework of democratic governance continues to erode. At the moment it is unforeseeable whether Presidential and parliamentary elections will be held as scheduled in January 2010, while the Palestinian Legislative Council (PLC) remains inactive and the legislative process as a whole is limited to emergency legislation under Article 43 of the 2003 Amended Basic Law. While efforts to achieve a political solution continue, it is essential to maintain and stabilise Palestinian capacities for democratic governance and delivery of services to build on the progress already achieved under the current government.

The Health Quality Improvement programme of the PRDP aims at the realisation of better health care outcomes through provision of better support services, equipment and training, as well as access to efficient and effective primary and secondary health care services. It is complemented by the Health Care Affordability programme of the PRDP that addresses issues of revenue from health insurance, expenditure control, policy and management.

At present, EC support to the health sector is defined by direct support to the PA through the PEGASE mechanism as well as health related projects with a variety of non-governmental partners. Of particular relevance to the action proposed below is the ongoing 3 year mental health system reform programme covering the West Bank and Gaza Strip, implemented by the World Health Organisation in close collaboration with the Ministry of Health. Through consultations with the Minister of Health, the PA's commitment to the national mental health strategy and concern for the mental health situation were repeatedly confirmed.

## **2.2. Lessons learnt**

The EC has an extensive technical assistance portfolio which has been implemented through MEDA and, more recently, through the European Neighbourhood Partnership Instrument and the Instrument for Stability. This new PEGASE envelope will build upon the technical assistance activities already in progress while, as before, being aligned with the current reform priorities of the PA set out in the PRDP, addressing additional areas which have not received pledged support from other donors.

The very volatile political environment and the security situation calls for flexibility during implementation. With many donors active with funds, donor co-ordination is essential. Ownership at both technical and political level is a key to success, in particular where projects address the issue of organisational change. Interventions whose success is highly conditioned upon particular Israeli measures (e.g. relating to movement and access) should not be launched before these measures start to be implemented or there are reasonable assurances in place that they will be.

In some areas the PA's absorption capacity is also limited. The current non-functioning of the PLC presents a major hindrance for activities and improvements in the governance sector since legislative reform, as well as executive oversight, are limited without functioning parliamentary structures.

Monitoring reports (ROM) of previous support to the Central Elections Commission and the PA's PFM reforms have reported favourably on earlier activities in these areas. Issues raised, such as sustainability of CEC financing, or the appointment of key PFM personnel, have been addressed. Similar reports relating to our previous judiciary programme identified a number of problems, whilst noting the political constraints at the time, and already our follow-on project is better targeted and coordinated with the other key donors in the sector (US, Canada, Netherlands) as well as the ESDP mission, EUPOL-COPPS, whose "rule of law" section has been established subsequently. This activity is, as a result, highly complementary to the overall EU effort in the rule of law field. This fiche therefore makes no assumptions about significant legislative reform, but focuses largely on enhanced administrative reform within the existing legislative framework, in areas which have been identified

by the Prime Minister as key priorities. Further information about risks and assumptions is included in 3.3 below.

As regards the health sector, the EC has lent significant support to the PA over the past years. After the elections of 2006 and related suspension of the Health Sector Support Programme, projects supported specific areas (such as mental health), rather than broad system reform. The ROM monitoring exercise of 2008 came to favourable conclusions regarding the mental health project, with all 5 criteria (i.e. relevance and quality of design, efficiency, effectiveness, impact prospects and potential sustainability) rated "good".

### 2.3. Complementary actions

The EC is launching in mid-2009 a second phase of its major technical assistance project in support of the justice sector (SEYADA II) and in the wider field of democratisation the EC has been the single largest donor to the Central Elections Commission. It currently provides a coordinator for the Governance Strategy Group (co-chaired by the EC and the Ministry of Planning) as well as technical assistance to the establishment of a PRDP Monitoring and Evaluation system. The EC is supporting the Ministry of Finance Internal Audit and Internal Control Departments through the provision of technical assistance and equipment. The EC has also provided equipment to the State Audit and Administrative Control Bureau and is finalising a multi-annual technical assistance project for this institution, again financed from previous years' PEGASE programmes. This action, which will further support the PA's public financial management system, is complementary to the PEGASE direct financial support provided to the PA and to the support provided by other donors (such as EU MSs, IMF, World Bank and Norway):

