



Brussels, 10.11.2015
C(2015) 7928 final

COMMISSION IMPLEMENTING DECISION

of 10.11.2015

modifying Decision C (2015) 690 final on the Annual Action Programme 2015 part 1 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 individual positions of the Member States on this issue.

COMMISSION IMPLEMENTING DECISION

of 10.11.2015

modifying Decision C (2015) 690 final on the Annual Action Programme 2015 part 1 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) Commission Decision C (2015) 690 final adopted on 10 February 2015 approved the programmes entitled "PEGASE Direct Financial Support to Recurrent Expenditures of the Palestinian Authority 2015 – part 1" and "Contribution to UNRWA's 2015 Regular Budget". This Decision was financed under Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument⁴.
- (2) The Commission should take note that EUR 10 million was added to Decision C (2015) 690 final by the responsible authorising officer as a non-substantial change under the flexibility provision of Article 4 of Decision C (2015) 690 final.
- (3) The first purpose of this modifying Decision is to increase the contribution to UNRWA by EUR 10 million, bringing the total contribution to UNRWA's general fund to EUR 102 million for 2015. This additional funding, together with contributions from other donors, will allow UNRWA to bridge its financial gap and thus keep schools open for Palestine refugees in all its fields of operation.
- (4) The second purpose of this modifying Decision is to authorise the receipt of a contribution of EUR 25,000 from Portugal and of EUR 1.5 million from Austria to the Vulnerable Palestinian Families component of the PEGASE programme.
- (5) The Commission should acknowledge and accept the contribution from other donors pursuant to Article 21(2)(b) of Regulation (EU, Euratom) No 966/2012, subject to the signature of the relevant agreement, and should decide on the use of such contribution. Where such contribution is not denominated in euro, a reasonable estimate of conversion should be made.

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

² OJ L 77, 15.3.2014, p. 95.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 77, 15.3.2014, p. 27.

- (6) The measures provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument (ENI) Committee set up by Article 15 of the financing instrument referred to in Recital 1,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the measure

The Annexes of Decision C (2015) 690 final are replaced by the following:

Annex 1: PEGASE Direct Financial Support to Recurrent Expenditures of the Palestinian Authority 2015 – part 1;

Annex 2: Contribution to UNRWA's 2015 Regular Budget.

Article 2

Financial contribution

The maximum contribution of the European Union for the implementation of the programme referred to in Article 1 is set at EUR 233,525,000 and shall be financed from budget line 21 03 01 04 of the general budget of the European Union for 2015.

The financial contribution provided for in the first paragraph may also cover interest due for late payment.

Done at Brussels, 10.11.2015

For the Commission
Johannes HAHN
Member of the Commission

ANNEX 1

of the Commission implementing Decision modifying Decision C(2015) 690 final on the Annual Action Programme 2015 part 1 in favour of Palestine¹

Action Document for Palestine

1. IDENTIFICATION

Title/Number	PEGASE: Direct Financial Support to Recurrent Expenditures of the Palestinian Authority 2015 – part 1 CRIS number: ENI/2014/037-802		
Total cost	Total estimated cost: EUR 131,525,000 Contribution from Austrian Development Agency: EUR 1,500,000 Contribution from Camões, I.P. – Instituto da Cooperação e da Língua: EUR 25,000 Total amount of European Union (EU) budget contribution: EUR 131,525,000		
Aid method / Management mode and type of financing	Project Approach/ Direct management		
DAC-code	16010	Sector	Social/welfare services

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

Most of the European Union's assistance to the Palestinian Authority (PA) is channelled through PEGASE², the financial mechanism launched in 2008 to support the Palestinian Reform and Development Plan (2008-2010) and the subsequent Palestinian National Development Plans (PNDP) developed for the periods 2011-2013 and 2014-2016 with the aim to build strong governmental institutions as the basis for the future independent Palestinian State. These national plans set out medium-term agenda for Palestinian reform and development and contain a framework of goals, objectives and performance targets.

The protracted crisis situation linked to the stagnation of the Middle East Peace Process and the fact that Palestine has not yet attained 'statehood' continues to require specific temporary support measures to contribute to maintaining the viability of the two-state solution. Those cover the PEGASE Direct Financial Support (to the PA)

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

² *Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique.*

and support to UNRWA (United Nations Relief and Works Agency) interventions for Palestinian refugees sustaining the delivery of basic services to the entire Palestinian population.

Through PEGASE Direct Financial Support (DFS), the EU has contributed substantially to the recurrent expenditure of the Palestinian national budget (over EUR 1.7 billion since 2008), with systematic, predictable and unconditional contributions to the payment of PA civil servant's salaries and pensions (window 'CSP') and of social allowances to the poorest and most vulnerable Palestinians families (window 'VPF'). Through the new window for East Jerusalem hospitals ('EJH') set-up in 2013, the EU provides a crucial support to avoid the collapse of those hospitals, which are amongst the few remaining Palestinian institutions in East Jerusalem and are providing key medical services to the Palestinian population. This contributed substantially to State building as well as to social cohesion, economic and security stabilisation.

Consistently, the EU has been supporting the PA to implement certain policy reforms aiming at enhancing its fiscal sustainability and improve the accountability, integrity, and transparency of the public finance system (public finance management, fiscal reforms such as reduction of the net lending, health medical referrals, civil service reform), as well as to improve service delivery (social protection).

In December 2013 the Court of Auditors published a report on PEGASE DFS³ where it recognised that the European External Action Service and the Commission had succeeded in implementing direct financial support to the PA in difficult circumstances. The report also concluded that the control measures put in place are robust and that there is no sign of mismanagement or diversion of funds.

Furthermore in July 2014 the conclusions of an external evaluation of the EU co-operation with Palestine⁴ were published. This evaluation endeavoured to assess the efficacy of the overall EU strategy towards Palestine against the overarching objective of moving forward in the two-state solution and, to this end, building the institutional capacity of the Palestinian Authority. The evaluation concluded that while the EU co-operation undoubtedly led to significant achievements, inter alia in terms of preventing fiscal and economic collapse, fostering stability and building capacity for state institutions, it had little impact in removing the obstacles imposed by the Israeli occupation, namely restrictions on access and movements.

