



Brussels, 26.8.2014
C(2014) 5986 final

COMMISSION IMPLEMENTING DECISION

of 26.8.2014

**on the Annual Action Programme 2014 in favour of Palestine¹ to be financed from the
general budget of the European Union**

¹ 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.

COMMISSION IMPLEMENTING DECISION

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on the Annual Action Programme 2014 in favour of Palestine¹ to be financed from the general budget of the European Union

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action² and in particular Article 2 thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 84(2) thereof,

Whereas:

- (1) The Commission has adopted a Single Support Framework for the period 2014-2015⁴, providing for the following priorities:
- Support to governance at local and national levels;
 - Support to the private sector and economic development;
 - Support to water and land development.

Special attention will be given to the development of Area C in the West Bank.

A non-focal sector of intervention will remain East Jerusalem with the purpose of strengthening the resilience of Palestinian residents and preserving the Palestinian character of the city.

The objective pursued by the Annual Action Programme, to be financed under the European Neighbourhood Instrument⁵ (ENI), is to build the institutional capacity of the Palestinian Authority to maintain the viability of the two-state solution. Due attention has been paid to assessing the level of risk, and measures are outlined which mitigate this to a level considered acceptable. More specifically and in line with the Council conclusions, notably of 14 May 2012, the EU will continue to support greater independence and sovereignty of the Palestinian Authority over its affairs. In this respect the Single Support Framework will increase the bilateral policy dialogue and mainstream the support to civil society with the aim to boost democratisation.

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² OJ L 77, 15.3.2014, p. 95.

³ OJ L 298, 26.10.2012, p. 1.

⁴ C(2014) 5128 of 25.07.2014.

⁵ Regulation of the European Parliament and of the Council establishing a European Neighbourhood Instrument, OJ L No232/2014 of 11 March 2014.

- (2) The action entitled “Support to the Governance Sector in Palestine” has the aim of contributing to the establishment of a Palestinian State based on the Rule of Law and respect for human rights, within a functioning democracy and with strong, effective accountable institutions at national and local levels.
- (3) The action entitled “Support for the enabling environment for investment and trade and for vocational training in Palestine” is focused on promoting inclusive, sustainable, private sector-led economic development in Palestine through investment and trade development and the enhancement of quality and relevance of the Technical Vocational Education and Training provision.
- (4) The action entitled “Hebron Wastewater Treatment Plant (HWWTP)” has the purpose to improve wastewater management (collection and treatment) in the project area and to contribute to the availability of safe water for economic activities in Hebron Governorate.
- (5) The action entitled “Access to Essential Social and Public Infrastructure in Area C” aims at improving the social and economic conditions of Palestinian communities living in Area C and in particular to improve access to essential infrastructure and to strengthen Palestinian national institutions’ capacity to deliver vital social and public infrastructure in the area.
- (6) The action entitled “Support to East Jerusalem” intends to sustain and develop the living conditions of Palestinians in East Jerusalem, to prevent the population from being further coerced into leaving the city, thus pre-empting possibilities for future talks on the final status of East Jerusalem.
- (7) This Decision complies with the conditions laid down in Article 94 of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union⁶.
- (8) The Commission may entrust budget-implementation tasks under indirect management to the entities identified in this Decision, subject to the conclusion of a delegation agreement. However, Department for International Development (DfID); Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ); Agence Française de Développement (AFD) and UNDP are currently undergoing the ex-ante assessment. In anticipation of the results of this review, the responsible authorising officer deems that, based on a preliminary evaluation and on the long-standing and problem-free cooperation with these, budget-implementation tasks can be entrusted to these entities.
- (9) The Commission may entrust budget-implementation tasks under indirect management to the partner country identified in this Decision, subject to the conclusion of a financing agreement. In accordance with Article 60(1)(c) of Regulation (EU, Euratom) No 966/2012, the responsible authorising officer has ensured that measures have been taken to supervise and support the implementation of the entrusted tasks to the partner country. A description of these measures and the entrusted tasks are laid down in the Annex[es] to this Decision.
- (10) It is appropriate to acknowledge that grants may be awarded without a call for proposals by the responsible authorising officer who ensures that the conditions for an exception to a call for proposals according to Article 190 of Commission Delegated Regulation (EU) No 1268/2012 are fulfilled. The reasons for and potential

⁶ OJ L 362, 31.12.2012, p. 1.

beneficiaries of such award should be identified, where known, in this Decision for reasons of transparency.

- (11) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, EURATOM) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (12) The Commission is required to define the term "non-substantial change" in the sense of Article 94(4) of Delegated Regulation (EU) No 1268/2012 to ensure that any such changes can be adopted by the authorising officer by delegation, or under his or her responsibility, by sub-delegation (hereinafter referred to as the 'responsible authorising officer').
- (13) The measures provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee set up by Art. 15 ENI Regulation.

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the measure

The following Annual Action Programme, constituted by the actions identified in the second paragraph and attached as annexes, is approved:

Annual Action Programme 2014 in favour of Palestine.

The actions constituting this measure are:

- Annex 1: Support to the Governance Sector in Palestine;
- Annex 2: Support for the enabling environment for investment and trade and for vocational training in Palestine;
- Annex 3: Hebron Wastewater Treatment Plant (HWWTP);
- Annex 4: Access to Essential Social and Public Infrastructure in Area C;
- Annex 5: Support to East Jerusalem.

Article 2

Financial contribution

The maximum contribution of the European Union authorised by this Decision for the implementation of this programme is set at EUR 52 million to be financed from budget line 21 03 01 04 of the general budget of the European Union for 2014.

Article 3

Implementation modalities

Budget-implementation tasks under indirect management may be entrusted to the entities identified in the attached Annexes, subject to the conclusion of the relevant agreements.

Section 4 of the Annexes referred to in the second paragraph of Article 1 sets out the elements required by Article 94(2) of Delegated Regulation (EU) No 1268/2012.

Grants may be awarded without a call for proposals by the responsible authorising officer according to Article 190 of Delegated Regulation (EU) No 1268/2012. Where known at the moment of the adoption of this Decision, the reasons for this as well as the potential beneficiaries shall be identified in the attached Annexes.

The financial contribution referred to in Article 2 shall also cover any possible interests due for late payment.

Article 4

Non-substantial changes

Increases or decreases of up to EUR 10 million not exceeding 20 % of the contribution referred to in Article 2, or cumulated changes to the allocations of specific actions not exceeding 20 % of that contribution shall not be considered substantial, provided that they do not significantly affect the nature and objectives of the actions. The use of contingencies shall be taken into account in the ceiling referred to in this Article.

The responsible authorising officer may adopt these non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 26.8.2014

For the Commission
Štefan FÜLE
Member of the Commission

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ANNEX 1

of the Commission Implementing Decision on the Annual Action Plan 2014 in favour of Palestine

Action Document for Support to the Governance Sector in Palestine¹

1. IDENTIFICATION

Title/Number	Support to the Governance Sector in Palestine CRIS number: ENI/2014/36-901		
Total cost	Total estimated cost: EUR 13,400,000 Total amount of EU budget contribution: EUR 13,000,000		
Aid method / Management mode and type of financing	Project Approach Component 1: Indirect management with the Palestinian Authority - Ministry of Finance (Contracting Authority) Component 2: Direct management (grants: call for proposals) Component 3: Direct management (procurement of services)		
DAC-code	Comp.1: 15151 Comp.2: 15150 Comp.3: 15110	Sector	Elections Democratic participation and civil society Public Sector Policy & Admin. Management

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

Support to Governance at national and local levels is one of the **focal sectors** of intervention of the Single Support Framework 2014-2015 in Palestine, which foresees together with the institutional building measures, an enhanced policy dialogue and the mainstreaming of actions in favour of civil society. The intervention will be structured as follows:

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Component 1: *Support to the construction of the Headquarters of the Central Elections Commission (CEC), to better exercise its mandate which includes, amongst others, all arrangements relative to the organisation and holding of elections and the promotion of democratic culture.*

Component 2: *Promoting governance and citizenship, by focusing on civil society organisations as partners and service providers for the justice sector, and as vectors of democratisation. This component will contribute to promote access to justice as well as democratic culture and social cohesion.*

Component 3: *Technical assistance, specific audit and monitoring measures, complementing and supporting the PEGASE Direct Financial Support (DFS), by providing ad-hoc support to the PA in relation to its fiscal situation and specific services in support of the mechanism, including audit, monitoring and evaluation.*

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

The economy of Palestine is still marked by occupation and conflict. Economic growth, job creation and raising sustainable fiscal revenue are still hampered by occupation, restrictions of movement of goods and people and general lack of progress towards a sovereign Palestinian state. West Bank, the Gaza Strip and East Jerusalem are still scattered geographical entities highly dependent on the Israeli market and donor aid.

The sustained growth (average 8.2%), in the period 2006 to 2011 was partly fuelled by high levels of aid (around USD 2.2bn in 2008, more than 30% of that year's GDP), which led to a rapid expansion of the public sector. Since 2012, growth is decelerating and the regression of GDP will continue in case the economic and political conditions remain the same and is expected to go down to 4.4%, 3.6%, 3.1% in 2014, 2015 and 2016 respectively. The positive efforts of the PA to reduce expenditures (freezing wage bill increase, reducing non-wage labour costs) and to improve fiscal revenues (reviewing and extending taxation base) have though limited space in the current circumstances.

The Palestinian population is growing at an annual rate of 2.9% with young people (under the age of 25) comprising 58% of the total population. The resulting expansion of the labour force has led to a growing need for new and sustainable private job creation. Total unemployment among youth aged 15-29 continues to be alarmingly high (31.2% in the West Bank and 50.4% in Gaza). Trade deficit is a continuous challenge. In 2012 the total deficit in the net trade balance reached USD 3,915 million, a 7.9% increase respect to 2011.

In the short term, the PA will continue to depend on donor aid to cover its recurrent deficit. Despite some increase in donor aid in 2012 (USD 1.3 billion against 0.8 billion, but down from USD 1.8 billion in 2008), the fiscal gap remained at around USD 0.4 billion in 2013. Consequently, in 2013 the PA continued accumulating considerable debts to the banking sector and arrears to the private sector which reach

more than USD 0.5 billion, while the accumulated arrears to the pension funds is now estimated at more than USD 1.4 billion.

For the moment, donor contributions will probably continue being sustained, albeit at a level which cannot match real fiscal needs and against the background of evident donor fatigue linked to the fiscal crisis in many donor countries. The private sector has a critical role to play in rebalancing the Palestinian economy to become less reliant on external support.

Recent political developments include the end of the US Secretary of State Kerry period for re-launching the peace talks with no substantial results and progresses in the “reconciliation” process between Hamas and Fatah.

2.2.1.2. National development policy

The Palestinian National Development Plan (PNDP) 2014-2016, including the PA's new Governance Strategy 2014-2016 and financial commitments associated with it, has not been finalised and adopted by early 2014. At the time being, only the agenda for the national policies in the PNDP 2014-2016 has been shared with donors and confirms that priority areas are (i) governance (ii) social sectors (iii) economic sectors and (iv) infrastructure. As far as the governance sector is concerned, the PA intends to continue reinforcing Governance and Institutional development, in the sectors of security, justice, local governance, public finance management, administrative development and international relations. It will be essential that the PA exercises effective leadership and ownership over its development strategies and donor co-ordination in the governance sector.

Six strategic goals have been established in the Governance area:

- (i) Improved efficiency, efficacy and transparency of public funds allocation and use (with notably a shift from the present items budget to a programme-based budget);
- (ii) Enhance capacity of authorities at national and local levels to deliver better quality services (with a priority given to develop local authorities in Area C);
- (iii) Improved efficiency of public service delivery;
- (iv) Improved capacity to provide security, safety and justice;
- (v) Improved levels of community participation in governance and decision-making; and
- (vi) Enhanced Palestinian presence at the Arab and international levels.

The EU-PA new Joint Action Plan, signed on March 2013, includes, the establishment of a Palestinian state based on the rule of law and respect for human rights within a functioning deep democracy and with institutions that are accountable as one of its priority objectives. Holding free, fair and transparent elections at all levels and in line with international standards is highlighted.

2.2.2. *Sector context: policies and challenges*

No presidential and parliamentary elections have been held since 2006, due notably to the internal division in Palestinian politics and lack of progress in the 'reconciliation'.

However, on 2 June 2014 a 'Technical Unity Government' was formed, committed to the principle of the two-state solution based on the 1967 borders; to the recognition of Israel's legitimate right to exist; to non-violence and to the respect of previous agreements.

Following the formation of this new government, elections are expected to take place within a period of 6 months and thus help reduce the democratic deficit now existing vis-à-vis the Palestinian citizens

Delayed presidential and legislative elections have left Palestine in a rather grim situation in terms of governance, in which the Palestinian Legislative Council is not able to perform its functions of accountability and control. This situation particularly affects the judicial and legal systems and there is as such no transparent process of adoption of legislation.

The internal Palestinian split had led to the emergence of two parallel systems in the West Bank and the Gaza Strip that pose policy, legal and institutional challenges. The divide resulted in the gradual social fragmentation by restricting diversity, intercultural dialogue and political participation, which will hopefully be overcome with the "reconciliation" process. As a consequence, there is a crucial need for systematic promotion of democratic practises and values, such as civilian oversight, electoral and participatory processes, pluralism and tolerance. Promoting Palestinian identity and heritage is equally needed to promote inclusiveness and social cohesion (West Bank and Gaza Strip).

Among the EU priorities has always been and is now notably to maintain the operational capacities of the Central Elections Commission (CEC), which is responsible for organising and conducting elections (presidential, legislative and local)² and which is expected to quickly launch electoral preparations when the political environment is favourable. Present and operational in the West Bank and the Gaza Strip, the CEC is one of the most reliable and credible independent institutions today in Palestine. The CEC has finalised its Strategic Plan covering the three coming three years (2014-2016), placing emphasis on the concept of 'Electoral cycle' that includes all off-elections activities that aim at ensuring a higher citizen's participation to the Palestinian electoral and democratic processes.

The recurrent costs of the CEC, as well as the costs related to the organisation of elections are to be covered by the PA (Ministry of Finance). The Ministry of Finance persistent delays and shortcomings with payments of salaries and maintenance have however been impacting negatively on the smooth implementation of some of the

² The Central Elections Commission (CEC) is an independent institution that was established in 2002 under the General Elections Law of 1995. It was later stressed by the 2005 Election Law as *the supreme body that undertakes the management, supervision, preparation and organisation of elections and to take all necessary measures to ensure its integrity and freedom.*

activities performed by the CEC. In addition, the CEC currently rents its premises – that are scattered amongst several locations – at a high price. A dedicated CEC Headquarters (HQ) building is therefore beneficial to the CEC, both operationally and institutionally, and will therefore strongly contribute to the CEC capacity development and sustainability. The construction of the CEC HQs is included in the CEC's Strategic Plan 2014-2016. The CEC has already been allocated a land by the PA and the feasibility study for the building concluded. Supporting the CEC is therefore in line with the Joint Action Plan, and more particularly with its first pillar: Political dialogue and reform – building the institutions of an independent democratic and viable Palestinian State, and notably 1.4: Organisation of transparent general and local elections according to international standards. Finally the provision of a building to the CEC will dramatically enhance the tangible and visible contribution of the EU to the two state solution and the promotion of democratic values and settings in Palestine.

2.3. Lessons learnt

Support to Rule of Law has been one of the focal sectors of EU intervention since 2007, with focus on institutional building. Several surveys conducted in 2012 on the perception of Palestinian citizens on the justice sector report continuous low levels of trust into the system. The overall assessment of the EU support to the sector conducted in March 2013 highlights the risks to exclusively work with the justice formal system and recommends reviewing the strategy enhancing the “justice for all” approach. The conception of Justice should not only mean the institutions but include other actors with key potential in supporting the institutions, such as specialised civil society organisations (CSO) or the Faculties of Law. This means also to shift from institutional strengthening of PA institutions to support justice in all its dimensions, especially citizens’ rights. Lessons learned drawn from different external evaluations of EU-funded civil society programmes confirm the dynamism of the Palestinian non state actors not only as service providers, but as a key contributors to democracy and governance.