- The **EU** as a whole has made a major commitment to improving the Palestinian Civil Police and criminal justice system, through the deployment of an ESDP mission, EUPOL COPPS, funded from the EU budget. The **Netherlands** continues to play a leading role in the judicial sector, also chairing the Judicial Sector Working Group.
- **Norway** is providing the Central Elections Commission with equipment and support for civil society outreach, with **Germany** providing support for strategic consultancy and the **US** support for strategic and operational improvements.
- **France** is preparing support for the establishment of a Ministry of Finance training centre. The **IMF** is assisting the Ministry in introducing a computerised budget system, reviewing its budget reform process and helping develop an overall strategy for PFM reforms, including the development of a three-year action plan (2009-11).
- The **World Bank** manages, within its overall portfolio, the multi-donor donor Palestinian Reform and Development Trust Fund. The policy matrix of the Trust Fund against which disbursements are judged includes for the PA's external audit office to apply best practice external audit methodology (2009-10) and a medium-term objective of establishing a strong system of external audit.

- **Norway** (through its supreme audit institution) and the EC have already provided initial training to the external audit office.

As regards Health Quality Improvement, the action will specifically complement an ongoing EC-funded project for mental health system reform (mentioned above) and seek to accelerate this reform in the context of the recent destruction in Gaza and resulting mental health needs. From the onset, the action has been discussed with the ECHO office and was designed to transition a currently ECHO funded project into a developmental intervention, thereby ensuring complementarity and consistency of EC investments. Funding under this financing agreement would start once ECHO funding for the initial emergency oriented phase of the action has come to an end.

#### **2.4. Donor co-ordination**

High level international donor co-ordination takes place at the level of the Ad Hoc Liaison Committee (AHLC) which last met in Oslo on 8 June 2009. At the local level donor co-ordination takes place in various forums under the Local Development Forum (LDF) and its four "Strategy Groups" (governance, economy, social and humanitarian affairs, infrastructure), each co-chaired by a different lead donor and PA Ministry. Beneath these a number of sector working groups (SWG) have been established, which are more operational forums for co-ordination and alignment of donor activities for the active stakeholders in each sector. More specifically, enhanced and targeted technical assistance will be coordinated with other donors through the Governance Strategy Group's Judiciary Sector Working Group, Elections Sector Working Group, and Public Administration and Civil Service Sector Working Group as well as the Fiscal Sector Working Group (which reports both to the Governance and Economic Strategy Groups) as well as the Health Sector Working Group (reporting to the Social and Humanitarian Affairs Strategy Group) with its thematic groups (in this case the mental health thematic group)

The European Commission, as previously mentioned, as well as individual EU Member States play a leading role in these forums. In addition EU policy is coordinated through regular meetings of the EU Heads of Cooperation.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The overall objective of the action is to strengthen the capacity of Palestinian institutions to continue the reform process as set out in the Palestinian Reform and Development Plan (PRDP) both at the central policy-making and service delivery levels. Specific objectives relate to the sectors of intervention foreseen.

Concerning Governance, the main specific objectives of the action aim at supporting:

- The PRDP "Open and Accountable Government" programme and more precisely:
  - (i) the PA's ability to carry out free and fair elections, either in January 2010 as foreseen by current legislation, or later should political obstacles delay these, including further reinforcement of the Central Electoral Commission's capacities;
  - (ii) reinforcing the Palestinian Legislative Council Secretariat to be prepared for a resumption of parliamentary activities, which will need to address the execution

of the legislative plan and the review of laws adopted under emergency rule, and assisting the PLC in building capacity for executive oversight; (iii) additional areas arising from the PA's legislative plan, focused on standardizing the government's legislative drafting processes and incorporating impact assessments, stakeholder consultations and review of implementation; (iv) the PA's public financial management system, including the adoption of a modern framework and the capacity building of the external audit office (the State Audit and Administrative Control Bureau);

- The PRDP "Justice Now" programme and more precisely improvements for the administration of civil justice as a whole and the implementation of the justice sector legal framework and regulations, building on existing EC activities targeting the judiciary and enhancing legal education and access to justice.