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

The outlook in Palestine is deteriorating dramatically given the collapse of the Peace Process negotiations in April 2014, the unclear reconciliation between the West Bank and Gaza and lastly after the war on Gaza in July. The latest conflict and humanitarian tragedy in Gaza has put further stress on the fiscal situation of the PA.

³ European Union Direct Financial Support to the Palestinian Authority - European Court of Auditors Special Report No 14 – 2013.

⁴ Evaluation of the European Union's Co-operation with the occupied Palestinian territory and support to the Palestinian people – contract No 2012/307554.

Notwithstanding the additional expenditures resulting from the Gaza conflict which is expected to significantly widen the financing gap⁵, The PA's total deficit is expected to amount to USD 1.825 billion by the end of 2014, while aid to the public sector for recurrent and development spending is projected at USD 1.467 billion, leading to a financing gap of around USD 350 million.

Without a political solution the Palestinian economy will continue to be unsustainable and dependent on donor aid.⁶ The decreasing political prospect for a viable two-state solution and the lack of intra-Palestinian reconciliation progress despite the announcement made in May further increases donor's fatigue. Although approximately USD 5.4 billion were pledged at the Cairo Conference on 12 October 2014 (half of which is to be dedicated for the reconstruction of Gaza) the actual volume and speed of these contributions remains to be confirmed. The PA's capacity to implement its "National Early Recovery and Reconstruction Plan for Gaza 2014-2017", released in the aftermath of the devastating conflict of July 2014, with the current level of Israeli's restrictions is also unclear at this stage.

The economy of Palestine has been marked by the disruption of more than forty years of occupation, during which the economic development path has paralleled political developments. Restrictions on movement and access imposed by Israel have deterred socio-economic development and resulted in an economy highly dependent on the Israeli market and donor aid. Obstacles are multiple and many-sided: limited access to land, water and other natural resources in the West Bank; segregation from the East Jerusalem market and inadequate public investment in East Jerusalem by the Jerusalem Municipality, as well as limited access to Area C (60% of the West Bank); de facto ban on exports from the Gaza Strip; severe restrictions on import of products considered by Israel to be of "dual use"; disrupting effects of settlement activity and settlers, notably in Area C; difficulty and uncertainty of obtaining movement permits for both Palestinian and foreign nationals.

After a period of sustained economic recovery between 2007 and 2011 with average yearly growth exceeding 8% (albeit largely driven by government spending, in turn, funded by aid flows), the Palestinian economy has significantly slowed down since 2012. It is expected to further decrease in the coming years –in the absence of successful peace negotiations. The International Monetary Fund (IMF) and the World Bank baseline forecasts for 2014 point to alarmingly low levels of real gross domestic product (GDP) of -3.7%, accompanied by an increase of unemployment rates reaching 30%. Furthermore, the latest data from the Palestinian Central Bureau of Statistics indicate that, in 2011, the poverty rate was reaching 39% in Gaza, and 18% in the West Bank. Data also show many people living on the edge of poverty. The recent conflict has since pushed many Gaza families into (deeper) poverty.

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's national budget revenues). In contravention of the provisions of the Paris Protocol⁷, Israel deducts from the sums

⁵ The "National Early Recovery and Reconstruction Plan for Gaza" presented at the Cairo Conference in October 2014 refers to a total cost of USD 4 billion for relief, recovery and reconstruction, in addition to an estimated USD 4.5 billion support to the PA budget in 2014-2017.

⁶ World Bank report to the AHLC, September 2014.

⁷ The Protocol on Economic Relations, also called the Paris Protocol, was an agreement between Israel and the Palestine Liberation Organisation, signed on 29 April 1994.

transferred the cost of utilities owned by Palestinian municipalities ('net lending') and the cost of health referrals to Israeli hospitals. Following President Abba's decision to join the International Crime Court on December 31 2014, Israel has announced its intention to halt the transfer of clearance revenues, as it had previously done from November 2012 to March 2013. This decision, which violates Israel's contractual obligations under the Paris Protocol, will negatively impact on the PA's ability to carry out its financial obligations and to reassert its authority in Gaza.

Consequently, the PA continues to accumulate considerable debts to the banking sector and arrears to the private sector, with net arrears accumulated during the first half of 2014 amounting to USD 400 million (54% are owed to the private sector and the majority of the rest to the pension fund). Health services have also been greatly affected. As a result of the PA's accumulated unpaid arrears, hospitals in East Jerusalem have recurrent difficulties in paying salaries and are highly indebted to medical suppliers.

2.2.1.2. National development policy

In April 2011, the PA introduced its National Development Plan (NDP) entitled "Establishing the State - Building our Future", covering the period 2011-2013. In May 2014, the PA released the Palestinian National Development Plan 2014-2016 "State Building to Sovereignty". The programme builds on the previous tri-annual national plans and focuses on four key sectors: 1) economic development and employment, 2) good governance and institution building, 3) social protection and development and 4) infrastructure.

In early October, the PA has released its "National Early Recovery and Reconstruction Plan for Gaza 2014-2017" in the aftermath of the devastating conflict of July 2014.

2.2.2. *Sector context: policies and challenges*

Efforts aimed at enhancing fiscal sustainability remain a top priority. This, among other things, requires structural reforms that reduce the size of the fiscal deficit (notably in terms of wage bill, net lending, health referral, fuel subsidies, and arrears to the private sector), strengthen institutions (notably in terms of public finance management and public administration reform), and enhance the delivery of essential public services. Nonetheless, the PA will need to rely on significant inflows of donor aid as long as the Israeli occupation remains, and as long as there is a large discrepancy between PA's expenditures in Gaza and tax revenues it collects from Gaza (currently 43 percent of expenditures and 3 percent of revenues). This second point needs to be monitored in the framework of the recent reconciliation process.

In 2014, a total of EUR 168 million was committed from the 2014 EU budget, through PEGASE, to help the PA with the payments of PA salaries/pensions, allowances for poor Palestinian families and arrears for medical referrals to East Jerusalem Hospitals.

These funds were complemented by contributions from EU Members States, through PEGASE, including: SEK 40 million (equivalent to EUR 4.3 million) from Sweden for salaries/pensions, EUR 3 million from the Netherlands for salaries/pensions (earmarked to the justice sector), a total of EUR 1.5 million from Ireland for PA salaries/pensions (EUR 1 Million) and social allowances (EUR 0.5 million), EUR 2.5

million from Finland for arrears to East Jerusalem hospitals, EUR 1.8 million from Spain for social allowances, EUR 1.25 from Austria (through assigned revenues) for social allowances and EUR 1 million from Luxembourg for PA salaries/pensions.