Support to public infrastructure and service delivery in the Rule of Law sector at both national and local levels has been provided since 2005 in various Financing Agreements such as Infrastructure Facilities. Within the prevailing political and security situation, the flexibility of the approach has proven successful for the implementation of the PA's state building strategy. The EU and other donors were called to provide direct, tangible and visible capital investments in the sector. However, investing in infrastructures projects which were not yet well formulated resulted in severe delays in document preparation and to obtain the necessary approval for tenders or contracts. The lessons learned from previous capital investments call indeed for: i) clearly articulated scope of actions; ii) institutional readiness to implement projects; iii) timely decisions by the beneficiaries at senior level. The EU co-operation should therefore now progressively aim to mid and longer-term policy objectives, allowing for increasingly comprehensive planning and implementation of interventions.

2.4. Complementary actions

Since 2007, the EU has achieved considerable experience in the governance sector and has become a lead donor and a key actor in policy dialogue, mainly in the Justice and Security Sectors. This action is complementary to the number of ongoing

institutional supports provided to the justice and security sector, as well as to the support provided to the independent institutions, such as the PLC and the CEC. The CEC has been supported since its establishment and is currently implementing actions which focus on local elections and voters' registry, and on the civic engagement of election stakeholders (with a focus on women, youth and universities, both in West Bank and Gaza Strip). These activities are complemented by the support provided by UNDP and Norway helping to develop the capabilities of the CEC and the voter education campaigns.

The action will build on previous actions supporting civilian oversights and will be complemented also by the projects funded under the European Instrument for Democracy and Human Rights (EIDHR), which at local level will focus at promoting fundamental freedoms, human rights of vulnerable groups, and respect of the international humanitarian law. The action also takes into account regional peacebuilding actions funded under the Partnership for Peace programme. In parallel, the Civil Society Facility will contribute to strengthening civil society's role in Palestine's process of development by enhancing the capacities of the four main NGOs platforms. Additionally, the action will take into account other donors' support to civil society in this area, such as UK support to transparency, UNDP/EUPOL COPPS3 investment in monitoring and oversight of security institutions and UNDP/UN Women interventions towards community access to justice.

Finally, it is to note that through PEGASE DFS, the EU is contributing to the Palestinian National Budget recurrent expenditures since 2008, with systematic, predictable and unconditional contributions to the payment of PA civil servant's salaries, pensions and of social allowances to the poorest and most vulnerable Palestinians. This support has been and is crucial for the PA to build strong governance and governmental institutions as the basis for a future independent Palestinian State as well as for social cohesion, economic and security stabilisation.

2.5. Donor co-ordination

Donor co-ordination takes place in various form under the Local Development Forum (LDF) and its four "strategy groups", including the Governance Strategy Group (GSG, with EU co-lead). Co-ordination within the Governance Sector gained momentum in 2010-11, but stalled after a new interim government was established in May 2012 and in the context of overall political uncertainty/fiscal crisis loomed. The GSG met for the last times in July 2011 and October 2012, with no major conclusions. Under the umbrella of the GSG, one of the most active groups is the Elections Working Group (EWG; with EU co-lead). The Justice and Security Sector Working Groups have been largely inactive, basically meeting once a year.

In addition, EU actors in Palestine have produced an important effort to rationalise and co-ordinate their operational interventions, as reflected in the revised EU Local Strategy on Development Co-operation in the oPt (EU LDS) endorsed by the EU HoMs in June 2013. The EU LDS clarifies EU MS priority sectors of intervention and the in-country EU division of labour. Since February 2013, discussions have been held within the Head of Co-operation regular meetings to ameliorate the EU co-ordination and engagement regarding civil society.

³ EU Police Mission in the Palestinian Territories under the EU Common Security and Defence Policy (CSDP).

3. DETAILED DESCRIPTION

3.1. Objectives

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

The **specific objectives** are: (1) to enhance the capacities of the Central Elections Commission; (2) to improve access to justice for all citizens and to promote democratic culture and social cohesion; (3) to consolidate the management capacity at the PA.

3.2. Expected results and main activities

The expected results and activities are structured under three different components as follows:

Component 1 – *Support to the construction of the Headquarters of the Central Elections Commission*

The main expected **result** of this component is a reinforced the Central Elections Commission, capable to perform its functions, including promotion of democratic culture. Currently, the CEC has premises in different locations, which poses several challenges, notably security and confidentiality considerations. With a single, integrated and secured infrastructure (Headquarters), the CEC will be in a better position to undertake its mandate and ensure security/confidential criteria for warehouses, housing ballot papers, ballot boxes, data (such as voters' forms) and data centre, as well as the packaging area. In addition the current premises are not cost-effective (the CEC has various rental contracts and additional costs to cover dispersion, transport, and interconnectivity). This intervention will demonstrate the continued engagement of the EU to promote the democratic process in Palestine and will enhance visibility of EU support to a viable, democratic Palestinian State.

The **activities** comprise construction works of the Headquarters, including premises for general services, information systems, reception, conference hall, warehouses, administration, electoral procedures offices, archive, administration/financial/research departments, plus working space for staff in field operations, planning, logistics, commissioners and management. The total construction area is 6,000 m² over five floors. The feasibility study provides for an environmentally friendly building, including solar panels and energy efficient heating, cooling and lighting systems. The contracting authority will be the Ministry of Finance (MoF). The Ministry of Public Works and Housing (MoPWH) will be the responsible body for overseeing the implementation of the various steps of the process: (i) tendering process; (ii) construction works; (iii) procurement and installation of furniture and equipment; (iv) testing of infrastructure and functionality of building systems; and (v) handover of the HQs to the CEC.

Component 2 – *Promoting governance and citizenship*

Civil society is a key player in the governance arena in Palestine. It plays a major role in issues regarding citizens' rights, in particular in relation to marginalised and

vulnerable groups such as women, youth and elderly, as well as for the promotion and protection of the Palestinian identity. This component will actively involve civil society organisations to promote access to justice for all as well as cohesion amongst the fragmented Palestinian society. **The expected results** are: (2.1) increased accountability and transparency of the Justice and Security institutions with enhanced civilian oversight; (2.2) enhanced intercultural dialogue, Palestinian identity, heritage and reconciliation.

The **main activities** under this component include: (1) measures to strengthen the accountability of the Justice and Security institutions and to ameliorate the access to the services, such as promotion of transparency within the judiciary and monitoring of its performance; awareness raising on citizens' rights; advocacy; legal services and research; (2) initiatives promoting social cohesion and democratic culture, such as intercultural dialogue and diversity, including exchanges and exposure to Euro-Mediterranean experiences; activities restoring Palestinian identity and heritage; information and education campaigns focusing on democratic governance and inclusiveness.

Component 3 – Ad-hoc support to technical assistance, specific audit and monitoring measures

The **main expected results** under this component is to consolidate the PA in its general governance capacity, by enforcing advanced monitoring, control and audit systems for all PEGASE programmes of Direct Financial Support (DFS). These systems ensure the efficient and effective provision of support to Palestinians, while protecting the interests of donors participating in PEGASE by ensuring that funds are disbursed with full transparency and accountability and in compliance with the relevant agreements between the EU and the PA. Moreover, the support aims at enhancing the capacities of the Ministry of Finance to act as contracting authority for all partially decentralised contracts funded by the EU. Staff from key line Ministries/Agencies related to EU focal sectors and/or EU temporary support measures will also benefit from technical assistance as part of the EU-PA co-operation.

The **main activities** consist of: evaluation of PEGASE DFS programmes; technical assistance (including IT support) and consultancy services related to PEGASE DFS programmes; capacity building and technical assistance within Ministry of Finance and key line ministries/agencies related to EU focal sectors and/or EU temporary support measures.

3.3. Risks and assumptions

EU's support to Palestine is subject to unusual types and high levels of risk: those inherent in the continued Israeli Occupation of the West Bank and the ongoing political divide between the West Bank and Gaza. In addition, the imposed system of restriction of movements and access might create difficulties for the implementation of projects, including the import of goods, equipment and the free movement of service providers. The very volatile political environment and the security situation calls for flexibility during implementation.

For **Component 1**, there is a specific risk related to the absorption of the MoPWH in terms of instruction/implementation/supervision of projects, which could also delay and impact negatively on the timing and possibly on the quality of the construction of the CEC HQs building. The current lack of capacity (mainly linked to the fiscal crisis) of the departments of "operations and maintenance" may also affect the sustainability of the project.

For **Component 2**, it is worth noting that currently a small number of CSOs in Palestine focus specifically on the Judiciary. The majority of CSOs working in the sector have a Human Rights focus, but at the same time, a great potential to be involved as service providers. In Gaza, any political development may immediately impact on the ability of the organisations to operate and implement actions. Both risks can be mitigated enhancing the co-operation amongst civil society organisations and including capacity-building elements within the supported actions.

3.4. Cross-cutting issues

Good governance is at the core of the action. The use of local systems and empowerment of local, non-governmental stakeholders are embedded in the design of the activities, contributing to develop a more healthy system of checks and balances. The focus on control and audit systems, notably in Component 3, promotes high standards of public financial management.

Gender equality will be promoted especially in Component 2 of the action and sex-disaggregated data will be used when possible. Disabled peoples' rights will be particular considered under Component 1 by ensuring an easy access to the building through adequate facilities.

Environmental sustainability and *climate change* are central cross-cutting issues of the Component 1 of the action. Adopting environmentally friendly architectural design and service systems such as heating, cooling, and lighting systems, which are all energy efficient, the programme will minimise the environment impact of the construction.

3.5. Stakeholders

The final beneficiary of the action will be the Palestinian population as a whole. Key partners and direct beneficiaries remain primarily the PA institutions: Component 1): the Central Elections Commission (MoF and MoPWH as key stakeholders); Component 2): Institutions of the Justice Sectors, independent bodies and specialised local and international organisations; and Component 3): MoF, MoPWH, MoJ and other line ministries.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 72 months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. Implementation components and modules

4.3.1. Grants: call for proposals "Promoting governance and citizenship" (direct management) – Component 2

a) Objectives of the grants, fields of intervention, priorities of the year and expected results

Each action grant has its own objectives and expected results deriving from the specific situation the action intends to address, within the scope of the two different focuses selected: (i) improving access to justice for all citizens; (ii) promoting democratic culture and social cohesion. As per the type of actions eligible for financing, they must be in line with the activities described in point 3.2. Priority will be given to actions that mainstream gender and target youth, as well as actions fostering ownership, local leadership and co-operation among organisations. Capacity building elements will also be taken into consideration.

In addition, all actions, regardless of the activities, must be implemented in Palestine. Specific activities, within the scope of the action and if duly justified, can be implemented abroad.

b) Eligibility conditions

- be legal persons and
- be non-profit making and
- be a local non-governmental organisation, with Headquarters in Palestine and officially registered with the Palestinian competent authorities and founded at least 2 years before the launching date of the Call and which may wish to co-operate with European-based organisations or European public-sector operators or international (inter-governmental) organisations as defined by Article 43 of the Implementing Rules to the EC Financial Regulation;
- or, be an European-based organisation, established in a Member State of the European Union or Member State of the European Economic Area, officially registered and founded at least 3 years before the launching date of the Call and necessarily act with co-applicants that are local civil society organisations from Palestine (mandatory);
- or, be an international organisation and necessarily act with co-applicants that are local civil society organisations from Palestine (mandatory);

- be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as an intermediary.

c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

d) Maximum rate of co-financing

The maximum possible rate of co-financing under these grants is 80% for international and European-based organisations and 90% for local organisations.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of the Financial Regulation (EU, Euratom) N° 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

e) Indicative trimester to launch the call

4th trimester of 2014

4.3.2. Procurement (direct management) – Component 3

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
<i>Component 3 - Ad-hoc support (technical assistance, specific audit and monitoring measures)</i>	Services	5	Q3 2015

Contracts will be awarded in accordance with the relevant procedures on tendering as set out in the Practical Guide for EU external actions. In order to ensure the continuity of PEGASE DFS, the extension of the current IT support for the maintenance of the database could be necessary under this action.

4.3.3. Indirect management with the Palestinian Authority – Component 1

A part of this action with the objective of enhancing the capacities of the CEC by construction of the premises for the Headquarters of the CEC may be implemented in indirect management with the Palestinian Authority in accordance with Article

58(1)(c)(i) of the Regulation (EU, Euratom) No 966/2012 according to the following modalities:

The partner country (represented by the Ministry of Finance of the PA) will act as the contracting authority for all the procurement. The Commission will control ex ante all the procurement procedures. Payments are executed by the Commission.

The change of management mode from indirect to direct management, whether partially or entirely is not considered a substantial change.

In accordance with Article 262(3) of Delegated Regulation (EU) N° 1268/2012, the Palestinian Authority shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) N° 966/2012. These rules as well as rules on grant procedures in accordance with Article 193 of the Regulation (EU, Euratom) N° 966/2012, will be laid down in the financing agreement concluded with the Palestinian Authority.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant awards procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	Amount in EUR thousands	Third party contribution
4.3.1. Call for proposals " <i>Promoting governance and citizenship</i> " (direct management) <i>Component 2</i>	4,000	400
4.3.2. Procurement (direct management) <i>Component 3 - Ad-hoc support technical assistance, specific audit and monitoring measures</i>	3,850	0
4.3.3. Indirect management with the Palestinian Authority <i>Component 1 – Support to the construction of the Headquarters of the Central Elections Commission</i>	4,500	
4.7 – Evaluation and Audit	100	0
4.8. – Communication and visibility	50	0
Contingencies	500	0

Totals	13,000	400
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4.6. Performance monitoring

Continuous technical and financial monitoring is the beneficiaries' responsibility. The project will be monitored by each beneficiary according to relevant indicators of performance, including gender-disaggregated data. Each Beneficiary shall establish a technical and financial monitoring system to the project, which will generate progress reports and safeguard internal control. The choice of key progress indicators will form part of the project formulation process and each grant agreement will be supported by a logical framework including objectively verifiable indicators to evaluate each stage's level of achievement. In case of non-availability of existing information on baseline values necessary to establish relevant indicators, the projects could be designed in such a way that the baseline is established during the first months of implementation and target values adapted accordingly.

The Commission may carry out Results Oriented Monitoring via independent consultants, starting from the sixth month of project activities, which will be finalised at the latest 6 months before the end of the operational implementation phase.

4.7. Evaluation and audit

The Commission may carry out external evaluations [via independent consultants and in accordance with EU procurement rules] for component 1 and 2 separately as follows: (a) a mid-term evaluation mission; (b) a final evaluation, at the beginning of the closing phase; and (c) an ex-post evaluation.

Where appropriate, external audits/verification missions on specific components/projects of the action will be undertaken by the EU. The Commission shall appoint, in accordance with EU procurement rules, an internationally recognised external auditor.

An estimated number of 5 contracts for the above-mentioned evaluation and audit purposes shall be concluded in the form of procurement of services under direct management of an indicative budget of EUR 100,000, tentatively as from the first semester of 2018.

4.8. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. Each action will incorporate information and communication activities to raise awareness of the action, the EU support and the impact of this support. Each contractor will be responsible for implementing those activities in line with the EU guidelines and in consultation with EU Representative Office in Jerusalem. The beneficiary/contractor shall inform the EU about upcoming communication activities and invite the EU to visibility events.

An estimated number of 3 contracts for the above-mentioned communication and visibility purposes shall be concluded in the form of procurement of services under direct management of an indicative budget of EUR 50,000, tentatively as from the first semester of 2016.