Concerning Health, the main specific objective of the action aims at supporting:

- The PRDP "Health Quality Improvement" programme, with specific focus on the improvement of mental health and psychosocial services in Gaza, taking into account the likely increase in severe mental illnesses and common mental disorders after the January 2009 military conflict in the Gaza Strip.

In both the Governance and Health sector, the underlying goal is to increase the relevance, effectiveness and efficiency of service provision.

### **3.2. Expected results and main activities**

The expected results of the action will provide full support to the priorities and objectives of the Palestinian Reform and Development Plan (PRDP) to help the PA to build effective and efficient institutions across all four axes of the PRDP (Governance, Social Development, Economic and Private Sector Development and Infrastructure). Funds under this action will also be allocated for equipment and audit. Specific results expected are outlined below.

Institutions of democratic governance, and in particular the Central Elections Commission, will retain and improve their operational capacities even in the context of the current emergency rule in order to ensure the holding of fair and transparent elections if and when these take place. The PLC Secretariat will also be strengthened to ensure meaningful parliamentary review of the emergency legislation and prepare for the resumption of normal parliamentary work, including the excursion of robust executive oversight. Complementary to this the government should be able to establish standard procedures for legislative drafting processes in line with best practices. The PA's public financial management system, and in particular its audit framework, will be further strengthened.

In the area of justice, the EC will mobilise a team of EU Member States' experts in the area of civil law to complement the EUPOL COPPS mission's focus on criminal justice. This team, to be deployed in Ramallah, will assist the judicial institutions in enhanced strategic planning, legislation, and review of management and administrative procedures relating to their mandates. The team will also lead to enhanced university education for future lawyers.

In the health sector, activities will seek to complement existing hospital-based mental health services with community-based and outpatient models of case management, resulting in more effective early detection and better quality of life for mentally ill people.

All actions will complement the EC's ongoing support for improving the governance and service delivery capacity of the PA, leading to further progress in the PA's coherent governance and reform framework based on the PRDP process and facilitated through the Governance Strategy Group and other donor co-ordination forums. Activities will also lead to a reinforced public financial management system for the PA, including its audit framework. Efforts to further strengthen PFM can also be mainstreamed in the activities under this fiche.

### **3.3. Risks and assumptions**

The location of certain institutions in the Gaza Strip renders the provision of assistance to these difficult in the current context. The overall political context is also a strongly limiting factor in the governance sector, with a non-functioning PLC and with Presidential and legislative elections legally due in January 2010 but politically unforeseeable for the moment. Renewed governmental reshuffles could also jeopardize planned or ongoing activities given that administratively weak institutions are highly dependent on their political leadership. A political crisis and increased violence could possibly lead to institutional breakdown within the PA. Lack of progress or commitment to the PRDP would delay activities.

This action fiche therefore assumes that the new government appointed in May 2009 will continue the efforts of its predecessor to maintain progress in implementation of the PRDP. It assumes that the PA will continue to be able to draw on sufficient budgetary resources to ensure that it can meet its recurrent costs as outlined in the 2009 budget in full. It assumes that new development activities financed under this action fiche will not have an adverse impact on the PA's recurrent costs, and that due account will be taken of the need to further develop the PA's own budget and financial management capacities. It assumes that governance activities will be probably be largely directed to the West Bank initially, but that immediate steps will be taken to resume the full range of our activities in the Gaza Strip whenever this is possible.

### **3.4. Crosscutting Issues**

Gender equality will be mainstreamed into the governance sector through the planned establishment of the Governance Department within the Ministry of Planning and Administrative Development (MoPAD). Terms of reference for this department have been drawn up with the support provided to the Ministry by the EC-financed Governance Strategy Group Coordinator, including for a gender advisor in the department to provide support on integrating the cross-cutting issue of gender equality into concrete policy planning in support of gender-related objectives.

Environmental sustainability is a central cross-cutting issue, although the PA lacks control over most aspects of the environment (for instance, 60% of the land in the West Bank is designated as Area C and is therefore under full Israeli administrative control, while the situation in Gaza remains a key concern, with little ability for the PA or donors to address ongoing environmental degradation due to the current Israeli

closure policies on the Gaza Strip). Without political progress the actions under this fiche will therefore have almost no impact on improving the environmental situation of West Bank and Gaza Strip.