By October 2014, other donors (including EU Member States) had also provided an additional EUR 424,872 million in support to the PA budget, either directly to the PA budget or via the World Bank Trust Fund (including EUR 312, 281 million from Arab donors, EUR 113 million from the World Bank Trust Fund and EUR 7,8 million from France).

2.3. Lessons learnt

The PEGASE DFS programmes build upon the successful experience of the Temporary International Mechanism in 2006-2007, and are implemented in full co-ordination with the Palestinian Authority and in close co-operation and transparency with EU Member States, the European Parliament and other donors. It is particularly appreciated by the Palestinian Authority for its flexibility and its catalytic nature in attracting funds from other donors without multiplying transaction costs.

The mid-term review of PEGASE conducted in 2009 highlighted the flexibility in planning and implementation, the highly competent and professional staff and the use of well-proven management systems while continuously innovating – which contributed to the success of this mechanism. The final evaluation, covering the period February 2008- February 2011, confirmed these findings.

In December 2013 the Court of Auditors published a report on PEGASE DFS providing recommendations. Many have already been addressed to (using the competitive tendering for technical assistance, review of the mechanism aiming at its simplification or introducing performing indicators); other are still under discussion with the Palestinian Authority and require a careful assessment of the situation, which has in the meantime changed due to the reconciliation process and the consequent formation in June 2014 of a "Consensus Government".

Early 2013, the EU, together with the other direct financial assistance donors, has started working towards a 'results-oriented framework' which would cover both (1) *policy reforms* (including fiscal issues related to domestic revenue mobilisation, net lending and health referral costs; public finance management issues, with a focus on transparency and accountability; civil service reform) and (2) *service delivery* (education, health and social protection). Under this framework, donors intend to further co-ordinate their support (in term of funding, technical assistance and policy dialogue) Both the December 2013 Court of Auditors and July 2014 external evaluation of the EU co-operation with Palestine confirmed the relevance of the shift towards a more results-oriented approach.

This results-oriented framework (which will be accompanied by a risk-management framework) will be aligned with the new PNDP 2014-2016 and related sectors strategy, building on the 'EU Sector Fiches' finalised in October 2014 under the umbrella of the EU local Development Strategy, as a step towards EU joint programming. The framework is scheduled to be finalised and effective by the end of the year, in close collaboration with the PA. Civil society will be consulted in the design and yearly monitoring. A pilot-phase of 6-months will allow further alignment with the World Bank-managed Budget Support Palestinian Reform and

Development Plan (PRDP) Trust Fund's next Policy Matrix design due first half of 2015.

2.4. Complementary actions

The Annual Action Programme 2014, in line with the new Single Support Framework 2014-2015, was approved on August 2014 for a total of EUR 52 million, for the following support priorities: governance at local and national levels, private sector and economic development, water and land development. An additional EUR 168 were made available for PEGASE direct financial support to recurrent expenditure of the PA and EUR 80 million for UNRWA's General Fund in 2014.

Capacity building assistance ongoing/ under preparation and policy dialogue relevant to this action include, in terms of (1) policy reform: a) domestic revenue mobilisation – through a support to the PA's Taxpayer Awareness Programme (pipeline); b) support to the PA efforts in reducing the burden of net lending (ended in July 2014 – additional support could be envisaged in co-ordination with other donors); c) health referrals; d) civil service reform; e) strengthening of civil oversight of the national budget and f) gender budgeting; (2) service delivery: through a support to the Ministry of Social Affairs. Other EU Member States provide complementary capacity building support in relation to policy reforms and service delivery (education, health).

The PRDP-Trust Fund (PRDP-TF) is managed by the World Bank, and its main donors include the UK, France, Norway, Australia and Kuwait. The release of funds is untargeted, while conditional on the implementation of key reforms for a) improving the PA's fiscal sustainability; and b) improving public financial management and accountability.

2.5. Donor co-ordination

Local donor co-ordination has been streamlined in accordance with the conclusions of the Ad-Hoc Liaison Committee (AHLC) meeting held in December 2005, following a proposal by the European Commission, the World Bank and Norway to reform the Aid Management Structures. The EU continues to play a leading role in these structures at all levels. Relevant platforms include: (i) the Fiscal Working Group (co-Chaired by the Ministry of Finance and the International Monetary Fund); (ii) the Public Administration and Civil Service Sector Working Group (co-Chaired by the Ministry of Planning and Administrative Development and the UK/DfID); (iii) the Social Protection Sector Working Group (co-chaired by the Ministry of Social Affairs and the Office of the European Union Representative in East Jerusalem (EUREP)); and (iv) the sub-group on Health Referrals under the Health Sector Working Group.

The EU plays a leading role in local EU Member States co-ordination. Complementarity and co-ordination with other EU actions are assured through regular co-ordination meetings at Headquarters and daily contacts between staff working in the EUREP. An EU Informal Group on PEGASE DFS was also set-up in early 2013 as a forum for discussions around PEGASE DFS related topics (such as fiscal issues, policy reforms, service delivery), and will, as of January 2015, be the main forum to jointly monitor the progress of the results-oriented framework. Through 2013 and 2014, increased co-ordination with other direct financial

assistance donors (mainly the World Bank and the contributors to the PRDP-TF) has taken place.

3. DETAILED DESCRIPTION

3.1. Objectives

The overall objective of this temporary EU support is to maintain the viability of the two-state solution by avoiding the fiscal collapse of the PA and sustaining basic living conditions of the whole Palestinian population.

The specific objective is to support the Palestinian national development agenda and in particular:

- (1) to support the PA to deliver to the Palestinian population essential basic services by maintaining the functioning of the administration;
- (2) to improve the economic opportunities of poor, vulnerable and isolated population and;
- (3) to support the PA in reducing its budget deficit and implementing its reform agenda while increasing the PA's transparency and accountability.

3.2. Expected results and main activities

Three categories of public expenditure are in principle eligible for support under this action, for a total amount of EUR 131,525 million which follows previous Decisions committed on 2008, 2009, 2010, 2011, 2012, 2013 and 2014 funds.