ANNEX 2

of the Commission Implementing Decision on the Annual Action Plan 2014 for Palestine¹
**Action Document for Support for the enabling environment for investment and trade
and for vocational training in Palestine**

1. IDENTIFICATION

Title/Number	Support for the enabling environment for investment and trade and for vocational training in Palestine CRIS number: ENI/2014/37-138		
Total cost	Total estimated cost: EUR 10,500,000 Total amount of EU budget contribution: EUR 10,500,000		
Aid method / Management mode and type of financing	Project Approach Component 1 – Indirect Management with the UK Department for International Development (DfID) Component 2 - Indirect Management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Evaluation/Audit/Visibility – Direct Management – procurement of services		
DAC-code	33110	Sector	Trade policy & Admin. Management
	11330	Sector	Vocational Training

2. RATIONALE AND CONTEXT**2.1. Summary of the action and its objectives**

The Action is designed to promote sustainable, job-creating, private sector-led economic development through enhanced business enabling environment and better skilled labour force through the enhancement of quality and relevance of the Technical and Vocational Education Training (TVET) provision in Palestine. It comprises 2 components:

Component 1: *Strengthening the enabling environment for investment and trade in Palestine* via improved legislation and regulations, development of capacities of the Palestinian Investment and Promotion Agency (PIPA) and linking trade and

¹ 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.

investment opportunities, by topping-up the EU-DFID Palestinian Market Development project (PMDP);

Component 2: *Support for the TVET System in Palestine.* This component will target quality and relevance of TVET provision, and will enhance the institutional and technical capacity of the system, building on lessons learnt from the ongoing EU-GIZ TVET programmes.

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

The economy of Palestine is still marked by occupation and conflict. Economic growth, job creation and raising sustainable fiscal revenue are still hampered by occupation, restrictions of movement of goods and people and general lack of progress towards a sovereign Palestinian state. West Bank, the Gaza Strip and East Jerusalem are still scattered geographical entities highly dependent on the Israeli market and donor aid.

The sustained growth (average 8.2%), in the period 2006 to 2011 was partly fuelled by high levels of aid (around USD 2,200 million in 2008, more than 30% of that year's GDP), which led to a rapid expansion of the public sector. Since 2012, growth is decelerating and the regression of GDP will continue in case the economic and political conditions remain the same and is expected to go down to 4.4%, 3.6%, 3.1% in 2014, 2015 and 2016 respectively. The positive efforts of the PA to reduce expenditures (freezing wage bill increase, reducing non-wage labour costs) and to improve fiscal revenues (reviewing and extending taxation base) have though limited space in the current circumstances.

The Palestinian population is growing at an annual rate of 2.9%, with young people (under the age of 25) comprising 58% of the total population. The resulting expansion of the labour force has led to a growing need for new and sustainable private job creation. Total unemployment among youth aged 15-29 continues to be alarmingly high (31.2% in the West Bank and 50.4% in Gaza). Trade deficit is a continuous challenge. In 2012 the total deficit in the net trade balance reached USD 3,915 million, a 7.9% increase in respect to 2011.

In the short term, the PA will continue to depend on donor aid to cover its recurrent deficit. Despite some increase in donor aid (USD 1.3 billion against USD 0.8 billion in 2012, but down from USD 1.8 billion in 2008), the fiscal gap remained at around USD 0.4 billion in 2013. Consequently, in 2013 the PA continued accumulating considerable debts to the banking sector and arrears to the private sector which reach more than USD 0.5 billion, while the accumulated arrears to the pension funds is now estimated at more than USD 1.4 billion.

For the moment, in the context of the current efforts to revamp peace talks, donor contributions will probably continue being sustained, albeit at a level which cannot match real fiscal needs and against the background of evident donor fatigue linked to the fiscal crisis in many donor countries. The private sector has a critical role to play in rebalancing the Palestinian economy to become less reliant on external support. The resumption of the peace talks in 2013 and the accompanying international and national economic initiatives could contribute to improve the economic and living conditions

of the Palestinians. The Economic initiative for Palestine following the Kerry peace plan identified necessary enablers from both Israeli and Palestinian sides including the establishment of an enabling environment for investment and trade in Palestine.

2.2.1.2. National development policy

To prepare the national development plan 2014 – 2016, a “**National Development Policies Agenda**” was issued to present a strategic framework for policies priorities. The document highlights the need to stop economic deterioration and identifies among the 6 main general goals to be achieved the "*revival of the national economy and the upgrade of the productive capacity and competitiveness of the private sector*". The Palestinian Authority has undertaken major reforms to improve its operational business environment. The challenge for the Palestinian economy is to develop and implement structural policies under conditions of political and economic instability. The National Economic Development Plan 2014-16 presents "*the development of a business and enabling environment in Palestine*" as second strategic goal.

The Plan further aims at the facilitation of the "*processes of import and export and promotion and marketing of Palestinian products abroad*", and emphasises the need to increase and diversify exports in order to foster growth and development of the Palestinian economy. To achieve this goal, the PA, in close co-operation with the private sector, has designed a National Export Strategy (NES) with the support of the EU funded 'Trade Diversification and Competitiveness Enhancement Programme'. The NES, recently submitted to the Cabinet for endorsement will provide a comprehensive policy framework for Trade and competitiveness enhancement. The NES, endorsed by public and private stakeholders contains an action plan for implementation over 5 years by focusing priorities for export development and competitiveness in Palestine. The NES also identified TVET as a main tool for innovation to enhance economic activities and private sector support.

The '**National Development Policies Agenda**' also aims at tackling unemployment and enhancing services expected to reduce poverty rates and enhance social justice with investments in training for Human Resources (HR) and support of TVET to meet market needs. HR training quality and relevance is key in the TVET and education strategies (2014-2016) supervised by the Ministry of Education and Higher Education and the employment strategy steered by the Ministry of Labour in line with national quantitative goals and indicators in the context of Education for All (EFA). Moreover, the MDG 2015 national plan identifies TVET for the poor as means of poverty alleviation and for bridging the gender gap in the labour market.

Recently, the Ministry of Labour has announced the PA preliminary agreement to endorse the unified structure of TVET,² a step that has been long waited for among TVET stakeholders, yet the role, mandate, finances, legal framework and involvement of stakeholders is still to be shaped during the coming period before the full endorsement of the cabinet. Establishing the TVET Agency, according to the plan by end 2014/beginning 2015, will be a crucial step in the development of the TVET Strategy. The Agency will be in charge of the execution of the TVET national strategy. Its institutional development will be formulated in 2014 with technical support of the European Training Foundation (ETF).

² During donors meeting on Jan 15th 2014.

2.2.2. *Sector context: policies and challenges*

Developing a sustainable economic base will depend largely upon the establishment of a dynamic and competitive private sector. The Palestinian private sector is small with comparatively high labour costs, deteriorating production capacities, and weak operational skills that lead to products being uncompetitive. Exports are resource intensive and include little value-added processing and links to global value chains. Gazan firms in particular have been isolated from global markets since 2007, citing restrictions as the primary constraint to growth, followed by lack of quality electricity supply and inadequate availability of skills.

The private sector situation is most challenging for disadvantaged groups such as female entrepreneurs. Although women have the legal right to work, own land, property and access credit, female participation in the Palestinian economy is low due partly to social norms that limit female economic activity. Overall, women's labour force participation rate has been below 16% throughout the last decade, which is lower than the already low average of 26% for the Middle East and North Africa region.

Although some progress is seen, there is still need to improve the environment to make investment and business development conducive, targeting either potential new investments or stimulating existing businesses that didn't develop discouraged by the political situation. The World Bank "doing business" ranking is a tool that can be used to compare Palestine to other regional and global countries, as the ranking reflects how successful governments and policy makers are in providing a business environment conducive for businesses and investments. The 2014 "Ease of doing business" ranked the West-bank and Gaza at number 138 out of 189 countries. The regional average ranking was 107, while Turkey was ranked 69, Lebanon at 111 and Jordan at 119.

The Ministry of National Economy is in charge of policies for private sector development, including the business environment. It supervises the activity of the Palestinian Investment Promotion Agency (PIPA) - an independent state agency for the promotion and attraction of foreign direct investment and promotion of domestic investment, and the Palestinian Standards Institute (PSI). Another important actor is the Palestinian Trade Centre (PalTrade) – a non-profit, public-private agency for the promotion and facilitation of trade and exports. Competence over enterprise development is spread over different government agencies. PIPA plays a major role in facilitating new investment and will be a prime actor in the implementation of upcoming economic initiatives in support of the Middle East Peace Process.

The Agenda for the National policies in the National Development Plan 2014-2016 presents as a strategic goal the promotion of investment and of national products. The Agenda highlights the need to increase the size of investments and diversify exports in order to foster job creation and growth. For this purpose "the government will work on implementing policy priorities to develop the balanced just and stable legislative environment that encourages the work of the private sector and investments". The continued commitment and leadership of Ministry of National Economy (MoNE) towards the activation of PIPA, coupled with progress made in changing the organisation's culture, through the short term interventions and the continued enhancement of corporate and individual staff capabilities through the medium term engagement will increase PIPA's capacity to promote and facilitate investments. A

strategic assessment of PIPA conducted in 2010 by Development Alternatives Incorporated (DAI) identified organisational weaknesses and needs. The draft new Investment Law contains provisions for the restructuring of PIPA and the enhancement of its capacities and operations.

Another important challenge for private sector is the lack of qualified labour force. The World Bank reports that around 40% of the firms surveyed in the MENA report indicated that lack of skilled labour is a major constraint on business. The size and organisation of the TVET sector does not produce qualified workers able to deal with the new and changing requirements of the labour market. The TVET sector is fragmented among a wide range of providers and many urgent issues have to be addressed such as the quality of teachers and trainers, curriculum design, and the provision of physical resources. Today the TVET system enrolls about 6% of the total number of students in the secondary cycle³, much below the needs of the economy. Among other problems the system is not attractive and with a limited offer of quite traditional qualifications. Women enrolment rates are modest and mostly in traditional female sectors. There is a growing problem of skills mismatch, with the TVET sector not adapting rapidly enough to the changes in the labour market.

The 2010 TVET Strategy is quite ambitious, aiming to create a knowledgeable, competent, motivated, entrepreneurial, adaptable, creative and innovative workforce. Several key steps have been taken in order to make the system relevant to the labour market and demand-driven. Among the most important are the design and implementation of a national qualification framework, aiming at building bridges between the sub-systems of the educational institutions; the launch of the Labour Market Information System (LMIS) in 2013 and the upgrading of TVET institutions in order to provide quality programmes relevant to the labour market.

2.3. Lessons learnt

In the area of private sector support, the 3rd component of the Palestinian Market Development Programme – an action under implementation and co-funded by the EU and DfID - focuses on provision of technical assistance to key market institutions promoting foreign and local investment in Palestine, with great focus on links between trade and investment. The inception phase of the project identified the need for a scaled-up support to the investment enabling environment and reinforced support to PIPA, envisaging its important role in the implementation of initiatives to revamp the Palestinian economy, currently under discussion and in support of a peace process. In addition, it proposes reforms to the legislative framework and reinforcing links to the trade dimension of investment, including co-operation between PIPA and the Palestine Trade Centre (Paltrade). The results of the PMD program, as well as other projects currently on place will largely depend on advances on the business environment and the development of investments.

In the area of vocational training, the action has been designed following the success of the previous and ongoing EU support to TVET programmes in the West Bank 2011–2014. This programme has been received well by local stakeholders who have requested in several occasions its extension to additional governorates. Formal evaluations (GIZ Mid Term Review 2013, EU ROM 2012) and informal feedback from a number of stakeholders and beneficiaries have identified four main success factors: 1) Ownership and commitment from Palestinian key stakeholders (through the

³

ETF Torino Process Report 2010, ETF Regional Employability Review 2012.

leading role to the steering committee composed of the main Palestinian stakeholders) 2) Bottom up approach (TVET institutions to design and propose their own proposal in the framework of a call for applications); 3) Partnership with the world of work (all proposals had to be presented by a partnership between one or more TVET institutions and at least one institution/company representing the world of work). 4) Focus on the local context (the programme has been working through community-led structures, such as 'Local Education and Training (LET) Councils'). These four factors will be incorporated in the new action.

In the past years, efforts to support the development of Palestinian institutions has proven challenging, due mainly to external constraints such as uncertainty in the political horizon, fiscal crisis and interim governments. The commitment of the PA is expected in the form of political and financial back up for the actions proposed in this Action Document, without which, the efforts will not attain the foreseen objectives.

2.4. Complementary actions

The EU is currently supporting a set of interventions concurring to enhance competitiveness of Palestinian goods and services, either through direct support to firms or through capacity building to institutional actors to enhance their contribution in forging a business enabling environment for trade and private sector development.

In particular, the **Component 1** of this action complements the EUR 17.5 million *Palestinian Market Development Programme* (PMDP), implemented by DfID in co-operation with MoNE, and co-funded by the EU (EUR 5.5 million). The PMDP aims to improve Palestinian private sector competitiveness through technical assistance and matching grants. It also strengthens trade and investment relationships, as well linkages between institutions and the Palestinian Diaspora which is expected to play an active role in economic development. The action proposed under component 1 will top-up the PMDP by providing additional activities under the 3rd pillar, which foresees technical assistance to PIPA to improve specific services to potential investors.

It also complements the EU-funded Trade diversification and competitiveness enhancement Programme, which enabled the formulation of the National Export Strategy (NES) and developed capacities for trade in services, as well EU institutional capacity building support such as that provided to the MoNE for policy formulation and WTO observer ship.

Other donor's funded projects focus on access to finance, capacity building, public infrastructure and access to international and local markets. The World Bank is currently supporting the operationalisation of a facility for the Small and Medium Enterprises within the MoNE. The Canadian Development Agency (CIDA) is funding an Export Development Project (implemented by UNDP), complementary to NES. The French Development Agency (AFD) supports private sector competitiveness through the development of clusters (including support to the Bethlehem Industrial Estate and provision of partial equity financing to companies). USAID Investment Climate Improvement (ICI) programme targets the improvement of the enabling environment for business investment and Trade, and USAID Compete Projects supports firms to better meet market requirements. GIZ provides support for strengthening the microfinance sector and the private sector promotion.

Specifically for **Vocational Training**, the action is closely linked to ongoing EU and other donors' actions in support to the implementation of the TVET national strategy. GIZ is the main actor in the sector, implementing several projects both in the TVET and employment sectors, including the EU support projects to TVET in West Bank (pilot phase of EUR 4 million ending in mid-2015) and in Gaza Strip (EUR 2 million, ending at the end of 2015). Complementarity and synergies with GIZ programme is endured by the Delegation Agreements signed with GIZ. The programme builds in addition upon the current EU support to West Bank implemented by GIZ. Belgium Technical Co-operation (BTC) is the second main EU donor, they have just started a EUR 5 million programme aiming at establishing apprenticeship support schemes and other tools to facilitate the transition from school to work. At the same time they are implementing an EU funded programme to support start-up incubators in Palestine. Extensive discussions have been held to ensure complementarity and synergy between these initiatives and the new EU programme. To avoid overlapping in supporting youth employment, it was decided to split the target groups; the BTC project focusing on students and fresh graduates and the EU programme focusing on youth unemployed for at least one year. Another complementary action is the World Bank initiative that creates partnership between private sector and higher education institutions for the implementation of innovative training schemes. The division of labour in levels of the education between WB and EU was a successful example of good coordination among donors in the TVET sector.

At a regional level, coordination is being ensured with '**Governance for the Employability in the Mediterranean**' a new three-year regional project financed by the EU and implemented by the ETF on behalf of DEVCO. Countries in the Southern and Eastern Mediterranean (SEMED) are the beneficiaries of this initiative. The project started by mapping the current VET governance systems in the countries of the region and identifying both good practices and areas for improvement. In addition, coordination with the EU-funded project SWITCH-Med, which will pilot more resource efficient and sustainable production business models, can provide examples of competitive business to be disseminated and supported under this action.

2.5. Donor coordination

The *Economic Policy Strategy Group* (ESG), co-chaired by the Ministry of Finance and the World Bank (WB), is the operational forum for strategic PA-donor coordination in the global field of economic development. Three working groups have been established by the ESG: fiscal issues, agriculture and private sector development & trade (the latter co-chaired by MoNE and the WB). The EU also attends the regular donor-PA dialogue on Economy and Trade established by the MoNE. In addition, EU policy is coordinated through regular meetings of the EU Heads of Co-operation (HoCs) and frequent ad hoc meetings with other donors to harmonise interventions.

The intervention will benefit from the consultation and coordination platform which was set up during the formulation phase of the NES and which involved a broad range of stakeholders. Coordination will continue to be ensured with frequent informal bilateral or multi-donors meeting, as outlined above.