Good governance is a key cross-cutting issue and mainstreamed throughout this fiche. Support for the "Justice Now" and "Health Quality Improvement" programmes will also provide concrete support to ensure respect for human rights, and respect for children's rights in particular will be addressed with due regard to the particular challenge of addressing juvenile justice issues in the rule of law activities outlined herein.

### **3.5. Stakeholders**

The final beneficiary of the action will be the Palestinian population. Key partners will be the Prime Minister's Office, the Ministry of Finance as well as the Ministry of Planning and Administrative Development through its co-ordination role. Other relevant ministries such as Justice, Health, as well as other PA institutions such as the High Judicial Council, the Attorney General's Office, the Palestinian Judicial Institute, Bar Association, universities, Central Elections Commission, the State Audit and Administrative Control Bureau, the PLC Secretariat and the Council of Ministers, among others. Civil society organizations will also be involved. All the above-mentioned institutions have been consulted in the programming process, including the civil society organisations mentioned (such as the Bar and university associations) as well as ECHO's implementing partner for mental health interventions in Gaza.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

#### **(1) Direct centralised management**

A Financing Agreement following standard models in force will be concluded between the Commission and the Ministry of Finance of the PA. Implementation will be carried out through procurement contract.

Support for elections will be provided through a grant contract with the Central Elections Commission, as for previous contracts to support the CEC's work and this in accordance with article 168 (f) of the Implementing Regulations

For support for the PRDP "Justice Now" programme, implementation will, in the first instance, be attempted through a grant to be awarded through a restricted call for proposals to relevant institutions of EU Member States.

For support to the PRDP "Health Quality Improvement" programme, due to the specific situation in Gaza, implementation will probably be carried out through a direct grant with a specialised European NGO with extensive experience in the sector and in Gaza..

#### **(2) Joint management through a Contribution Agreement with an international organisation.**

Support for the PLC Secretariat could be provided through a contribution agreement with UNDP in partnership with the Inter-Parliamentary Union. The four-pillar assessment of the UNDP has been carried out successfully.

## **4.2. Procurement and grant award procedures**

### **(1) Contracts**

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7) ENPI.

For activities implemented through an international organisation, all contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned and in conformity with the commission legislation.

West Bank and Gaza Strip is facing a crisis situation, as defined in Article 168(2) of the Implementing Rules of the Financial Regulation. As a result, negotiated contracting procedures may be used in accordance with applicable provisions.

### **(2) Specific rules of grants**

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 100%, given the crisis situation. In any case, full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.
- West Bank and Gaza Strip is facing a crisis situation, as defined in Article 168(2) of the Implementing Rules of the Financial Regulation. As a result, grant direct award may be used in accordance with applicable provisions.



### 4.3. Budget and calendar

The indicative operational duration of the action will be 48 months from the date of signature of the Financing Agreement. A number of actions will be launched shortly in relation with the Palestinian Reform and Development Plan. The exact calendar of operations will be determined in consultation with the Ministry of Finance, the Ministry of Planning, other ministries and other donors as well as implementing agencies, with regard to budgetary appropriation needs and availability.

Out of the €10.5 million, indicatively, €2.5 million is intended for Health Quality Improvement and €8 million for the wider governance activities in this fiche and set out in the PA's Open and Accountable Government and Justice Now PRDP programmes (elections, PLC Secretariat and legislation, external audit and justice).

The indicative breakdown of the overall budget is as follows:

Technical assistance	€0.0 million
Equipment and supplies	€1.3 million
Audit and evaluation	€0.2 million
<b>Total</b>	<b>€10.5 million</b>

### 4.4. Performance monitoring

The action will be monitored with reference to standard performance indicators in the sectors relevant to the action. An adequate day-to-day project monitoring will be carried out. The project will be subject to both internal and external result oriented monitoring. The internal monitoring functions will be carried out by ECTAO. The external monitoring will be undertaken by external monitors contracted by the Europe-Aid Cooperation Office.

### 4.5. Evaluation and audit

An external final audit, covering all the activities of the action, will also be carried out in accordance with the EC procedures. Where appropriate, external audits of specific projects will be undertaken.

### 4.6. Communication and visibility

The action will follow the visibility guidelines of the Commission and will be included in the specific PEGASE communication strategy.

Progress of PEGASE implementation will be communicated regularly to all stakeholders, including through the weekly bulletin.