Component 1: Supporting Palestinian administration and services (indicative allocation EUR 77 million)

The EU will contribute to the payment of salaries and pensions to the PA civil servants in Palestine (West Bank and Gaza Strip). The objective of this activity is to support the PA to maintain the functioning of the administration and thus deliver to the Palestinian population essential basic services. The objective of this activity is to allow the administration to function and thereby to provide services to the Palestinians in the West Bank and Gaza Strip. The regular contribution to the funding of the wages expenditure for civil servants also reinforces the PA's public finance management and public finance reform implementation.

Component 2: Supporting the Palestinian social protection system (indicative allocation EUR 41,525 million)

The EU will contribute to the quarterly payment of social allowances to poor and vulnerable Palestinian families in the West Bank and the Gaza Strip through the PA's national cash transfer programme (CTP). The objective of this activity is to ensure the continued assistance to Palestinian families living in extreme poverty, who are dependent on financial aid from the PA. This activity also reinforces the reform of the social protection system and the social cohesion among Palestinians.

Component 3: Support to East Jerusalem Hospitals (indicative allocation EUR 13 million)

The six Palestinian hospitals in East Jerusalem form an integral part of the network of health provision for Palestinians. The Israeli annexation of East Jerusalem, although not recognised by the international community, and the construction of the separation wall has had the effect of making access to these hospitals particularly difficult for Palestinians living outside the capital. In addition to the importance to the health network, these hospitals are also a symbol of continued Palestinian presence in East Jerusalem. The financial difficulties of the Palestinian Authority have resulted in a situation where many of the hospital bills underwritten by the Ministry of Health, and validated by the Ministry of Finance, remain unpaid. The hospitals are therefore, and to differing degrees, themselves in and/or worsen the PA financial crisis.

3.3. Risks and assumptions

It is expected that contributions from EU Member States and other donors will be made available during the implementation period to complement the proposed funds. Fluctuations in the exchange rate may have an impact on funding needs.

Full co-operation with the Palestinian Authority is essential. This co-operation needs to be maintained, in particular for the identification of eligible beneficiaries and timing of payments and for the identification of eligible expenditure.

All actions under this special measure require that no additional restrictions are imposed under the occupation. The ongoing dramatic crisis in Gaza will add a substantial fiscal strain on the PA's national budget, which extent is still uncertain at this stage. It is also expected that the level of poverty in Gaza will increase.

A comprehensive risk-management framework will be drafted by early 2015, alongside the results-oriented framework, covering political, macroeconomic, developmental, public finance management/fiduciary and reputational risks.

3.4. Cross-cutting issues

Good governance principles are applied to the implementation mechanism and ownership on the part of the Palestinian Authority is assured. The actions proposed provide services vital to the social and economic rights of the Palestinian population.

The EU also intends to support complementary capacity building activities focussing on the strengthening of the accountability, integrity, and transparency of the public finance system, by supporting 'checks and balances' aspects, tackling both the supply and the demand-side. The EU also intends to ensure the gender mainstreaming of the coming results-oriented framework.

3.5. Stakeholders

The direct beneficiary of the action is the Palestinian population. Eligible beneficiaries and expenses are identified through a system based on strict and objective criteria set by the European Union and based upon requests and information provided by the Palestinian Authority.

PEGASE DFS programmes will be implemented in close co-operation and full partnership with the Ministry of Finance, the technical Ministries and other relevant Departments and Agencies of the PA.

All donors supporting the PEGASE DFS will also be key stakeholders.

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 Financial Regulation.

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 18 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

Direct management will be applied for all components.

PEGASE DFS programmes will be implemented by the Commission through the EUREP in East Jerusalem, in close co-ordination with EU Member States officials and with the Palestinian Authority.

Disbursements will be made by the Commission directly to the eligible beneficiaries of the PEGASE DFS programmes detailed in Section 3.2 above, following eligibility checks and verification and control procedures by external experts and international audit firms.

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Support to the recurrent costs of the Palestinian Authority (<i>PEGASE DFS</i>)	Direct Financial Support	3	2015/Q1

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(2b) 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
Component 1: Supporting Palestinian administration and services	77,000	N/A
Component 2: Supporting the Palestinian social protection system	41,525	N/A
Component 3: Support to East Jerusalem hospitals	13,000	N/A
Total	131,525	N/A

The aforementioned allocations are indicative and may be changed depending on the needs expressed by the PA and the funds received from other donors for specific areas covered by PEGASE DFS programmes. It is anticipated that, as in earlier years, other donors will make contributions.

Funds for the necessary technical assistance, evaluation, audit and visibility actions have already been, or will be, made available under separate Decisions.

4.6. Performance monitoring

A comprehensive monitoring, control and audit system will continue to be applied in the framework of the implementation of PEGASE DFS programmes, to provide reassurance over the use of funds, and the efficient and effective provision of support to the Palestinian authority and population while fully protecting donor interests.

Payments will be executed in accordance with Commission regulations. A sophisticated quarterly financial reporting system is in place and will continue to be implemented, giving detailed information on all operations processed. Individual beneficiaries as well as businesses will be uniformly checked against international sanctions lists.

While disbursement remains unconditional, a results-oriented framework will be drafted to guide the policy dialogue and monitor/report on progress achieved by the Palestinian Authority in the key policy areas identified. A quarterly and yearly operational reporting system will thus be put in place, built on internal and external reviews, notably reviews by the World Bank on key policy/fiscal reforms progress, and by the International Monetary Fund (IMF) on macroeconomic issues.

4.7. Evaluation and audit

Financial experts and qualified auditors will be involved in the implementation of PEGASE DFS programmes, which will be complemented by Commission and EU Member States specialists and international or local experts.

Advanced monitoring, control and audit systems are set up for all of PEGASE DFS programmes. All donors contributing to PEGASE DFS programmes have full access to the corresponding monitoring and audit reports on the basis of which their contributions are disbursed.

In addition to the regular verifications and audits of eligible expenditures to identify and validate payments, annual ex-post audits of PEGASE DFS programmes will be undertaken in accordance with international standards, to provide the maximum level of assurance which will be contracted on other decisions related to the PEGASE DFS activities. Donors will be invited to participate. Contributing donors may also carry out ex-post audits of expenditures covered by their payments.

A comprehensive evaluation report covering the first three years of implementation of the PEGASE DFS programmes (2008-2011) was carried-out in 2012. An evaluation covering the period 2011-2013 was launched. Mid-term evaluations will be performed every 18 months and final evaluation after a 3-year implementation period in line with the PA development planning cycle.