In TVET, although the local stakeholders have not established yet structured donor coordination mechanisms, donors have started an informal coordination network (EU REP, GIZ, Belgium Technical Co-operation, Swiss Development Co-operation, and AFD). The TVET strategy and the relevant action plan ensure that reforming priorities

are shared by all donors. The informal coordination group meets regularly and allows an effective exchange of information on results achieved by old projects, running initiatives and planned interventions.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** of the Action is to promote inclusive, sustainable, private sector-led economic development in Palestine through investment and trade development and the enhancement of quality and relevance of the TVET provision in West Bank and Gaza.

The specific objectives are:

Specific objective 1: Contribute to the development of an enabling environment for investment and trade through improved regulatory framework, enhanced capacities of PIPA, and strengthened linkages between trade and investment promotion institutions.

Specific objective 2: To improve the quality and relevance of training provision at both initial and continuing levels (Continuous Vocational Training – CVT) to meet the needs of the private sector and the community, and to enhance the institutional capacity of the TVET institutional framework and of world of work (stakeholders), for a more efficient functioning of TVET system.

3.2. Expected results and main activities

Component 1: *"Strengthening the enabling environment for investment and trade in Palestine"* (related to Specific objective 1) is a scaling up of current activities under pillar 3 of the PMD project to further address issues related to the investment legal framework and the weak capacity of the Investment and Promotion Agency.

Result 1.1: improved regulatory framework for investments, including with the revision of the current draft investment law based on in-depth consultations of stakeholders and assessments of investor's needs.

Activities will build upon the outputs of the USAID Investment Climate Improvement project and will be designed in synergy with the upcoming EU support for Trade policy formulation and WTO accession, such as improvement of the regulatory framework for investment.

Result 1.2: improved performance of PIPA, through enhanced staff's skills and modernisation of tools and products for the provision of quality services.

Activities will target: 1) *organisation reform*, including: review of current operations and identification of gaps; development of standardised operating procedures for PIPA functions; improvement of operations design and standards; establishment of effective performance management practices; establishment of a quality management system to introduce a culture of organisational quality; identification and establishment of proper internal communication strategy, mechanisms and channels; and 2) *Human resources skills and performance enhancement*, including: identification of gaps in quality and quantity of staff for each Directorate; development of job descriptions and performance assessment systems; delivery of a comprehensive training programme using the resources (training centre and modules) established under the EU capacity building project to the MoNE.

Result 1.3: improved co-operation between trade and investment promotion Agencies and joint work between PIPA and Paltrade, aiming at implementing recommendations of the NES.

Activities will target the development of co-operation mechanisms and tools of promotion, including the design and implementation of a "branding Palestine" strategy.

Component 2: *"Support for the TVET System in Palestine"* (related to Specific Objective 2)

Result 2.1 The quality and relevance of initial vocational training and of continuing vocational training (CVT) is improved and mainstreamed.

A set of new training packages at all TVET levels (2, 3, 4) and a new set of CVT training packages (targeting unemployed youth and young workers of private companies that are at risk of unemployment) will be developed and implemented in close co-operation with the world of work via Call for Projects.

Indicative list of activities under this result include: conduct sector analyses through value chain, and skills gap analyses; organise awareness and promotion; launch calls for projects; LET councils assesses pilot project's concepts, according to agreed principles and pre-defined guidelines; project staff provides support in the design of pilot projects' proposals; steering Committee selects the final projects on the basis of the ranked list provided by the LET Councils and ensuring complementarity among the different proposals presented in the different governorates; monitoring and evaluation.

Result 2.2 Capacities of TVET stakeholders (TVET Agency, world of work and TVET providers) are improved and new policies are developed.

Indicative list of activities under this result include: capacity building and development actions such as training and market need analysis; definition of learning outcomes, training/workshops on strategic and organisational issues, organisation of a coaching system and other management tools; field research, monitoring and evaluation to support policy work at national level. Activities focus on TVET stakeholders, including the LET-Councils and the social partners, and consider in particular the future set-up of the TVET Agency.

3.3. Risks and assumptions

EU's support to Palestine is subject to unusual types and high levels of risk: those inherent in the continued Israeli Occupation of the West Bank and the ongoing political divide between the West Bank and Gaza. In addition, the imposed system of restriction of movements and access might create difficulties for the implementation of projects, including the import of goods, equipment and the free movement of service providers. The very volatile political environment and the security situation calls for constant monitoring during implementation.

Specifically for **Component 1**, the enactment of the revised legal framework and the sustainability of the results of the capacity building activities will depend on the continued active support MoNE and the Minister (Chairman of PIPA). Nurturing the culture of excellence organisation within PIPA may take more time beyond the timeframe of the project to be embedded. It is expected that the Public-Private partnership (intensive during the elaboration of the NES) will continue, critical for a sustained national action in support of Investment and Trade promotion. The risk

management monitoring system already in place by the PMD implementing partners is dedicated to the follow up the evolution of risks throughout the implementation of the project.

For **Component 2**, the overall risk rating for the project is considered to be moderate. The main risks foreseen are: no mainstreaming of project achievements to the whole system due to staff and/or budget constraints and overlapping with other ongoing donor activities in the same sector. In order to mitigate these risks, the project blends a bottom-up approach with strong capacity building component as the implementation modality and requires the active involvement of the national and local stakeholders including private sector throughout the project lifecycle.

The main **assumptions and preconditions** are: (a) the political and socio-economic situation remain stable (given the constraints), (b) the general business/investment climate improves within the current peace initiatives (c) TVET remains as a high priority on the PA's policy agenda, showing political will to improve its governance structure and training delivery systems, (d) the main beneficiaries continue to show strong ownership and commitment towards the improvement of TVET and guarantees active participation (Ministries, agencies, training providers and private sector).

3.4. Cross-cutting issues

The PA has prepared a national scheme to protect natural resources and develop new regulations to protect the environment. Palestinian enterprises are typically small, using very old technology. Component 1 supports access to cleaner technologies, and activities will include an environmental criterion.

Good governance principles and the use of local systems are embedded in the design. Particular attention will be given to improved public-private sector dialogue, the active involvement of women in key positions, the implementation of the PA Agenda for protection of natural resources and environment protection. Employment generation, environment and gender are mainstreamed in the design of the PMD programme and will be specifically monitored. A gender strategy was designed during the inception period and was endorsed by the Steering Committee.

TVET will give a special focus to improve the participation of women, allowing them to access all jobs not only more traditional occupations, as conditionality of award including a certain percentage of projects that includes women (30%), is suggested to encourage women access to training and employment and allows for mainstreaming of TVET programs that are gender sensitive and responsive. The programme will also invite applicants to include specific measures in their proposal that will facilitate women participation in training courses such as transportation, child care etc.

The component will also encourage support to programs and entrepreneurs working on environmental friendly techniques and would encourage environment sustainability (solar systems, new environment friendly refrigeration techniques, fuel consumption minimisation, etc...), and would set criteria to ensure that all activities implemented will not impact negatively on the environment.

3.5. Stakeholders

For Component 1, stakeholders are all economic actors which took part in extensive consultations during the formulation phase of the NES. They will continue to be consulted for the formulation of the revised investment legal framework and the proposed strategy for branding Palestine (Palestinian Businessmen Associations; Federation of Palestinian Chambers of Commerce, Industry & Agriculture; Palestine Federation of Industry; Association of Banks in Palestine; Palestinian Information Technology Association; Palestinian Investment Fund, Palestinian Shippers Council; Palestinian Investment Promotion Agency; Palestinian Standards Institute; Palestinian General Federation of Trade Union; Business Woman Forum), the PA (Ministry of National Economy and other line Ministries (Ministries of Agriculture, Education & Higher Education, Transportation, Public Works, Labour, Tourism, Telecommunication & Information Technology), Local Governments, Departments, Palestinian Monetary and Customs Authority...), and civil society networks.

For Component 2, the main beneficiaries of the programme are TVET institutions , which have good connections with the local communities and the private sector. The second main target group is the world of work (Federation of Chambers of Commerce, Chambers of Commerce in the different governorates, Palestinian Federations of Industries, Sectoral Federation of industries, individual companies), which will have central roles in the different programme components. Also, the LET Councils play an important role in bringing world of work and educational side closer to each other.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a Financing Agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 72 months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. Implementation components and modules

4.3.1. Component 1: Indirect Management with a Member State agency – the UK Department for International Development (DfID).

A part of this action with the objective of contributing to the development of an enabling environment for investment and trade through improved regulatory framework, enhanced capacities of PIPA, and strengthened linkages between trade and investment promotion institutions will be implemented in Indirect management with DfID in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012.

This implementation is justified because - as a complement to the current PMD programme - it will benefit from the robust implementation structure set up for the PMD program and be able to deliver efficiently and in a coordinated manner the provision of necessary expertise, training delivery, capacity building, accounting and administration of the project, monitoring, evaluation and reporting. DfID will be fully entrusted and responsible for the implementation of the programme and guard that the initiatives are implemented under a same umbrella.

The entrusted entity is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the responsible authorising officer deems that, based on a preliminary evaluation and on the long-standing and problem-free co-operation with this entity, it can be entrusted with budget-implementation tasks under indirect management.

The change of management mode from indirect to direct management, whether partially or entirely, is not considered a substantial change.

4.3.2. Component 2: Indirect management with a Member State agency - Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

A part of this action, with the objective of enhancing quality and relevance of the TVET System in Palestine, will be implemented in indirect management with GIZ in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation is justified because GIZ is leading the Palestinian reform process of the TVET system through its multiannual development programme, and overarches the programmes in TVET funded by other donors, ensuring an effective and close collaboration with each of them. This implementation will ensure full respect of the principle of aid effectiveness, division of labour and complementarity.

The entrusted entity would implement Component 2, including management of the project, required procurement and service provision, provision of necessary expertise, training delivery, capacity building, accounting and administration of the project, monitoring, evaluation and reporting.

The entrusted entity is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the responsible authorising officer deems that, based on a preliminary evaluation and on the long-standing and problem-free co-operation with this entity, it can be entrusted with budget-implementation tasks under indirect management.

The change of management mode from indirect to direct management, whether partially or entirely, is not considered a substantial change.

4.4. Scope of geographical eligibility for procurement and grants

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Component	Amount in EUR thousands	Third party contribution EUR (indicative, where known)
4.3.1 - Indirect management with DfID Component 1: <i>Strengthening the enabling environment for investment and trade in Palestine</i>	2,000	0
4.3.2 - Indirect management with GIZ Component 2: <i>Support to the TVET System in Palestine</i>	8,000	0
4.7. Evaluation and audit	150	0
4.8. Communication and visibility	50	0
Contingencies	300	0
Totals	10,500	0

4.6. Performance monitoring

Continuous technical and financial monitoring will be the Delegatee's responsibility in each component. The project will be monitored by the Beneficiary according to relevant indicators of performance, including gender-disaggregated data. Each Beneficiary shall establish a technical and financial, monitoring system to the project, which will generate progress reports and safeguard internal control. The choice of key progress indicators form part of the project formulation process and each component will be supported by a logical framework including objectively verifiable indicators to evaluate each stage's level of achievement. In case of non-availability of existing information on baseline values necessary to establish relevant indicators, the projects could be designed in such a way that the baseline is established during the first months of implementation and target values adapted accordingly.

The projects will be subject to both internal and external result oriented monitoring by the EU. The external monitoring will be undertaken by external monitors contracted by the Europe-Aid Co-operation Office. The Commission may carry out Results Oriented Monitoring via independent consultants, starting from the sixth month of project activities, which will be finalised at the latest 6 months before the end of the operational implementation phase.

4.7. Evaluation and audit

The Commission may carry out external evaluations [via independent consultants], as follows: (a) a mid-term evaluation mission; (b) a final evaluation, at the beginning of the closing phase; and (c) an ex-post evaluation.

The Beneficiary and the Commission shall analyse the conclusions and recommendations of any mid-term evaluation and jointly decide on the follow-up action to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. The reports of the other evaluation and monitoring missions will be given to the Beneficiary, in order to take into account any recommendations that may result from such missions.

The Commission shall inform the Beneficiary at least 30 days in advance of the dates foreseen for the external missions. The Beneficiary shall collaborate efficiently and effectively with the monitoring and/or evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

Where appropriate, external audits/verification missions on specific component will be undertaken by the EU. In these cases, the Commission shall appoint, in accordance with EU procurement rules, an internationally recognised external auditor.

An estimate of 4 contracts for the above-mentioned evaluation and audit purposes shall be concluded in the form of procurement of services under direct management for an indicative total budget of EUR 150,000, tentatively in the first trimester of 2018.

4.8. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

Under component 1, visibility budget will enhance the current communication plan designed by PMDP and which ensures EU visibility. For component 2, the IMDA with GIZ will include financial provisions to ensure visibility of the TVET component of the action.

The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Each action will incorporate information and communication activities to raise awareness of the action, the EU support and the impact of this support. Each contractor will be responsible for implementing those activities in line with the EU guidelines and in consultation with EU Representative Office in Jerusalem. The beneficiary/contractor shall inform the EU about upcoming communication activities and invite the EU to visibility events.

An estimated number of 3 contracts for the above-mentioned communication and visibility purposes shall be concluded in the form of procurement of services under direct management of an indicative budget of EUR 50,000 tentatively as from the first semester of 2016.

ANNEX 3

of the Commission Implementing Decision on the Annual Action Plan 2014 in favour of Palestine¹

Action Document for Hebron Wastewater Treatment Plant (HWWTP)**1. IDENTIFICATION**

<i>Title/Number</i>	<i>Hebron Wastewater Treatment Plant (HWWTP)</i> <i>CRIS number: ENI/2014/30-874</i>		
<i>Total cost</i>	Total estimated cost: EUR 31,630,000 Total amount of EU budget contribution: EUR 15,000,000 This action is co-financed in joint co-financing by: - Agence Française de Développement (AFD): EUR 10,000,000. This action is co-financed in parallel co-financing by: - World Bank (WB): USD 4,000,000; - United States Agency for International Development (USAID): USD 5,000,000;		
<i>Aid method / Method of implementation</i>	<i>Project Approach</i> Indirect management with Agence Française de Développement (AFD) Direct management for procurement of audit, evaluation and communication/visibility services		
<i>DAC-code</i>	<i>14022</i>	<i>Sector</i>	<i>Sanitation - large systems</i>

2. RATIONALE AND CONTEXT**2.1. Summary of the action and its objectives**

Water and Land Development is one of the European Union (EU)'s focal sectors of intervention in Palestine. The current action focuses on Wastewater management through the construction of a wastewater treatment plant (WWTP) in Hebron Governorate with a strong focus on the financial sustainability of the facility via the application of an adequate tariff policy. The project will be implemented through a delegation agreement with AFD.

¹ 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.

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

The economy of Palestine has been marked by the disruption of more than 40 years of occupation and conflict, during which the economic growth path has paralleled political developments. Restrictions of movements and accesses imposed by Israel has restrained growth and resulted in an economy highly dependent on the Israeli market and on donor aid.

The economic situation in Palestine continues to deteriorate. From 2007 to 2011, the consistently growth of the GDP in the West Bank (6-9% per year) was largely driven by government spending, in turn, funded by aid flows, and to a lesser degree easing of restrictions on movement and access by Israel. However, since 2012, growth has decelerated and is expected to further decrease to 3.4% in 2013 (for the West Bank).

Obstacles for economic development are multiple and many sided: limited access to land and water in the West Bank, severe restrictions on import of products considered by Israel to be of "dual use"², disrupting effects of settlement activity and settlers, difficulty of obtaining movement permits, etc. are few restrictions with a direct impact on the water sector.

The PA has limited control of its revenues, remaining dependent on clearance revenue transfers from Israel (Israeli collects border revenues on behalf of the PA), which represent more than 65% of the PA national budget revenues. The withholding of these clearance revenues (from the sums transferred, the cost of utilities owned by Palestinian municipalities is deducted) and loss of revenue due to 'fiscal leakages' underline the PA's financial dependence on Israel.