4.8. Communication and visibility

The action will follow the EU visibility guidelines.

Progress of implementation will be communicated regularly to all stakeholders through quarterly financial and operational reports. Regular meetings are held with EU Member States in Brussels as well as locally (EU Heads of Co-operation and EU Informal Group on PEGASE DFS meetings).

ANNEX 2

of the Commission implementing Decision modifying Decision C(2015) 690 final on the Annual Action Programme 2015 part 1 in favour of Palestine¹

Action Document for Palestine

1. IDENTIFICATION

Title/Number	Contribution to the United Nations Relief and Works Agency for Palestine Refugees (UNRWA)'s 2015 Regular Budget		
Total cost	Total estimated cost: EUR 102,000,000 Total amount of European Union (EU) budget contribution: EUR 102,000,000 This action is co-financed in parallel co-financing by: Other donors to UNRWA for an amount of around EUR 498.8 million		
Aid method / Management mode and type of financing	Project approach Direct management – grants – direct award to UNRWA.		
DAC-code	72010	Sector	Material relief assistance and services

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) provides education, health, relief and social services, microfinance, housing and infrastructure support to approximately 5 million registered Palestine refugees in Jordan, Lebanon, Syria, the West Bank and the Gaza Strip. Established by the United Nations (UN) in 1949 to carry out direct relief and works programmes for Palestine refugees, the Agency began operations in 1950. In the absence of a solution to the Palestine refugee problem, the General Assembly has repeatedly renewed UNRWA's mandate. Among United Nations Agencies, UNRWA is unique in delivering services directly to beneficiaries.

Over the past years, the EU has been providing financial temporary support to the PA and UNRWA to maintain the viability of the two-state solution and sustain the delivery of essential public services to the entire Palestinian population. The aim of this Action is to contribute to the UNRWA's 2015 Regular Budget to sustain the delivery of essential public services to the Palestinian refugees. Continued EU support to UNRWA is an essential element of the EU strategy for the Middle-East

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

Peace Process, in particular EU commitment to keep a close watch on the refugee issue, including during final status negotiations.

Since 1971, the EU has contributed annually to UNRWA's Regular Budget. This funding is used primarily to cover the Agency's crucial core programme services in the areas of health, education, and social services and is essentially used to pay salaries for teachers, doctors and social workers active in the refugee camps. UNRWA has more than 30 600 staff posts to cover for services provided to 5 million refugees. In combination with contributions from EU Member States, EU overall contributions in 2014 accounted for 34% of the total support to UNRWA. Since the year 2000, the EU has provided over EUR 1.6 billion in support of UNRWA's work.

2.2. Context

2.2.1. Regional context

2.2.1.1. Economic and social situation and poverty analysis

The last years have witnessed growing concern among the refugee community and in the region over the decline in UNRWA services. Successive funding shortages and subsequent austerity measures and cost reductions have prevented programmes from expanding in tandem with the growth in the refugee population. Staff numbers have not been increased to reflect the increased numbers of refugees. This has led to the reduction of on-going programme activities and precluded certain actions which normally would be part of UNRWA's regular programme of work. It also had a direct impact on the increased class size in UNRWA schools, rising patient/staff ratios in the health services, and higher caseloads for social workers dealing with the poorest refugees. An added element of consideration is the increased burden on the Agency imposed by the on-going crisis in Palestine and Syria, and cost increases due to the higher operational charges related to the movement and access restrictions imposed by Israeli authorities as well as the depletion of all reserves.

UNRWA has been drastically affected by the recent 50 days war in Gaza (July-August 2014). Pending the completion of its damage assessment, UNRWA focused its efforts on early relief and recovery.

The economic situation in Gaza was already severely affected by 7 years of Israeli blockade and is now even more compromised by the consequences of the recent conflict. The economy and its capacity to create jobs have been devastated, with the majority of the population becoming dependent on humanitarian aid to meet basic needs.

The ability of the Agency to provide its services is entirely dependent on sufficient voluntary contributions made available annually from donors while UNRWA's General Fund costs are highly fixed (85% of expenditure is allotted to its labour force). The Agency has a very limited margin of manoeuvre when it comes to making decisions over where further cost reductions can be made. Any cuts would have an immediate impact on the level of basic services provided.

Poverty is one of the defining characteristics of many of the Palestinian refugees served by UNRWA in Palestine (the Gaza Strip, the West Bank), Jordan, Lebanon and Syria. In particular for Palestinian refugees in Syria, repeated displacements, plight into neighbouring countries, erosion of social and economic capital and depletion of resilience and coping mechanism in the context of the ongoing

emergency means that for all intents and purposes the Agency will need to consider the more than half a million Palestinians normally resident in Syria in need of humanitarian assistance.

It is important to note that not only is poverty definitional in the UNRWA context, it also intersects with the question of refugee rights, social protection, and international protection. As such, UNRWA is proposing a rights based approach to poverty e.g. poverty addressed not simply in terms of human needs, or of developmental requirements, but in terms inalienable and universal rights of individuals to equality, non-discrimination, participation, and empowerment.

2.2.1.2. Regional development policy

The Regular Budget, including the General Fund and in-kind contributions, is the Agency's primary means of sustaining core services. Latest figures in mid-September 2015 indicate that the UNRWA General Fund shortfall total around USD 25,000,000, leading ultimately to stringent austerity measures and cutbacks of basic services. This shortfall would not include funding for emergency appeals, organisational development or specific projects (like Nahr El-Bared or those assisting Syrian refugees).

In June 2015, UNRWA projected an end of year General Fund shortfall of USD 101 million, despite UNRWA's strict austerity measures imposed since 2012.

The most recent EU contribution to the General Fund (EUR 82 million) along with contributions from other donors could only sustain service delivery till August. UNRWA thereafter anticipated that it would face a severe cash deficit diminishing its ability to pay its 30,000 staff, the majority of whom are teachers and education staff.

In light of the financial crisis, the Agency warned that it might have no alternative but to resort to the unprecedented measure of deferring the start of the 2015/2016 scholastic year until sufficient resources were secured. UNRWA schools, which educate half a million refugee children across the region, would actually remain closed.