In the short term, the PA will continue to depend on donor aid to cover its recurrent deficit, projected at USD 1.4 billion for 2013. The projected 2013 fiscal gap amounts to around USD 0.3 billion. In spite of some increase in donor aid (USD 1.3 billion against USD 0.8 billion in 2012, but down from USD 1.8 billion in 2008), this has been insufficient to cover the deficit in the past years. Consequently, in 2013 the PA has continued to accumulate considerable debts to the banking sector and arrears to the private sector which reach more than USD 0.5 million at this stage.

Therefore, the Palestinian economy is characterised by low levels of investment, low exports, geographical fragmentation, decline of the industrial and agricultural sectors, workers skills deficit across all sectors, high unemployment rates (for 2013 of 24% of unemployment – youth unemployment being above 40%). Poverty and social situation are strongly impacted by the degradation of the Palestinian economy.

² Items that have both civilian and potentially security-threatening use.

2.2.1.2. National development policy

In spite of the challenging context, the PA has demonstrated some progress at political and administrative levels. The new Palestinian National Development Plan (PNDP) 2014-2016 (as a successor to the Palestinian Reform and Development Plan 2011-2013) sets out a medium-term agenda for Palestinian reform and development and contains a framework of goals, objectives and performance targets.

The international community has recognised over time the reform efforts of the PA and has concluded that the PA is institutionally ready for the establishment of a state (Ad Hoc Liaison Committee [AHLC] conclusions 2012). These efforts have been key in particular in improving law and order in the West Bank and have been crucial in bolstering institution- building and private sector dynamism.

With the resumption of direct peace talks in July 2013, an Economic Initiative for Palestine has been developed under the authority of US Secretary of State Kerry in collaboration with the Office of the Quartet Representative. The plan, which addresses the economic dimension of the peace process covering the period 2013-2016, is designed to create an enabling environment for peace. The plan relies heavily on private sector investment with the public sector/donor community playing a supporting role. The initiative aligns closely with the Palestinian National Development Plan for 2014-2016.

2.2.2. *Sector context: policies and challenges*

Palestinians living in the West Bank have very limited access to water. In the West Bank, development of water resources and infrastructure is subject to Israeli veto power under the Joint Water Committee (JWC) and Israeli restrictions³. These restrictions, along with weak Palestinian institutions and operators⁴ and fast demographic growth, perpetuate water supply and sanitation infrastructure and service deficits as well as operational inefficiencies⁵.

Untreated wastewater disposal (domestic, agricultural and industrial) has environmental and health impacts and become a pressing environmental and public health issue. To date, almost 70%⁶ of the West bank population is still not connected to a sewerage collection network.

Planning and regulation of water resources/wastewater treatment are very weak, and the potential of the irrigation sector remains largely underdeveloped. Key sector issues can be summarized as:

³ Currently 20% of the groundwater resources only are exploited, while the remaining 80% are for exclusive Israeli use (including the illegal settlements) and 60% of the water used in West bank is provided by the Israeli public company Mekorot.

⁴ World Bank (2009) *Assessment of Restrictions on Palestinian Water Sector Development*, report 47567-GZ (aka *Water Restrictions Study*)

⁵ Although 90% of the population and 64% of communities have access to a water network, service discontinuity results in average consumptions as low as 50 l/pc/day, dropping to a crippling 15 l/pc/day in some areas. All the while, water loss and bill collection rates hover around 35% and 50% respectively.

⁶ Only 10 cities (30% of households) are connected to sewage networks.

Lack of control over West Bank water resources and water infrastructure development (as a result of a restricted access to water resources, few strategic planning and uncertainty/delays in infrastructure project authorisation and implementation);

Infrastructure deficits and inefficiencies in the West Bank, with inadequate and unreliable access to potable water, particularly in Area C, lack of wastewater treatment and reuse, and performance and sustainability of infrastructures variable;

Governance and capacity weaknesses in the Palestinian water sector⁷ and need for institutional reform, aiming at defining clearer roles and accountability, reorganisation and capacity building.

The water & wastewater sector is undergoing a reform programme which was endorsed by the Prime Minister as well as all major donors, in the form of memorandum of understanding for alignment and harmonisation signed in July 2012.

The reform sector was already well engaged in 2013 with the Revision and adoption of the New Water Law which mainly spell out directions for the PWA to separate its ministerial functions from its regulation functions, restructure the West Bank Water Department, and separate from its Projects Management Unit.

2.3. Lessons learnt

The project is built on studies implemented by USAID under the USAID-Funded West Bank Integrated Water Resources Program (2002-2006). The project was not implemented at that time due a change in the USAID strategy. Nevertheless, a feasibility study was achieved and the Israeli Civil Administration of the West bank issued the requested permit. The Feasibility study was updated in 2013 for the current project proposal.

The World Bank and AFD have organised 2 appraisal missions before the final design of the project. These missions have helped to fulfil partially the preconditions for funding (Action plan for industrial emissions, Institutional development and management plan including Hebron Municipality Tariff Road Map and Electrical connection written confirmation).

Lessons are drawn from similar projects: the Al Bireh WWTP the West Nablus WWTP and the North Gaza WWTP. The first one is operational, the second has been commissioned in 2013 and the third one will be commissioned early 2014. The main lessons learnt from these three projects are:

The minimal staff attendance needed in the plant and the importance of properly trained staff.

The quality of the design for the technical parameters.

The consistency of the bidding process and details in the bidding documents.

⁷ Including Palestinian Water Authority (PWA) and municipal service providers

The development and application of the tariff structure for the financial sustainability of the utility.

2.4. Complementary actions

Water is a focal sector of EU support to the Palestinians with a total of EUR 81.5 million invested by the EU from 2006 to 2013. The EU cooperation in this sector has also been increasing in quality and quantity over the past 2 years, with EUR 43 million committed in 2012 and 2013 alone, including EUR 25 million for Gaza (out of which EUR 10 million from the Instrument for Stability for a desalination project).

The draft Single Support Framework (SSF), prepared by EUREP (European Union Representative Office) in 2013, proposes "Support to water and land development" as a focal sector of EU interventions in Palestine in 2014-2015.

For the World Bank (WB), the Trust Fund for Gaza and the West Bank (TFGWB) was established in 1993 and until 2013 committed USD 95.5 million for the water/sanitation sector. The French Development Agency (AFD), granted Palestine EUR 68.4 million between 2009 and 2011 to the water sector. In 2012, further EUR 5.5 million were approved by AFD in the water sector. In 2011, the total amount granted by USAID to Palestine was USD 53.1 million⁸.

Currently, there are only two operational large-scale wastewater treatment plants in the West Bank, located in Ramallah-Al-Bireh and Nablus West⁹. Other major projects are presently under construction as the Northern Gaza Emergency Sewage Treatment (World Bank lead with EU investment of EUR 6 million), the Sheikh Eijleen wastewater treatment plant south of Gaza City (KfW) and the Nablus East (KfW lead with EU investment of EUR 20 million). Others currently in the pipeline are: wastewater treatment plants for Khan Younis (UNDP) and Ramallah regional (not yet determined).

At regional level the EU is funding the SWIM programme (Sustainable Water Integrated Management) which includes capacity building and pilot activities i.a. on wastewater issues (including tariff). In addition, wastewater is one of the three priority sectors of the EU funded initiative Horizon 2020 for depolluting the Mediterranean Sea (which includes an investment facility managed by the EIB, including capacity building). Synergies with the work carried out under these Initiatives should be ensured.

2.5. Donor coordination

Donor co-ordination is carried out with the support of the Local Aid Coordination (LAC) Secretariat in the form of working groups which gather all donors in the sector on average once every quarter. The Water and Sanitation Sector Working Group is co-chaired by the Palestinian Water Authority (PWA) and the German Development Cooperation.

⁸ Information available on respective development agencies websites as November 2013.

⁹ Both funded by German co-operation.

In the sector of water and sanitation, the PA/ PWA, several development partners¹⁰ have signed in July 2012 a Memorandum of Understanding (MoU). The MoU intends to align and harmonize strategies in support of the PWA.

3. THE EU INTERVENTION IN THE SECTOR IS WELL COORDINATED WITH THE EU MEMBER STATES DEVELOPMENT COOPERATION SERVICES AS WELL AS WITH THE WORLD BANK AND USAID THROUGH REGULAR MEETINGS ON STRATEGIC AND PROJECTS RELATED ISSUES¹¹. DETAILED DESCRIPTION

3.1. Objectives

The overall objectives of the action are:

To contribute to the protection of water resources in the Hebron Governorate;

To reduce environment and health risks caused by inadequately treated wastewater released in the environment and increase the well-being of residents along Wadi As Samen.

The purpose (**specific objective**) is to improve wastewater management (collection and treatment) in the project area and to contribute to the availability of safe water for economic activities¹² in Hebron Governorate.

3.2. Expected results and main activities

The strategy for replying to untreated wastewater disposal (domestic, agricultural and industrial) and its environmental and health impacts is addressed through the construction of a wastewater treatment plant (WWTP) in Hebron Governorate.

The expected results are:

- A functional wastewater treatment plant (WWTP) with a capacity of 15,000 CM/day is connected to Hebron Municipality's existing sewer network;
- The institutional and financial capacity to manage, operate and maintain the WWTP is developed;
- A comprehensive strategy for the management of Hebron industrial wastewater is in place;
- The effluent of the plant is compliant with the Palestinian Authority's regulations standards.

The **main activities** are:

¹⁰ EUREP/EU, ADF, Austria, Finland, Germany, Norway, Spain, The Netherlands, USAID and WB.

¹¹ Informal meeting are organised in preparation of the Water and Sanitation Sector Working Group.

¹² E.g.: for agriculture (re-use of treated wastewater) or for industrial activities. A pre-feasibility study for the re-use of the water will be done under the project in perspective of future investments.

Component 1: Wastewater Treatment Infrastructure - This component will finance the detailed design and construction of a waste water treatment plant (WWTP) providing secondary treatment with a design capacity of 15,000 cubic meters (CM) per day, accommodating the current wastewater flow of 10,000 CM per day from Hebron city as well as pre-treated industrial wastewater and additional waste loads from currently connected communities (Support funded by AFD/EU). The WWTP will be constructed at a site with an adequate road access, electricity and water supply several meters downstream from the outfall of the trunk sewer (Support funded by USAID). The supervision of the work will be done by consulting engineering services (Support funded by the World Bank)

Component 2: Capacity building for Sustainable Management - This component will finance technical assistance in order to enhance the capacity of the Municipality to meet these financial targets: Support to the introduction of wastewater tariffs, implementation of water and wastewater tariff reforms, improve the collection of fees, to increase the financial revenue of the sector towards cost recovery and to implement an action plan to comprehensively address treatment and disposal of industrial wastewater (Support funded by AFD/EU).

The support related to the management, operation and maintenance will be funded by The World Bank and Palestinian Authority in a second phase of the project¹³.

Component 3: Project Management, Monitoring, and Program Planning - This horizontal component will cover the project management staffing and costs incurred by the PWA and the establishment of a Technical Operations Unit in Hebron Municipality (Support funded by the World Bank). In addition, a consultant services to design for future phase of the project that would potentially encompass financing for upgraded treatment, effluent conveyance to agriculture lands, to reuse for irrigated agriculture, to industrial activities, sewer network and connections expansion, and the associated technical assistance will be funded (Support funded by AFD/EU).

3.3. Risks and assumptions

The implementation of EU's support to Palestine is subject to unusual types and high levels of risk, namely those arising from the continued Israeli occupation of the West Bank, the ongoing separation between the West Bank and Gaza Strip, the violent conflict between Palestinians and Israel, and the conflict between Palestinian factions. In particular, all projects are at substantial risk from unpredictable Israeli policies and actions e.g. further restrictions regarding the trade of goods and the free movement of service providers and demolitions and settler activity.

The project location Hebron is surrounded by Israeli settlements. Due to the technical design of the current sewage network the waste water of all inhabitants of the city will be treated by the plant. The PA is fully aware of this technical issue.

¹³ World Bank has indicated that the support to the project will be committed in 2 phases – The Operational and Maintenance will be funded through the second phase.

The Project will be implemented in a social environment with a tradition of low willingness to pay.

Other risks include (i) Lack of operations and maintenance capacity and resources from beneficiaries (mitigate through the training – Component 3); (ii) Lack of management for the industrial wastewater (mitigate through Technical Assistance support – Component 2).

The **Assumptions** for this programme are that (i) the security situation in the West Bank remains at the current level or improves, which still enables project implementation, (ii) the financial and technical sustainability is eased by the implementation of tariff policies and by commercial agreements between operator and users and (iii) the electricity supply in West Bank remains stable at its current levels.

The sustainability of the project will be based on the following factors: an appropriate technical design for the WWTP adapted to the institutional and human resource capacities of the plant operator¹⁴, the establishment of a viable wastewater management service in the Municipality, an adequate revenues collection for the service (to cover, at a minimum, the long-term operation and maintenance costs of the WWTP) and financial and technical support from the PA and PWA for capital investments in system upgrading and rehabilitation over time (as well as any financing gap not covered by the municipality for operation and maintenance).

3.4. Cross-cutting issues

Good governance principles, the use of local systems and empowerment of local stakeholders are embedded in the design of the activities. In addition the specific project strategy to strengthen the capacity of a local authority - the Hebron Municipality - is in line with the EU's strategy towards local authorities.

Gender equality will be promoted in particular in the implementation of components 2 and 3.

Environmental sustainability and protection are the main objectives of the project together with health risk mitigation, as the project is specifically aiming at reducing environmental pollution and sanitary risks from untreated wastewater.

Climate change could be addressed in an envisaged future phase of the project through the re-use of treated wastewater.

3.5. Stakeholders

The Palestinian Water Authority (PWA) is responsible for project implementation through its Project Implementation Unit (PIU).

Hebron Municipality will be responsible for the development of a Technical Operations Unit (TOU) at the beginning of the project implementation. The TOU

¹⁴ The plant operator, based on the final decision of the Municipality, could be either the Municipality, either private sector.

will be located within the Waste and Wastewater Department of the Municipality and will ensure the technical support for the construction monitoring. The TOU will ultimately take over plant management and operations.

The principal beneficiaries would include communities affected directly or indirectly by the uncontrolled disposal of raw sewage in Hebron Municipality, namely the citizens of Hebron Municipality with a current population of 200,000 people. The municipal population is projected to increase to over 275,000 within the twelve-year design life of the proposed WWTP before expansion will be required.

Additional beneficiaries include the residents of communities along Wadi As Samen downstream of the WWTP who will no longer be affected by raw sewage flowing into the Wadi.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 72 months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. Implementation components and modules

4.3.1. *Indirect management with Agence Française de Développement (AFD)*

This action with the objective "to contribute to the protection of water resources in the Hebron Governorate and to reduce environmental and health risks caused by inadequately treated wastewater released in the environment" will be implemented in indirect management with Agence Française de Développement (AFD) in accordance with Article 58(1)(c)(i) of Regulation (EU, Euratom) No 966/2012. This implementation is justified by (i) the substantial proven track-record of project implementation by AFD in the sector in the beneficiary country, (ii) the current implementation of the construction of the North Gaza Emergency Sewage Treatment Project (iii) the application of the principles of Paris Declaration and Accra Agenda in Donor's harmonisation and coordination, (iv), the contribution to the operation by AFD (EUR 10 million), (v) the need to avoid artificial project breakdown and administrative complexity for the Hebron Municipality and lastly (vi) the achievement of a better cost efficiency as a result of the simplified funding set-up and the related simplified contracted responsibilities.

The entrusted entity would be responsible for the overall administration of all activities to the exception of Evaluation & Audit and Communication & Visibility.

The AFD intends to sub-delegate the implementation of the project to the Palestinian Water Authority (PWA). Appropriate provisions will be included in the delegation agreement.

The entrusted entity is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the responsible authorising officer deems that, based on a preliminary evaluation and on the long-standing and problem-free cooperation with this entity, it can be entrusted with budget-implementation tasks under indirect management.