On 19 August, UNRWA announced that students would be returning to school according to plan in Palestine on 24 August, in Jordan on 1 September, in Lebanon on 7 September and in Syria on 13 September. Thanks to additional contributions amounting to USD 78.9 million against the deficit of USD 101 million, UNRWA declared the 2015/16 UNRWA school year officially open.

This substantial chronic gap is due to several factors: (i) the high birth rate in the refugee population means that, even if funding was maintained or even slightly increased, per capita income would drop; (ii) reduced donations from a number of donors under the impact of the financial crisis; (iii) the increase in commodity prices has adversely affected its food aid programme; (iv) the Agency has been delving into its reserves and effectively living off these in part in recent years – the reserves are gone; (v) the situation has been aggravated by exchange rate losses – the Israeli Shekel has gained strength against both the Euro and the US Dollar; (vi) the situation in Syria has increased the demand for relief services from Palestinian refugees affected by the on-going conflict.

UNRWA's Resource Mobilisation Strategy (RMS) for 2012-2015, endorsed by the Agency's Advisory Commission (AdCom) in November 2011, includes three high-level strategic objectives: to deepen partnerships with traditional donors; to diversify the donor-base; and to develop improved cross-Agency capacity to mobilise resources and manage donor relations. While some progress has been made in broadening UNRWA's donor base, traditional donors have remained the key supporters of UNRWA providing over the past few years what amounts to 80-90% of the Agency's overall funding requirements. An evaluation of this strategy has been conducted in 2015.

2.2.2. Sector context: policies and challenges

Over the past years, the EU has been actively engaged in, and in certain stages leading, a policy dialogue with the Agency, donors, and hosting countries on issues related to budget clarity and accountability, prioritisation, and governance, as well as the efficiency and effectiveness of the Agency's operations. Slowly but surely, progress has been made with almost full consensus among stakeholders on the need to install operational changes to ensure the Agency's survival. Within UNRWA's AdCom - the main forum for policy dialogue with the Agency - there is currently an acknowledgment of the issues of contention, in particular UNRWA's unsustainable financial foundations and the necessity to realign the Agency's interventions based on core competencies and demonstrated effectiveness.

With chronic shortfalls witnessed within the Agency's General Fund supporting core education, health and relief programmes, UNRWA's financial situation is clearly unsustainable and should be strategically addressed. The perception widely shared within the EU that "more needs equalling more support" is simply not sufficient to address refugees' increasing needs.

The 2016-2021 Medium Term Strategy (MTS) development process currently underway could be as a means of addressing UNRWA's chronic deficits. While the Agency's immediate remedial measures such as adjustments to salary differentials, austerity measures, and a focus on efficiency are necessary, these measures alone would not be sufficient to overcome UNRWA's precarious financial structure. Therefore, the EU is of the opinion that the time has come for the Agency to further prioritise and primarily focus on its core competencies and more specifically on its core activities namely (primary) health and education, while progressively phasing out non-core activities where possible.

With this commitment to UNRWA's General Fund, the EU will continue to be a reliable and predictable supporter of the Agency's core budget, enabling the Agency to reinforce ownership, responsibility, and accountability and to prioritise within its core programmes, while sustaining essential basic services provided by UNRWA.

2.3. Lessons learnt

Since its establishment in 1950, UNRWA has become identified as the "quasi government" structure for Palestinians living in refuge in UNRWA's fields of operation. Its mandate is to provide services to refugees which would otherwise be provided by a government body. Originally, these services encompassed Relief provision and Public Works, but in order to support refugees effectively in the context of long-term political uncertainty, it has become increasingly necessary to

adopt a 'long term development' as opposed to a 'relief' approach which has been committed to within the Agency's Medium Term Strategy (2010-2015).

However, the importance of UNRWA's continued assistance to refugees is about more than just its services, but marks the lack of an acceptable solution to the plight of the Palestine refugees. For this reason, attempts to change UNRWA's role are often strongly resisted by the refugee population and by the governments of their host countries. Nonetheless, UNRWA recognises that the resource scarcity resulting from the current global economic climate, growing needs from population growth, as well as inflationary pressures, require the Agency to prioritise services and activities within, and between, its main programmes.

2.4. Complementary actions

Besides supporting UNRWA's Regular Budget, the EU has actively supported UNRWA's management reforms and continues to provide support, including EU humanitarian funding, to a number of extra-budgetary special emergency appeals and projects. The EU and other donors have made known to UNRWA during recent Advisory Commission meetings that there is a need for more clarity on the interface between the General Fund, the Emergency Appeals and project donations, particularly to avoid that the latter two headings impact on the General Fund when the project/donation money runs out.

The EU is also providing, in 2014, EUR 33.5 million of humanitarian funding. 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' violence, the Gaza blockade). Out of this amount, EUR 6 million was allocated to UNRWA to provide humanitarian assistance in Gaza (EUR 5 million) and the West Bank (EUR 1 million). In response to the conflict in Gaza, additional humanitarian funding amounting to EUR 1 million was also provided in support of the Agency's early relief efforts.

2.5. Donor co-ordination

Donor co-ordination is ensured through UNRWA's AdCom sessions and through regular meetings organised by the Office of the European Union Representative (EUREP) in East Jerusalem with local and international stakeholders.

3. DETAILED DESCRIPTION

3.1. Objectives

The overall objective of this Action is to maintain the viability of the two-state solution by sustaining basic living conditions of the whole Palestinian population, including refugees. It is thus to provide support to sustain essential basic services provided by UNRWA within the Agency's 2015 Regular Budget (education, health, relief and social services, infrastructure/camp improvement programmes, and supporting departments and services).

The specific objectives are to: (1) support UNRWA to deliver to the Palestinian refugee population essential basic services; (2) to improve the economic

opportunities of poor, vulnerable and isolated population; and (3) increase UNRWA's transparency and accountability.

3.2. Expected results and main activities

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

Within the Agency's Regular Budget, the main programmes are:

Education programme:

Education services are currently provided through around 700 UNRWA elementary, preparatory and secondary schools and nine vocational training centres in all 5 fields of operation staffed by more than 22,800 educational personnel and attended by around 500,000 pupils.

This programme aims to provide, within the framework of the curricula prescribed by the host countries and by the Palestinian Authority, general basic education, teacher education and vocational and technical education for Palestine refugees to enhance their educational opportunities at all levels of the educational system. UNRWA's objectives for the medium term focus on improving the quality of education and ensuring access for all Palestine refugee's children, including those with special educational needs.