The change of management mode from indirect to direct management, whether partially or entirely is not considered a substantial change.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	Amount in EUR thousands	Third party contribution in EUR thousands
4.3.1. – Indirect management with AFD	14,000	10,000
4.7. – Evaluation and audit (direct management)	50	N.A.
4.8. – Communication and visibility (direct management)	100	N.A.
Contingencies	850	N.A.
Totals	15,000	10,000

4.6. Performance monitoring

Once a year, in line with its own procedures and systems, The EU Representative Office will be invited to joint monitoring missions by the Delegatee Body to monitor

the progress of the operation. The results of this mission will be summarized by the Delegatee Body and submitted to the EU Representative Office, latest as part of the following annual report (or final report).

When meetings are held between AFD and major project stakeholders on the implementation of this action, AFD will inform the EU prior to the meeting and invite the EU delegation to participate to the meeting.

4.7. Evaluation and audit

When necessary, external mid-term, final or ex-post evaluation of projects component and/or global evaluation of the whole action will be conducted in accordance with European Commission procedures.

When necessary, external audits/ verification missions regarding the whole action or parts of the action will be conducted by the EU.

An indicative number of 2 contracts for the above-mentioned evaluation and audit assignments might be concluded in the form of procurement of services under direct management for an indicative total budget of EUR 100,000, tentatively in the 4th trimester 2015 and in the 2nd trimester 2020.

4.8. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

An indicative number of 3 contracts for the above-mentioned communication and visibility assignments might be concluded in the form of procurement of services under direct management for an indicative total budget of EUR 50,000, tentatively in the 3rd trimester 2014, in the 3rd trimester 2015 and in the 1st trimester of 2018.

ANNEX 4of the Commission Implementing Decision on the Annual Action Plan 2014 for Palestine¹
Action Document for Access to Essential Social and Public Infrastructure in Area C**1. IDENTIFICATION**

Title/Number	Access to Essential Social and Public Infrastructure in Area C CRIS number: ENI/2014/32-783		
Total cost	Total estimated cost: EUR 3,500,000 Total amount of EU budget contribution: EUR 3,500,000 million		
Aid method / Method of implementation	Project Approach Direct management - Grant (direct award) Direct management for the procurement of services - communication/visibility and evaluation/audit activities		
DAC-code	16050	Sector	Multi sector aid for basic social services

2. RATIONALE AND CONTEXT**2.1. Summary of the action and its objectives**

The proposed action *Access to Essential Social and Public Infrastructure in Area C* aims at continuing interventions initiated under the Financing Decision ENPI/2012/023-776 *Land Development and Basic Infrastructure in Area C*.

It intends to complement the EUR 3.5 million which were allocated to capital investment projects. As for the *Land Development and Basic Infrastructure in Area C* project, the present action will be linked to the planning and zoning process undertaken by the Palestinian communities in Area C.

The objectives of the action are to enhance access to social and public infrastructure, and thus to improve the social and economic conditions of the populations in Area C.

¹ 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.

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

Area C represents over 60% of the West Bank. It is the area where Israel retains almost exclusive control over law enforcement, planning and construction. According to the latest figures provided by the United Nations Office for the coordination of Humanitarian Affairs (OCHA) there are an estimated 297,000 Palestinians living in 533 residential areas throughout Area C.

In 1972, there were some 1000 settlers in the West Bank. This population grew exponentially and today there are an estimated 341,000 Israeli settlers living in 135 settlements and 100 outposts in Area C. Palestinian access, movement and use of land in Area C is restricted by a complex system of physical and administrative rules and regulations. The settlements are physically occupying 11% of Area C but the territory actually under their control is much higher. 70% of Area C is included within the boundaries of the regional councils of Israeli settlement and therefore off-limits for Palestinian use and development. Palestinian construction is heavily restricted in 29% of the remaining area, so that less than 1% has been planned for Palestinian development.²

Palestinian population in Area C are among the most vulnerable and marginalised in the West Bank. Demolitions of housing and livelihood and forced evictions are causing severe poverty. 24% of the households in Area C are food insecure³. Over 70% of communities located entirely or mostly in Area C are not connected to the water network and rely on rainwater or on tankered water at vastly increased cost.⁴ The Israeli Civil Administration (ICA) takes action to disrupt the supply of water that residents try to obtain from alternate sources⁵.

Area C is a very resource rich area. The restrictive planning and permitting systems imposed by the ICA prevent Palestinians to have access to the land and the resources in Area C. The World Bank published a comprehensive study in October 2013 assessing the impact of the inaccessibility of Palestinian populations to the agricultural land and natural resources in Area C, on the Palestinian economy. The potential impact of this 'withheld land' sets the loss to the Palestinian economy at about US\$ 3,4 billion⁶, or 35% of the Palestinian GDP in 2011.

Under this context, development in Area C is undermined and the resilience of the Palestinian communities in Area C is strongly affected.

² OCHA, Area C of the West Bank: key humanitarian concerns, January 2013.

³ PCBS, UNRWA, FAO, WFP, Socio-Economic & Food Security Survey, 2012.

⁴ OCHA, Area C of the West Bank: key humanitarian concerns, January 2013.

⁵ B'Tselem, Acting the Landlord: Israeli Policy in Area C, the West Bank, 2012 - Between 2000 and 2012 the Israeli Civil Administration (ICA) destroyed 90 cisterns, 61 wells and 17 reservoirs belonging to Palestinians in Area C. In recent years the ICA has begun confiscating water containers purchased by residents of the Jordan valley for watering their herds. The supply of electricity that Palestinian communities in Area C receive from wind or solar power systems is also disrupted by demolitions and demolition orders.

⁶ World Bank, Area C and the Future of the Palestinian Economy, October 2013.

2.2.1.2. National development policy

In April 2012 the Ministry of Local Government (MoLG) adopted a strategic action plan - Planning Support for Palestinian Communities in Area C. This action plan foresees the development of plans for all communities in Area C. The EU supported this action plan with its 2012 programme Land Development and Access to Basic Infrastructure in Area C, which allocated EUR 1 million to planning and zoning of Palestinian communities.

In the Ad Hoc Liaison Committee (AHLC) meeting in September 2012 the Palestinian Authority (PA) highlighted the importance to continue the planning process and recommended that the international community finances the implementation of the plans developed. EUR 2 million of the 2012 programme Land Development and Access to Basic Infrastructure in Area C were allocated to implement infrastructure projects according to the plans produced. The recommendation to fund the implementation of the plans was re-iterated by the PA during the AHLC meeting in March 2013.

The Ministry of Local Government (MoLG) is overseeing the planning process and the implementation of the projects identified and prioritized by the communities in Area C. The MoLG attends the meetings at the ICA during which the plans are negotiated. The MoLG and EU are jointly deciding (based on the action plans and priority lists developed by the communities in Area C) how to allocate the funds for the implementation of the projects.

2.2.2. *Sector context: policies and challenges*

Development of basic services in Area C is heavily impacted by the Israeli Civil Administration's (ICA) restrictive planning and permitting systems, which are effectively preventing Palestinian constructions in Area C. Infrastructure projects which are supposed to serve the most basic needs are usually denied. The lack of basic services of water, energy, health, education and transportation are strongly affecting the populations in Area C.

For its part the ICA has argued that the development of services cannot be approved absent specific development plans. This situation has changed in the last four years and today more than 90 communities located in Area C are engaged in an urban planning process. These plans are the foundation for essential public and social infrastructure in Area C. Though the first 22 of plans developed by Palestinian communities were submitted to the ICA in July 2011, only two of them have so far received final authorisation. For each plan the ICA requires technical specifications and supplementary documents which by far surpass common standards for outline plans⁷. The excessive requirements by the ICA represent thus a very heavy burden for the communities engaged in the planning process. There is also no formal procedure or timeframe governing the authorisation process.

⁷ survey maps, including photogrammetric data, to be updated every 6 months after submission, landownership maps, detailed road network proposals, water and sanitation proposals, environmental assessment, etc.

The EU Head of Mission report Area C and Palestinian State Building from July 2011 proposed a rationale for EU interventions in Area C while shifting the general approach from a purely humanitarian response to longer-term and development-oriented activities. The present action is a concrete step in this regard.

The Foreign Affairs Council (FAC) of May 2012 proposed a comprehensive EU policy for Area C. It insisted on the needs to support social and economic developments in Area C and to improve access and control by the PA over Area C. The Foreign Affairs Council of April 2013 condemned the lack of progress in Area C and re-iterated the need of improved social and economic conditions for Palestinian populations in Area C and of a fundamental shift in Israeli policy toward Area C. The programme proposed in the present Action Document aims at meeting the policy requirements set by the FAC in May 2012 and April 2013.

The EU Work Plan for Project Implementation in Area C aimed at mitigating the disproportionality of the ICA planning requirements and the risk that the plans would not receive final authorisation. This work plan was annexed to the Mashraq/Maghreb Working Party report of 26 July 2012. The 2012 Financing Agreement ENPI/2012/023-776 Land Development and Basic Infrastructure in Area C refers to the implementation modalities proposed in the EU work plan and stipulates that the plans are either formally approved by the Israeli authorities (after 60 days from the date of their publication) or are considered as tacitly approved if no major objection has been raised within 18 months following the submission to the ICA by the village councils. The implementation of public and social infrastructure may start once a plan has been formally approved by the Israeli authorities or is considered as tacitly approved (once the 18 month deadline has been reached). The same implementation modalities will be applied to the present action.

The present action moreover envisages that for projects located within areas covered by a plan that meets the ICA technical standards, no further Israeli permits should be required after formal or tacit approval of the plan.

Through its FA Land Development and Basic Infrastructure in Area C the EU is supporting the community-based bottom up planning process undertaken by Palestinian communities in Area C. During this process the communities are invited to reflect on their present and future development needs, to take decisions with regard to the allocation of their land and to identify and prioritise infrastructure projects according to their needs. This process is not followed by the Office of the Quartet Representative and UNDP which are favouring a top-down approach of infrastructure projects identified and prioritised in co-ordination with the ICA and not linked to a planning process.

2.3. Lessons learnt

The EU Representative, together with the EU Head of Delegation in Tel Aviv, has held regular meetings with the Co-ordination of Government and Activities in the Territories (COGAT) as part of a dialogue aimed addressing Area C and promoting Palestinian development there. Some EU Member States have also met with COGAT bilaterally. Despite strong international pressure for a fundamental shift in Israeli policy towards Area C, no progress was made. This lack of progress concerning Area

C was noted in the FAC conclusions of May 2012 and has led the EU to draft a number of concrete expectations as regards Israeli policy change in Area C. To optimise the success of development in Area C political dialogue with Israel needs to be reinforced.

Within the planning component of the 2012 Financing Agreement Land Development and Basic Infrastructure in Area C Palestinian communities engaged in planning also develop action plans and cost estimates for capital investment projects. 13 communities have so far produced an action plan and the total estimated costs of needed public and social infrastructure is about EUR 33.75 million. This illustrates that the initial EUR 2 million foreseen under the 2012 Financing Agreement are insufficient. The present action foresees to top up the initial amount by another EUR 3.5 million. The EU is moreover in discussion with EU Member States which expressed interest to follow the EU development approach for Area C.

2.4. Complementary actions

The EU is funding with EUR 7 million development in Area C through the 2012 Financing Agreement *Land Development and Basic Infrastructure in Area C*. EUR 1 million are allocated to consolidate plans developed by Palestinian communities in Area C, EUR 2 million are allocated for the implementation of the plans and EUR 3.6 million support land development projects in Area C.

The EU is also providing in 2014 €26.5 million of humanitarian funding through ECHO. This humanitarian support is used for emergency response and preparedness to unpredictable but recurrent humanitarian needs emerging from occupation and International Humanitarian Law breaches (demolitions, evictions, settlers's violence, the Blockade).

Belgium (EUR 0.4 million), France (EUR 0.5 million) and the UK (GBP 1 million) are also supporting the planning process of Palestinian communities in Area C. France is focusing its planning support on the most vulnerable communities in the South of Bethlehem and South of Hebron. These are very sensitive locations as they are in a firing zone or close to settlements or regional roads.

More than 90 outline plans are currently in development by Palestinian communities in Area C. These plans are the foundation for public and social infrastructure projects in those communities.

The outline planning process will be linked in a broader planning exercise that aims at clustering the communities and developing regional plans. The transition from outline planning to community clustering and regional planning is currently supported by the EU and the UK.

The Palestinian Ministry of Planning and Administrative Development (MoPAD) is moreover engaged in the development of a National Spatial Plan, which will include the entire Area C.

UNDP has set up the Community Resilience and Development Programme (CRDP) for Area C and East Jerusalem. Three EU Member States are funding the CRDP with

a total amount of approximately EUR 12.78 million. The activities of this programme are developing public and social infrastructure, access to and protection of natural resources, economic opportunities and provision of legal protection to Palestinian communities in Area C and East Jerusalem.

With the support of UN OCHA the office of the European Representative for West Bank and Gaza (EUREP) set up a reporting mechanism to inform monthly its headquarters about demolitions and other threats against EU and EU Member States funded projects in Area C. EUREP also ordered a study for the development of a comprehensive monitoring system for EU and EU Member States funded projects in Area C.

2.5. Donor co-ordination

Development of Area C and projects' implementation are regularly discussed during the EU Head of Mission (EU/HoMs) meetings. EU/HoMs is currently working on the update of the July 2011 HoMs report on Area C. EU Heads of Co-operation (EU/HoCs) also discuss Area C on a regular basis. EU/HoCs are moreover closely involved in the development of a project monitoring system for EU and EU Member States projects in Area C.

Planning of Area C and implementation of the developed plans is discussed during the Local Governance Sector Working Group of the Ministry of Local Governance.

Donor co-ordination for humanitarian interventions in Area C is organised monthly in the ECHO/OCHA chaired Friday Group meetings.

There is a general understanding among the EU and the EU Member States that a non-confrontational approach with the Israeli Authorities is the preferred approach. The non-confrontational approach is also the guiding principle when the EU Representative and the EU Head of Delegation in Tel Aviv meet with COGAT.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** of this action is the improvement of social and economic conditions of Palestinian communities in Area C.

The specific objectives are:

- Improved access to essential social and public infrastructure.
- Strengthening Palestinian national institutions' capacity to deliver essential social and public infrastructure in Area C.

3.2. Expected results and main activities

The communities that will benefit from this action are engaged in the planning process. They developed an outline plan and detailed planning packages and submitted them to the ICA. The communities also developed action plans (in a

participatory manner) which prioritise their capital investment projects. The projects funded under this action will be based on the actions plans and will thus meet the communities needs and benefit from full community ownership.

Expected results:

- New and enhanced social and public infrastructure for Palestinian communities in Area C implemented according to priorities set by the targeted communities.
- Basic social services are improved.
- Palestinian national institutions implement social and public infrastructure in Area C.

Activities:

- Implementation of social and public infrastructure projects (water and waste water, energy, health, education transportation, other public infrastructure)

3.3. Risks and assumptions

The EU has to undertake a financial risk of having 10 to 20% of demolition orders issued by the Israeli authorities. In order to mitigate such risk and in line with the exchange of correspondence between EUREP⁸ and DEVCO/EEAS⁹ it is proposed:

- to ensure co-ordination and information vis-à-vis the Israeli authorities
- to use an incident tracking system, which informs about stop work or demolition orders for infrastructure projects implemented under this action

3.4. Cross-cutting issues

Gender:

This action will support gender equality and women's empowerment. This will be ensured by promoting active participation of women and youth to the communities in charge of developing the action plans. It is expected that the programme will directly benefit the Palestinian women in the targeted communities.

Environmental sustainability:

Environmental standards were applied during the planning process and the negotiation with the ICA. One chapter of the detailed planning is dedicated to environment.

3.5. Stakeholders

The main stakeholders in this action will be the Palestinian communities in Area C and the Palestinian Authority with its Ministry of Local Government's (MoLG). The

⁸ Ref. DELWBG/GF/341/2012.

⁹ Ref. Ares (2012) 390548.

Ministry of Local Government will give the guidance on sector and geographical preferences for infrastructure projects in Area C.