Key challenges include: (i) in the West Bank and Gaza Strip, the education system as a whole has been severely disrupted by the armed conflict, curfews, closures and access problems since the Intifada. Working conditions for teachers have deteriorated, which has an impact in the staff morale and the difficulty to recruit and retain competent staff; (ii) one fifth of the school buildings of Gaza continue to serve as collective centres for over 63,000 displaced; (iii) Recently in Syria, UNRWA's operations have been increasingly affected by the conflict. Violence has resulted in disruptions of education (and health) services, exacerbating stress and uncertainty in refugee communities. Some of UNRWA's facilities have sustained damage, and staff members have also been among the casualties of the fighting.

Health programme:

UNRWA's health programme is community-based, with the emphasis placed on primary health care and with a very selective use of hospital services. Around three million refugees (66% of UNRWA registered refugees) make use of UNRWA health facilities. Primary care is provided through UNRWA's own 139 facilities, serving approximately 9.9 million patient visits per year. Secondary care is provided through contractual arrangements with governmental or non-governmental hospitals or through partial reimbursement of the costs of treatment. Two thirds of the refugee population consist of women in reproductive age and children below 15 years of age, making maternal and child health, including family planning services, a priority area.

This programme aims to protect, preserve and promote the health especially of the registered Palestine refugees by providing access to comprehensive, quality basic health services.

Key challenges include: (i) the quality of service delivery is affected by the excessive workloads borne by Agency staff (e.g. agency-wide average of 105 consultations per doctor per day) and chronic staff shortages and difficulties in attracting and retaining qualified staff, deteriorating health infrastructure and outdated equipment as a result of under investment. The cost of medical supplies and hospital care is also rising. UNRWA aims at reinforcing the staffing of the existing facilities, establishing new ones and renovating and updating existing facilities and medical equipment; (ii) Water, sanitation and environmental conditions are poor, particularly in Gaza, the West Bank, Lebanon and in Jerash Camp in Jordan. For this reason, the Agency is working to improve the environmental conditions in the camps in co-ordination with local authorities and with special emphasis on wastewater disposal and solid waste management; (iii) Refugees face the threat of resurging and newly emerging infectious diseases; increased morbidity and mortality from non-communicable diseases; mental and psychological problems; and high prevalence of micronutrient deficiencies. This is leading the Agency to introduce new programmes (mental health, psychosocial counselling) as well as putting in place an active intervention strategy for surveillance, prevention, early detection and management of these diseases in an effort to avoid the high cost of treating their complications/disabling effects at the secondary/tertiary care levels.

UNRWA's strategy for health reform is based on the Family Health Team approach (FHT) which includes forming health teams in all clinics that provide family health services. In addition, there are two critical supportive components, namely the e-health information system and physical improvement of health centre infrastructure. Initial results of FHT implementation have shown signs of quality improvement and potential efficiency. The progress is particularly significant in health centres where the two above critical support components for FHT took place like those in Lebanon and Gaza. In these health centres, doctors are now able to spend more consultation time with patients. Such changes could potentially bring cost savings in the future.

Relief and social services programme:

The Agency provides eligible refugees with a range of services including food support, shelter rehabilitation, and selective cash assistance for Special Hardship Cases (SHCs). Over 292,000 persons are currently benefiting from the cyclical assistance under this SHCs programme. This assistance is primarily directed to families headed by women, families without a male adult medically fit to earn an income and to the elderly who cannot support themselves.

This programme aims to provide a social safety net for Palestine refugees most affected by poverty promotes the self-reliance of less advantaged members of the refugee community, especially women, children, youth and persons with disabilities.

The Relief and Social Services (RSS) reform contained three key components: consistent application of a targeting system across the Agency (proxy means test formula - PMTF); developing more effective poverty interventions; and, transitioning from food to cash support. While there has been progress in the first two components, the third component has not been implemented due to resource constraints and host countries' reservations. The RSS reform and the Agency's

overall role in mitigating poverty remain however a subject of ongoing deliberation within the forum of the UNRWA's AdCom.

Infrastructure/camp improvement programme:

This programme aims to improve the quality of life for camp residents living in substandard habitat. It ensures that all UNRWA facilities are efficiently planned, designed, constructed and maintained in order to meet the physical infrastructure needs of both the Palestine refugees and the Agency.

3.3. Risks and assumptions

The risk that the political environment will deteriorate to an extent that will significantly affect UNRWA's operations was taken into consideration. With the Gaza Strip subject to a blockade by Israel, areas of the West Bank subject to closure without warning and the unrest in the Arab World in general and in Syria in particular being a concern, UNRWA is effectively the only organisation which can ensure delivery in these conditions. Any military operations in the region could have unpredictable consequences and might threaten the operation.

Without any political resolution to the refugee problem, while this population grows at a pace of approximately 4-6% per year, and with a downward trend of donors' contribution, UNRWA faces a huge challenge in terms of fiscal sustainability, and needs to co-operate closely with governmental authorities in the area of services delivery normally provided within the public sector – notably education, health and social protection. Furthermore, new crises in the region affecting the refugee population cannot be excluded thus further straining the Agency's capacity. The extent of the impacts of the dramatic crisis in Gaza is still uncertain at this stage. It is also expected that the level of poverty in Gaza will increase.

Donor fatigue is evidently noticeable with UNRWA's traditional donors. This is occurring in an environment where host and donor countries are facing substantial domestic economic challenges making it more difficult for them to maintain existing levels of support. It is nevertheless expected that contributions from EU Member States and other donors will be made available during the implementation period to complement the proposed funds. Fluctuations in the exchange rate may have an impact on funding needs.

3.4. Cross-cutting issues

Good governance is integrated through the on-going reform of UNRWA administration and management. Since the Geneva Conference in 2004, UNRWA has engaged in a process of internal reform. The Organisational and Development Process has concentrated on reforming UNRWA's organisation design, management capacity and approach for achieving improved service delivery. The latter is currently being addressed through the Agency's new phase of programmatic reforms.

In addition, UNRWA has developed its Medium Term Strategy (2010-2015). As a key theme within this strategy, the Agency is committed to ensure that its gender equality policy, adopted in 2007, is implemented. Gender analysis, that highlights the specific needs of men, women, boys and girls in different contexts, leading to appropriate interventions, is becoming a routine part of UNRWA's programming.