Beneficiaries will be the Palestinian communities in Area C, the village councils, and the PA as the action will contribute to its state building. Ownership will be very high as the action will fund the implementation of plans which were developed by the Palestinian communities in Area C under supervision of the MoLG and with technical assistance provided by UN Habitat.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Regulation (EU, Euratom) No 966/2012.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 60 months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. Implementation components and modules

4.3.1. Grant: direct award (direct management)

- (a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The grant will fund capital investment projects of communities located in Area C which engaged in a planning and zoning exercise. The infrastructure projects were prioritised by the communities in their action plans and approved by the Ministry of Local Government (MoLG) which identified priority sectors and localities in Area C. During the development of action plans for the first 13 communities in Area C it turned out that substantial additional funding is necessary to meet the most basic needs of the population. This is the reason for the present action which intends to top-up the 2012 action for Area C.

Following the guidance of the MoLG the action will focus on the sectors of energy, water and waste water, transport, education, health and other public infrastructure.

The expected results are new social and public infrastructure and improved basic social services for Palestinian communities in Area C.

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified because of the declaration of a crisis situation in Palestine as per article 190 (2) RAP considering that Area C is occupied land under full Israeli control. Engaging in development interventions in Area C is thus very complex and difficult.

(c) Eligibility conditions

As regards the specificity and complexity to work in Palestine, a grant contract will be directly awarded to an entity which has the capacity to implement social and public infrastructure projects in Area C.

In order to be eligible for a grant, the applicant must:

- be a legal person **and**
- be non-profit-making **and**
- be specific a type of organisation such as: non-governmental organisation, public sector operator, local authority, international (inter-governmental) organisation as defined by Article 43 of the Rules of Application of the EU Financial Regulation¹⁰, **and**
- be established in¹¹ a Member State of the European Union, in Palestine or in another country eligible according to the "ENI Regulation" (Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument). This obligation does not apply to international organisations **and**
- be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as an intermediary.

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives, as well as the design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80%.

10 International organisations are international public-sector organisations set up by intergovernmental agreements as well as specialised agencies set up by them; the International Committee of the Red Cross (ICRC) and the International Federation of National Red Cross and Red Crescent Societies are also recognised as international organisations.

11 To be determined on the basis of the organisation's statutes, which should demonstrate that it has been established by an instrument governed by the national law of the country concerned and that its head office is located in an eligible country. In this respect, any legal entity whose statutes have been established in another country cannot be considered an eligible local organisation, even if the statutes are registered locally or a 'Memorandum of Understanding' has been concluded.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

First trimester 2015.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	Amount in EUR thousands	Third party contribution (indicative, where known)
4.3.1. Direct Grant (direct management)	3,220	N.A.
4.7. Evaluation and Audit	50	N.A.
4.8. Communication and visibility	30	N.A.
Contingencies	200	N.A.
Totals	3,500	N.A.

4.6. Performance monitoring

The Commission may carry out Results Oriented Monitoring (ROM) via independent consultants, starting from the sixth month of project activities, which will be finalised at the latest 6 months before the end of the operational implementation phase. Sex-disaggregated data will be used when possible.

Day-to-day technical and financial monitoring will be a continuous process as part of the implementing agency's responsibilities. The projects will be subject to both internal and external result oriented monitoring. The internal monitoring functions will be carried out by the implementer, the Beneficiary institution/s and the

Delegation. The external monitoring will be undertaken by external monitors contracted by the Commission.

The performance indicators will be defined, once the localities and the priority sectors of the infrastructure projects will have been identified (depending on the progress in the authorisation process of the outline plans and detailed planning packages by the ICA).

Evaluation and audit

Evaluation

a) The Commission will carry out external **evaluations**, as follows:

- A final evaluation, at the beginning of the closing phase

b) The Commission shall inform the Beneficiary at least 30 days in advance of the dates foreseen for the external missions. The Beneficiary shall collaborate efficiently and effectively with the monitoring and/or evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

Audit

When necessary, external audits/ verification missions regarding the whole action or parts of the action will be conducted by the EU.

An indicative number of 2 contracts for the above-mentioned evaluation and audit assignments might be concluded in the form of procurement of services under direct management for an indicative total budget of EUR 50,000.

4.7. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The communication and visibility measures are implemented by way of procurement. The overall budget is estimated at EUR 30,000. One service contract will be issued in the fourth trimester 2015.

ANNEX 5

of the Commission Implementing Decision on the Annual Action Plan 2014 in favour of Palestine¹, to be financed by the general budget of the European Union

Action Document for Support to East Jerusalem**1. IDENTIFICATION**

Title/Number	Support to East Jerusalem CRIS number: ENI/2014/034-090		
Total cost	Total estimated cost: EUR 10,531,000 Total amount of EU budget contribution: EUR 10,000,000		
Aid method / Management mode and type of financing	Project Approach Direct management for grants – direct award and procurement of services. Indirect management with UNDP/PAPP.		
DAC-code	16010	Sector	Social Welfare

2. RATIONALE AND CONTEXT**2.1. Summary of the action and its objectives**

By adopting a practical approach to sustain and develop the living conditions of Palestinians in East Jerusalem, the project seeks to prevent the population from being further coerced into leaving the city, thus pre-empting possibilities for future talks on the final status of East Jerusalem.

Through targeted interventions in the following sectors: (i) legal assistance, (ii) disability, (iii) economic development, (iv) socio-economic empowerment of vulnerable groups, (v) community participation and grassroots empowerment, and (vi) socio-economic and cultural identity, the project responds to the continued deterioration of socio-economic trends, characterized by insufficient public investment in community services as well as housing and infrastructure, inadequate municipal public services, low labour force participation, limited opportunities and protection for women and vulnerable groups, low private investment and minimal economic development.

¹ 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.

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

The economy of Palestine has been marked by the disruption of more than forty years of occupation and conflict, during which the economic growth path has paralleled political developments. The myriad of restrictions imposed by the Government of Israel has deterred growth and resulted in an economy highly dependent on the Israeli market and on donor aid.

Obstacles for economic development are multiple: limited access to land, water and other natural resources in the West Bank; segregation from the East Jerusalem market and inadequate public investment in East Jerusalem by the Jerusalem Municipality, as well as limited access to Area C (60% of the West Bank); de facto ban on exports from the Gaza Strip; severe restrictions on import of products considered by Israel to be of "dual use"²; disrupting effects of settlement activity and settlers, notably in Area C; difficulty and uncertainty of obtaining movement permits for both Palestinian and foreign nationals. Consequently, the Palestinian economy is characterised by low levels of investment, low exports, geographical fragmentation, the decline of the industrial and agricultural sectors, workers skills deficit across all sectors, high unemployment rates (women and youth in particular) and increasing poverty levels, despite a certain comparative advantage arising from a workforce with low wages compared to its high level of education.

According to a recent report submitted by the International Monetary Fund (IMF) at the AHLC meeting of September 2013, the economic situation in Palestine continues to deteriorate. The consistently strong growth in the West Bank witnessed from 2007 to 2011 (6-9% per year) was largely driven by government spending, in turn, funded by aid flows, and to a lesser degree easing of restrictions on movement and access by Israel. However, since 2012, growth has decelerated and the projections of the Ministry of Finance foresee a continuous regression of the GDP from 4.4% (in 2014) to 3.6% (in 2015) and 3.1% (in 2016) if the economic and political situation remain unchanged. Trade deficit is a continuous challenge and with a population growing at an annual rate of 2.96%, the unemployment rate continues to be alarmingly high.

Furthermore, the Palestinian Authority (PA) has limited control of its revenues, remaining dependent on clearance revenue transfers from Israel (Israeli collects border revenues on behalf of the PA, which represent more than 65% of the PA national budget revenues). In response to the Palestinian's bid for non-member state status at the UN on 29 November 2012, Israel stopped transferring these clearance revenues in December 2012 and January 2013 – worsening the PA's fiscal situation and creating instability in the economy. On 25 March 2013, Israel resumed transfers, but it continues to deduct from the sums transferred, in a rather opaque manner, the

² Items that have both civilian and potentially security-threatening use.

cost of utilities owned by Palestinian municipalities ('Net Lending') in contravention of the provisions of the Paris Protocol.

In the short term, the PA will continue to depend on donor aid to cover its recurrent deficit, estimated at USD 1.4 billion for 2013. In spite of some increase in donor aid (USD 1.3 billion against 0.8 billion in 2012, but down from USD 1.8 billion in 2008), this has been insufficient to cover the deficit in the past years. Consequently, in 2013 the PA has continued to accumulate considerable debts to the banking sector and arrears to the private sector which reach more than USD 0.5 million while the accumulated arrears to the pension funds is now estimated at more than USD 1.4 billion. Health services have also been greatly affected, with a level of accumulated unpaid arrears toward the East Jerusalem Hospitals that threatens their survival.

2.2.1.2. National development policy

The Palestinian National Development Plan (PNDP) 2014-2016 including the PA's new Governance Strategy for 2014-2016 (and financial commitments associated with it) is not yet finalised. At the time being, only the agenda for the national policies in the PNDP 2014-2016 has been shared with donors and confirms that the sectors of (i) governance, (ii) social sector, (iii) economic sector, and (iv) infrastructure, remain a priority.

As far as East Jerusalem is concerned, the Strategic Multi-Sectorial Development Plan (SMDP), which was identified in the previous PNDP as the specific planning instrument for East Jerusalem, expired in 2013. There is no indication of development of updated strategic instruments for East Jerusalem, despite interest and will to do so have been expressed by the Office of the President of the Palestinian Liberation Organisation (PLO). Yet, the draft PNDP still briefly refers to the SMDP and set the expansion of Palestinian sovereignty over Jerusalem as a priority while emphasize on Jerusalem is made throughout the document. Specifically, the PNDP calls for "initiatives and setting up plans and programmes" to "activate and mobilize Palestinian, Arab and international political, financial and moral support".

The Joint Action Plan, signed between the PA and the EU in March 2013, puts emphasize on "political support for the convening of elections, including in East Jerusalem" and on support to "the political, economic, social and cultural rights of the Palestinian people in East Jerusalem, in line with the FAC Conclusions of December 2009".

It will be essential that the PLO and the PA increase their leadership and ownership over East Jerusalem by proposing development strategies and leading donor co-ordination.

2.2.2. *Sector context: policies and challenges*

East Jerusalem has traditionally served as the focus of political, commercial, religious and cultural life for the entire Palestinian population of Palestine. Since the 1967 occupation and its annexation by the Israeli government in 1980, East Jerusalem depends de facto on the Israeli municipality for its governance and the

delivery of public services, although this annexation has never been recognised by the international community.

Israel has followed a policy of isolating East Jerusalem from the rest of the West Bank, notably through the construction of the Separation Barrier and settlement expansion in and around the eastern parts of the city. This physical separation has severely affected the economic activities of East Jerusalem, as well as weakened the social fabric of its Palestinian community. Moreover, East Jerusalem has been even more marginalized by the asymmetric delivery of public services provided by the Israeli municipality to Jerusalem's Palestinian population. This complexity in the political reality and its resulting instability exacerbate the vulnerability of the fragmented communities and of the marginalized groups, notably people with disabilities. Recent trends in substantial land confiscation, increased house evictions and demolitions in highly populated urban neighborhoods, further abate the Palestinian community in the city. As for the East Jerusalem private sector, it is characterized by very low levels of investment, workers skills deficit across sectors, high unemployment rates, the permits regime, the limited access to land and building permits and the segregation from the West Bank market. Finally, the financial crisis of the PA is severely affecting East Jerusalem hospitals functioning³, the remaining bastion of Palestinian service provision in occupied East Jerusalem. This overall deteriorating situation and the absence of national reference feed in the lack of community empowerment and the absence of community leadership.

The necessary political support to encourage actions in East Jerusalem has been regularly reiterated in the Council of the European Union's conclusions on the Middle East Peace Process since 2010. Hence, the European Union (EU) has clearly recalled that it has never recognized the annexation of East Jerusalem and has reaffirmed its commitment to Jerusalem as the future capital of two states. Pending a final status agreement, East Jerusalem should remain an integral part of the Palestine and should be maintained as a center of life for its Palestinian population.

2.3. Lessons learnt

Lessons learnt have been drawn from an external evaluation of the EU funded programme to support the delivery of public services in East Jerusalem between 2007 and 2011. Furthermore, projects' external evaluations, or consultations with civil society organisations or other donors provide us with useful feedback on the programme.

In addition, reports from regular Results Oriented Monitoring of ongoing projects are used to support identification and formulation of new actions in East Jerusalem.

The lessons learned for actions in East Jerusalem as a whole can be summarised as follows:

- While the EU shall maintain its method of implementation to work through partnerships between European/International organisations and local

³ In January 2014, the East Jerusalem Hospital Network (EJHN) issued an urgent appeal calling on donors to support the PA in meeting its obligation towards the East Jerusalem hospitals.

organisations thus creating an umbrella mechanism, it should also consider working directly with Palestinian organisations when conditions matching the highly sensitive and political context are met.

- The EU must maintain its flexible and creative approach towards means of implementation. More specifically, the initial EU approach of working across sectors combined with the most recent geographical approach have allowed interventions to respond to various needs in East Jerusalem, ensuring relevancy and responsiveness.
- Enhance co-ordination on all ongoing operations in East Jerusalem in order to avoid duplication and increase the potential for synergies between all the actions remains critical.

2.4. Complementary actions

On the basis of the updated matrix of donors' interventions in East Jerusalem gathered by the EU Representative Office mid-2013, and in co-ordination with the Office of the President of the Palestinian Liberation Organisation (PLO), the EU has identified the present operation in complementary of ongoing and planned actions in East Jerusalem. In addition, the operation is building on synergies created with ongoing EU-funded projects in the East Jerusalem programme as well as with other EU-funded initiatives within either thematic programmes or the private sector development programme.

At EU level, East Jerusalem is a non-focal sector of the Single Support Framework 2014-15. The EU aims at adopting a more strategic approach to sustain the presence of the Palestinian population and the Palestinian identity of the city, responding to the EU political commitment on the status of East Jerusalem and to the ENP Joint Action Plan (priority 8).

2.5. Donor co-ordination

Donor co-ordination in East Jerusalem remains a challenge despite the political will of major donors to engage in the city. The absence of Palestinian institution in East Jerusalem and the lack of clear institutional framework guiding development strategies make extremely difficult donor co-ordination at operational level.

In 2012, the EU Representative Office (EUREP) initiated information sharing amongst all donors and produced a mapping of ongoing interventions (Arab donors are quasi absent). The EU Representative Office has re-initiated an attempt to strengthen co-ordination between EU Member States at the beginning of 2013 and an operational Working Group on East Jerusalem has been set up in April 2013 (led by the EUREP). In addition, the EUREP is maintaining information sharing with the most significant actors, i.e. the UN family, the Welfare Association and the Islamic Development Bank.

3. DETAILED DESCRIPTION

3.1. Objectives

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

The **specific objective** is to strengthen the resilience of the Palestinian East Jerusalem residents and preserve the Palestinian character of the city, and in particular:

- To strengthen the protection of Jerusalemites' housing, land and property rights (component 1).
- To increase the realization of the rights and entitlements of adults and children with disabilities in East Jerusalem (component 2).
- To enhance the preservation of the Arab Palestinian identity of Jerusalem through urban, commercial and community development (component 3).
- To foster socio-economic empowerment of vulnerable groups (component 4).
- To promote economic growth and social equity through a sustainable urban revitalization of the commercial centres (component 5).

3.2. Expected results and main activities

Component 1: Information, Counselling and Legal Assistance for the Protection of East Jerusalemites Affected by or at Risk of Forced Displacement

To palliate for the Israeli policies and practices that cause forced displacements in East Jerusalem, the action will provide a range of legal and advocacy services to Palestinians at risk with the aim to strengthen their protection.

The main **expected results** are increased access to immediate legal aid response; improved capacity of stakeholders to counsel and assist; and enhanced legal and advocacy strategies and public interest litigation to challenge policies and practices. Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will be organised around 3 components: i) co-ordination of immediate legal response; ii) reinforcement of the preventive legal response through outreach, trainings, courts-monitoring, etc...; iii) support to policy change by filing public interest cases, targeting legal representations at international level, carry out legal research, co-ordinate international advocacy. In addition, a capacity building plan of local partners shall be included in the action.

Component 2: People with disabilities in East Jerusalem enjoy improved living conditions

Building on the lessons learnt of its Phase I, this 2-fold initiative will strengthen knowledge of practitioners and service providers on treatments and education of children with autism while addressing discriminatory practices against people with disabilities.

The main **expected results** are strengthened skills of practitioners in the areas of autism and Attention Deficit Hyperactive Disorder (ADHD); increased access to treatment for autistic and ADHD children; improved access to disability entitlements.

Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will be organised around 2 parts: i) capacity building of health and special education professionals in the fields of autism and ADHD in East Jerusalem with outreach programme in the West Bank; ii) co-ordination of legal/paralegal assistance and awareness raising on people with disabilities rights and entitlements. In addition, a capacity building plan of local partners shall be included in the action.

Component 3: Meeting point – activating Zahra Street

Faced with the progressive desertion of East Jerusalem cultural and commercial centre, this initiative will co-ordinate synergies between sectors such as culture, economy, tourism, to encourage cultural, business and social development in one of the main street of East Jerusalem centre.

The main **expected results** are increased public frequentation of Zahra street, improved infrastructure of Zahra street, development of inter-sectorial community actions; creation of a business centre.

Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will be organised around 2 parts: i) cultural and community development by co-ordination of cultural activities with tourism and commercial actors and by reaching out to artists, designers and young entrepreneurs; ii) support economic development with the establishment of a business centre assisting established local businesses and entrepreneurs while providing financial assistance and consultancy to start ups. In addition, a capacity building plan of local partners shall be included in the action.

Component 4: Support to socio-economic empowerment of vulnerable groups

In order to palliate for the rise in unemployment and poverty levels, the overcrowding and the deterioration of social fabric in the Old City of Jerusalem, this initiative will aim at fostering social resilience and economic opportunities impact through a multi-layer action.

The main **expected results** are improved provision of basic social services and increased income generating activities and self-employment.

Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will include capacity building of psycho-social services, delivering educational training to youth and supporting self-employment strategies. In addition, a capacity building plan of local partners shall be included in the action.

Component 5: PURE – Productivity and Urban Renewal in East Jerusalem

In order to compensate for the isolation of East Jerusalem and the impact of the Israeli policies, this initiative aims at enhancing the organizational and infrastructural set up of the East Jerusalem commercial centre around Sultan Suleiman and Salah Eddin streets.

The main **expected results** are production of research and planning studies, parts of the street facades are renovated, new commercial building are created, a commercial strategy is established.

Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will include commercial restoration and housing units' restoration, urban preservation by up scaling hotels and street market, expand tourist infrastructure and public services, and provide guidance and support to shop owners. In addition, a capacity building plan of local partners shall be included in the action.

3.3. Risks and assumptions

The implementation of the EU support to Palestine is subject to unusual types and high levels of risk. As in previous years, any political developments directly affect the situation in East Jerusalem and may immediately impact on the ability of the organisations to operate and implement actions. In addition, all projects implemented in East Jerusalem, especially those requiring the import of goods, equipment and the free movement of service providers or of qualified workers, are at substantial risk from unpredictable policies by the Government of Israel. Israeli policy to restrict working visas for international NGOs' staff members remains a risk to the operational capacity of such organisations. Consequently, the alternative option of supporting well established Palestinian organisations directly will continue to be assessed on a case-by-case basis, although they are also at risk of undergoing political pressures, or even closure by Israeli Authorities. It is also worth noting that pressure from the anti-normalisation movement has been witnessed during 2012 and 2013, which add another layer of complexity for local organisations operating in East Jerusalem.

Despite the continued interest of international actors to provide support to communities in East Jerusalem, risks pertaining to donor fatigue, insufficient donor financing persist. In addition, in the absence of PA in East Jerusalem, uncertainty concerning which Palestinian entity should be primarily responsible for the assistance to East Jerusalem remains, henceforth increasing the risks that assistance is not delivered in a co-ordinated and strategic manner. The risk can be mitigated by

a unified position on the part of the donor community, and at least within the EU on the channelling of the funds targeting East Jerusalem.

3.4. Cross-cutting issues

Good governance principles are applied to the implementation mechanism and ownership on the part of the Palestinian civil society (in the absence of Palestinian Authority) is assured. Furthermore, good governance and the use of local systems are embedded in the design of each initiatives of this action and even more significantly in components 3 and 5.

Gender equality will be promoted in every component of the action and sex-disaggregated data will be used when possible. In addition, the present action provides services vital to the social and economic rights of the Palestinian population of East Jerusalem, focussing in particular on children and women needs.

Environmental sustainability is a central cross-cutting issue for components 3, 4 and 5, and environmentally-friendly business practices will be promoted through these same components.

3.5. Stakeholders

The direct beneficiary of the present action is the Palestinian population living in East Jerusalem as a whole, and more particularly vulnerable communities, people with disability, people whose housing, land and property rights as well as residency rights are being violated, private sectors actors (including shop owners, young or women entrepreneurs, the Arab Chamber of Commerce), and cultural institutions.

Key stakeholders remain primarily community-based organisations, local and international NGOs and international organisations serving or targeting East Jerusalem communities, and community leaders. As in previous years, the institutional capacity of the remaining East Jerusalem organisations, such as the East Jerusalem Hospitals or the Chamber of Commerce, remains fragile, and it is still important to co-ordinate with them as well as support them whenever possible.

The EU directly relates to the Office of the President of the PLO in matters related to the EU Programme of Support to East Jerusalem. The link with the Office of the President of the PLO and its continued commitment to East Jerusalem is critical and should be fostered. Co-ordination with PA Line Ministries takes place as and when most appropriate.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012, but with the Office of the President of the PLO, in line with international law and agreements on the status of East Jerusalem.

4.2. **Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 48 months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. **Implementation components and modules**

The extremely sensitive political situation created by the international non-recognition of Israeli annexation of East Jerusalem and all the subsequent legal and political implications do not create a framework in which the EU would have solid legal, political and operational basis for the publication of a call for proposals. In light of this fragile context, confirmed by the repeated EU recognition of crisis situation in Palestine for several years, a sound implementation of this project calls for direct award of proposed actions.

4.3.1. ***Component 1 - Grant: direct award (direct management)***

- (a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The **general objective** is that Palestinians affected by forced displacement enjoy their Housing, Land and Property (HLP) rights.

The **specific objectives** are:

- Palestinians HLP rights are protected;
- Beneficiaries are empowered and capacity of lawyers and other professionals on HLP rights is enhanced;
- Policies and practices causing displacement are highlighted, challenged and ultimately changed.

The **fields of intervention** will include counselling and legal assistance, legal representation for public cases, capacity building and trainings, court-monitoring and legal and advocacy strategies.

The **main expected results** are increased access to immediate legal aid response; improved capacity of stakeholders to counsel and assist; and enhanced legal and advocacy strategies and public interest litigation to challenge policies and practices.

Fields of interventions and respective expected results could be slightly adjusted during the formulation phase of the action.

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to the **Norwegian Refugee Council**.

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified on the one hand because Palestine has been acknowledged to be in a "crisis situation" as referred to in Article 190(2) RAP, allowing for the use of flexible procedures in accordance with applicable provisions, and on the other hand because the selected organisation has been identified as demonstrating the best specific competence and experience in view of the nature and objective of the action. Indeed, the complexity and volatility of the political situation combined with the practices of Israeli authorities are extremely deterrent for local organisations to engage into legal assistance interventions in East Jerusalem.

Given the politically sensitive situation in East Jerusalem, the beneficiary of the direct grant could be modified at a later stage with regard to the results to be achieved via Component 1, if needed in light of point (d) below.

(c) Eligibility conditions

N/A

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

Second trimester 2014.

4.3.2. Component 2 – Grant: direct award (direct management)

- (a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The **general objective** is to promote and contribute to increased realization of the rights and entitlements of adults and children with disabilities in East Jerusalem.

The **specific objectives** are:

- To strengthen the capacity of the Jerusalem Centre for Disabled Children to provide quality services for children with autism and Attention Deficit and Hyperactivity Disorder (ADHD);

- To raise awareness on the rights of people with disabilities in East Jerusalem and facilitate access to their entitlements under Israeli law through challenging discriminatory policies and practices.

The **fields of intervention** will include trainings and on the job counselling, creation of a new classroom for children with autism, providing therapies for children with autism and/or ADHD, providing counselling and legal assistance, legal representation against discriminatory practices, raise awareness on people with disabilities and their rights.

The main **expected results** are strengthened skills of practitioners in the areas of autism and ADHD; increased access to treatment for autistic and ADHD children; improved access to disability entitlements.

Fields of interventions and respective expected results could be slightly adjusted during the formulation phase of the action.

- (b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to **Diakonia** (in partnership with the Jerusalem Centre for Disabled Children).

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified on the one hand because Palestine has been acknowledged to be in a "crisis situation" as referred to in Article 190(2) RAP, allowing for the use of flexible procedures in accordance with applicable provisions, and on the other hand because the selected organisation has been identified as demonstrating the best specific competence and experience in view of the nature and objective of the action . Indeed, the complexity and volatility of the political situation combined with the practices of Israeli authorities are extremely deterrent for local organisations to engage into rights-based initiatives in East Jerusalem.

Given the politically sensitive situation in East Jerusalem, the beneficiary of the direct grant could be modified at a later stage with regard to the results to be achieved via Component 2, if needed in light of point (d) below.

(c) Eligibility conditions

N/A

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

Second trimester 2014.

4.3.3. Component 3 – Grant: direct award (direct management)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The **general objective** is to enhance the living situation of Jerusalemites and preserve the Arab Palestinian identity of Jerusalem through urban, commercial and community development of the area around Al-Zahra street.

The **specific objectives** are:

- To create a new model for synergies between culture, economy and tourism to strengthen community development;
- To establish an open, public, active cultural hub in Zahra street for the Palestinian youth and community;
- To enhance initiatives bringing about a productive business and social environment.

The **fields of intervention** will include designing and implementing cultural activities in co-operation with tourism and commercial actors, developing network and support to artists/designers and young entrepreneurs to establish production lines for handmade artistic commodities, promote awareness on the initiative and encourage duplications, supporting shop owners.

The main **expected results** are increased public frequentation of Zahra street, improved infrastructure of Zahra street, development of inter-sectorial community actions; creation of a business centre.

Fields of interventions and respective expected results could be slightly adjusted during the formulation phase of the action.

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to **Palestinian Art Court – Al Hoash**.

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified on the one hand because Palestine has been acknowledged to be in a "crisis situation" as referred to in Article 190(2) RAP, allowing for the use of flexible procedures in accordance with applicable provisions, and on the other hand because the selected organisation has been identified as demonstrating the best specific competence and experience in view of the nature and objective of the action . Indeed, the complexity and volatility of the political situation combined with the practices of Israeli authorities' results in a scarcity of organisations involved in holistic developmental approaches in East Jerusalem.

Given the politically sensitive situation in East Jerusalem, the beneficiary of the direct grant could be modified at a later stage with regard to the results to be achieved via Component 3, if needed in light of point (d) below.

(c) Eligibility conditions

N/A

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

Second trimester 2014.

4.3.4. **Component 4 – Grant: direct award (direct management)**

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The **general objective** is to enhance the socio-economic conditions of vulnerable groups in East Jerusalem.

The **specific objectives** are:

- To foster social resilience in the Old City of Jerusalem;
- To promote economic empowerment in the Old City of Jerusalem.

The **fields of intervention** will include assisting the availability and quality of psycho-social services for youth, women and children in the Old City through training, hygiene promotion, literacy support, etc; and increase youth and women employability through vocational trainings and promotion of local entrepreneurship.

The **main expected results** are increased psycho-social assistance for children and their families; improved economic opportunities for women and youth.

Fields of interventions and respective expected results could be slightly adjusted during the formulation phase of the action.

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to **Comitato Internazionale Per Lo Sviluppo Dei Popoli (CISP)**.

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified on the one hand because Palestine has been acknowledged to be in a "crisis situation" as referred to in Article 190(2) RAP, allowing for the use of flexible procedures in accordance with applicable provisions, and on the other hand because the selected organisation has been identified as demonstrating the best specific competence and experience in view of the nature and objective of the action . Indeed, the complexity and volatility of the political situation and the absence of official Palestinian presence combined with the practices of Israeli authorities make all initiatives based on local empowerment and participation extremely difficult and risky to implement, especially for local organisations that remain constantly at risk of forced closure.

Given the politically sensitive situation in East Jerusalem, the beneficiary of the direct grant could be modified at a later stage with regard to the results to be achieved via Component 4, if needed, in particular in light of point (d) below.

(c) Eligibility conditions

N/A

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

Second trimester 2014.

4.3.5. Component 5 – Indirect management with an international organisation

A part of this action with the objective of improving economic growth and social equity and cohesion through a sustainable urban revitalization may be implemented in indirect management with the United Nations Development Programme/Programme of Assistance to the Palestinian People (UNDP/PAPP) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation is justified because over the past years UNDP/PAPP has actively deepened its involvement in East Jerusalem, notably in the housing rehabilitation, education and economic development sectors. UNDP/PAPP is currently implementing a rehabilitation project in the Old City of Jerusalem and already established the delicate contacts with the Islamic Waqf, the relevant local stakeholders and the Israeli Antiquities Authorities.

The entrusted entity would support a sustainable urban revitalization of the commercial areas of East Jerusalem, including the construction of new commercial buildings to accommodate new business activities, upgrading the existing structural conditions of the historical buildings as well as of their infrastructure, facilities, and surrounding landscape, expand tourist infrastructure and public services. UNDP shall be responsible of the implementation modalities of the action (notably through procurement of services, works and supplies).

The entrusted entity is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the responsible authorising officer deems that, based on a

preliminary evaluation and on the long-standing and problem-free co-operation with this entity, it can be entrusted with budget-implementation tasks under indirect management.

The change of management mode from indirect to direct management, whether partially or entirely is not considered a substantial change.

4.4. Scope of geographical eligibility for procurement and grants

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	Amount in EUR thousands	Third party contribution (indicative, where known)
4.3.1. Component 1– Direct grant (direct management)	1,500	166
4.3.2. Component 2 – Direct grant (direct management)	1,500	166
4.3.3. Component 3 – Direct grant (direct management)	1,000	111
4.3.4. Component 4 – Direct grant (direct management)	800	88
4.3.5. Component 5 – Indirect management with UNDP/PAPP	5,000	0
4.7. – Evaluation and audit	80	N.A.
4.8. – Communication and visibility	110	0

Contingencies	10	N.A.
Totals	10,000	531 ⁴

4.6. Performance monitoring

The project will be monitored by Beneficiaries according to relevant indicators of performance, including gender-disaggregated data. The choice of key progress indicators will form part of the project formulation process and each action will be supported by a logical framework including objectively verifiable indicators to evaluate each stage's level of achievement.

The specific geographical and political complexity cause sectorial data to be very scarce and not completely reliable in East Jerusalem. In case of non-availability of existing information on baseline values necessary to establish relevant indicators, the projects could be designed in such a way that the baseline is established during the first months of implementation and target values adapted accordingly.

Performance indicators shall be identified during the formulation phase of the action.

4.7. Evaluation and audit

Grants agreements under direct management will include expenditure verifications and an external final evaluation. If appropriate, global or ex-post evaluations of the whole action or of specific projects will be conducted in accordance with European Commission procedures.

When necessary, external audits/verification missions on specific projects or components will be undertaken by the EU.

The action allocates EUR 80,000 to these activities, which shall be implemented by way of procurement of services under direct management. Up to 5 services shall be used. The respective contracting procedures are expected to be launched during the last semester 2018.

4.8. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.5 above.

⁴ This figure represents the indicative contribution coming from NGOs' co-financing, in case the action is not 100% financed by the EU.

The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The overall budget allocation is EUR 110,000 and will be contracted through procurement of services under direct management. The respective procedures are expected to be launched in the second trimester of 2015.

The overall objective of actions under Communication/Visibility will be to strengthen visibility of and communication on the EU programme to support East Jerusalem.