In responding to UN commitments on climate change, UNRWA has been putting in place an Environmental Management Framework that will guide intensified efforts to minimise the negative environmental impacts caused by the Agency, and optimise, as far as possible, opportunities to create environmental benefits.

3.5. Stakeholders

The direct beneficiary of the action is the Palestine refugee population in UNRWA's five fields of operations. Naturally, UNRWA, as well as all donors and host countries supporting UNRWA are also key stakeholders.

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.

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 12 months as from 1 January 2015, 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.

The final date of operational duration being imperatively 31 December 2015.

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.

This action has the objective of providing support to sustain essential basic services provided by UNRWA within the Agency's 2015 Regular Budget.

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

Detailed expected results are described in section 3.2.

(b) Justification of a direct grant.

Under the responsibility of the Geographical Director, the grant may be awarded without a call for proposals to UNRWA.

Under the responsibility of the Geographical Director, in accordance with Article 190(1)(f) RAP, the recourse to an award of a grant without a call for proposals is

justified for actions with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power. UNRWA, established by the United Nations General Assembly, is the UN Agency mandated to provide services to Palestine refugees. In the absence of a solution to the Palestine refugee problem, the UN General Assembly has repeatedly renewed UNRWA's mandate, most recently extending it until 30 June 2017.

(c) Eligibility conditions.

Not applicable.

(d) Essential selection and award criteria.

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

The essential award criteria is that UNRWA, established by the United Nations General Assembly, is the UN Agency mandated to provide services to Palestine refugees.

(e) Maximum rate of co-financing.

The maximum possible rate of co-financing for this grant is 30% of the eligible costs of the action.

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.

1st trimester of 2015.

(g) Exception to the non-retroactivity of costs

The Commission authorises the eligibility of costs prior to the submission of the grant application as of 1 January 2015.

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(2b) 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

The total EU financial contribution to this operation amounts to EUR 102 million, representing the EU's support to UNRWA's 2015 Regular Budget.

Module	Amount in EUR thousands	Third party contribution (indicative)
Direct grant UNRWA (direct management)	102,000	498,800
Totals	102,000	498,800

4.6 Performance monitoring

Since 2007, the European Commission has relied on external independent consultants to assess the performance of UNRWA's main operations. The review, conducted on an annual basis, has been based on a predefined set of result-based indicators and targets, as well as specific milestones identified to monitor the implementation of the Organisation Development process.

In 2010, the Agency embarked on an initiative to create a unified reporting framework aligned with UNRWA's Medium Terms Strategy (2010-2015) and Field and Headquarters Implementation Plans. The initiative sought to generate a standardised methodology with a set of indicators for reporting out to donors encompassing reporting timeframes, template and quantitative and qualitative information required. This harmonised reporting approach aimed to reduced transactions costs and better quality of reporting to respective donors. Alignment of reporting would also reflect best practice discussions and recommendations formulated among UNRWA, donors and the evaluation consultants, in addition to established principles in global forums and studies such as the Paris Declaration and the High Level Committee on Management Results Reporting Study.

A unified reporting framework aligned with UNRWA's strategy strengthens the reporting process through the following: (i) Use of the Common Monitoring Framework derived from Field Implementation Plans to formulate a robust basket of indicators; (ii) Incorporating donor 'core' or legislatively required indicators to the basket of indicators already in place; (iii) Applying a results- analysis methodology for each indicator and, where possible, disaggregating the Agency achievement by Field Office or gender; and (iv) Using one template and a set periodicity.

In April 2011, the Agency published the first Harmonised UNRWA-Donor Monitoring and Evaluation Matrix for the period ended December 31, 2010. Internally, the results aggregation and qualitative analysis were consistent and well communicated. However, the process encountered a few challenges; mainly the volume of indicators, the unique nature of some of the indicators (i.e., field specific) and, due to the implementation of transformational changes in some programmes, a number of indicators were not reportable (e.g., monitoring learning achievement testing). These challenges have since been addressed.

Overall, the institutionalised monitoring and evaluation capacities, frameworks and functions and the Agency's overall management of the Monitoring and Evaluation tools within the Department of Internal Oversight Services have been deemed adequate to ensure coherent, accurate, and analytical reporting to UNRWA's management, donors and hosts; both on impact and results.

The Agency has regularly revised its Monitoring and Evaluation Matrix in close co-ordination with major donors including Australian Aid, the EU, the United Kingdom and the United States. Within the forum of UNRWA AdCom, members have

welcomed UNRWA's effort to consolidate and improve the quality and consistency of monitoring and external reporting and have acknowledged this monitoring tool and process. Since 2012, a significant number of UNRWA's top donors (Australian Aid, Denmark, the EU, Norway, the United Kingdom and the United States) have aligned UNRWA's reporting obligations in line with this performance report (UNRWA's Results report). The Agency's Results Report serves as the primary performance monitoring tool for the planned grant agreement foreseen within the framework of this Decision.

4.7. Evaluation and audit

The financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and Directives of UNRWA.

As and when deemed necessary, the Commission might conduct expenditure verification assignments on this project's accounts.

4.8. Communication and visibility

In accordance with the visibility provisions under the EU-UN Financial and Administrative Framework Agreement and with the EU-UN Joint Action Plan on Visibility signed in September 2006, the EU and the implementing organisations will work together to ensure appropriate visibility actions for the programme as a whole, as well as for specific interventions and activities under the programme. Standards regarding visibility will be derived from the "Communication and Visibility Manual for EU External Actions". Adequate communication and visibility will be ensured by the EUREP's monitoring of the adherence to the 2015 EU-UNRWA Communications and Visibility Plan. This plan is aimed at drawing attention to the on-going partnership between the EU and UNRWA and the EU's support for Palestine refugees.

Over the past 6 years UNRWA and the EU have successfully executed a wide variety of activities that highlight EU support for Palestine refugees across the Agency's fields of operation, targeting a wide range of audiences: from EU Member State decision-makers in Brussels to Palestine refugee students at UNRWA schools in the West Bank, through a variety of activities such as multimedia art competitions for Palestine refugee youth, EU Fun days for children, film festivals, and additional communication outreach activities throughout the five fields have been implemented. Similar and new activities will be supported within the planned 2015 EU-UNRWA Communications and Visibility Plan.