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**COMMISSION IMPLEMENTING DECISION**

**of 22.7.2015**

**on the Annual Action Programme 2015 part 2 in favour of Palestine<sup>1</sup> to be financed  
from the general budget of the European Union**

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<sup>1</sup> 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

of 22.7.2015

## on the Annual Action Programme 2015 part 2 in favour of Palestine<sup>1</sup> 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 action<sup>2</sup> and in particular Article 2(1) 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 1605/2002<sup>3</sup>, and in particular Article 84(2) thereof,

Whereas:

- (1) The European Commission has adopted a Single Support Framework for the period in favour of Palestine for the period 2014-2015, 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 and to East Jerusalem with the purpose of strengthening the resilience of Palestinian residents and preserving the Palestinian character of the city.

- (2) The objectives pursued by the Annual Action Programme 2015 Part II to be financed under the European Neighbourhood Instrument<sup>4</sup> concur to the overarching objective of European Union's cooperation with Palestine to build the institutional capacity of the Palestinian Authority to maintain the viability of the two-state solution.
- (3) Following the latest military operation in Gaza “Protective Edge” and the subsequent conclusions of the Gaza reconstruction conference held in Cairo on 12 October 2014, the EU has decided to focus its resources on the Gaza Strip.
- (4) The Action entitled “Support to Governance at local and national levels” will focus on measures helping the redeployment of the Palestinian Authority in Gaza and support the administrative and institutional reunification of the Gaza Strip to the West Bank.

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<sup>2</sup> OJ L 77, 15.3.2014, p. 95.

<sup>3</sup> OJ L 298, 26.10.2012, p. 1.

<sup>4</sup> Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27).

- (5) The Action entitled “Support to the Private Sector in Gaza” has the overall objective of ensuring an inclusive, sustainable, private sector-led economic development in the Gaza Strip. The EU intends to enhance the management capacities of the Palestinian Industrial Estates and Free Zones Authority and promote the re-location of businesses in the Gaza Industrial Estate.
- (6) The Action entitled “Short-Term Low volume Sea Water Desalination Plant for the Southern Governorates of the Gaza Strip – Phase II” has the objective of improving the health and socio-economic conditions of the population in the Governorates of Khan Younis and Rafah resulting from the lack of safe drinking water.
- (7) The Action entitled “Support to East Jerusalem” has the overall objective of maintaining the viability of the two-state solution with Jerusalem as the future capital of both states. The action builds on several activities aimed at preventing the Palestinian population from leaving the city and at maintaining the Palestinian identity in Jerusalem.
- (8) The Commission should entrust budget-implementation tasks under indirect management to the entities specified in this Decision, subject to the conclusion of a delegation agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required when the Commission manages Union funds. Kreditanstalt für Wiederaufbau (KfW) and the United Nations Children's Fund (UNICEF) comply with the conditions of points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary.
- (9) The United Nations Development Programme (UNDP) is currently undergoing the assessment under Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the authorising officer responsible deems that, based on the entity’s positive assessment under Council Regulation (EC, Euratom) No 1605/2002<sup>5</sup> and on the long-standing and problem-free cooperation with it, budget-implementation tasks can be entrusted to this entity.
- (10) The authorising officer responsible should be able to award grants without a call for proposals provided that the conditions for an exception to a call for proposals in accordance with Article 190 of Commission Delegated Regulation (EU) No 1268/2012.
- (11) It is necessary to allow the payment of interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Commission Delegated Regulation (EU) No 1268/2012.
- (12) The measures provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee set up by Article 15 of the financing instrument referred to in recital 2,

HAS DECIDED AS FOLLOWS:

#### *Article 1*

#### **Adoption of the measure**

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<sup>5</sup> Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p.1).

The Annual Action Programme Part 2015 II in favour of Palestine as set out in the annexes, is approved.

The programme shall include the following actions:

- Annex 1: “Support to Governance at local and national levels”;
- Annex 2: “Support to the Private Sector in Gaza”;
- Annex 3: “Short-Term Low volume Sea Water Desalination Plant for the Southern Governorates of the Gaza Strip – Phase II”;
- Annex 4: “Support to East Jerusalem”.

#### *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 40 million 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.

#### *Article 3*

##### **Implementation modalities**

Budget-implementation tasks under indirect management may be entrusted to the entities identified in the attached Annexes 1, 2 and 3, subject to the conclusion of the relevant agreements.

The section “Implementation” of the Annexes to this Decision sets out the elements required by Article 94(2) of Commission Delegated Regulation (EU) No 1268/2012.

Grants may be awarded without a call for proposals by the authorising officer responsible in accordance with Article 190 of Commission Delegated Regulation (EU) No 1268/2012.

#### *Article 4*

##### **Non-substantial changes**

Increases or decreases of up to EUR 10 million not exceeding 20% of the contribution set by the first paragraph of Article 2, or cumulated changes to the allocations of specific actions not exceeding 20% of that contribution shall not be considered substantial within the meaning of Article 94(4) of Commission Delegated Regulation (EU) No 1268/2012, provided that they do not significantly affect the nature and objectives of the actions.

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

Done at Brussels, 22.7.2015

*For the Commission*  
*Johannes HAHN*  
*Member of the Commission*

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This action is funded by the European Union

**ANNEX 1**

of the Commission implementing Decision on the Annual Action Programme 2015 part 2 in favour of Palestine<sup>1</sup>

**Action Document for "Support to Governance at Local and National Levels"**

**INFORMATION FOR POTENTIAL GRANT APPLICANTS**

**WORK PROGRAMME FOR GRANTS**

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning grants awarded directly without a call for proposals: 5.3.2.1, 5.3.2.2 and 5.3.3.2

<b>1. Title/basic act/ CRIS number</b>	Governance at local and national levels, CRIS number: ENI/2015/038-315 financed under European Neighbourhood Instrument
<b>2. Zone benefiting from the action/location</b>	Palestine The action shall be carried out at the following location: West Bank and Gaza Strip
<b>3. Programming document</b>	Single Support Framework (SSF) 2014-2015
<b>4. Sector of concentration/ thematic area</b>	Focal Sector 1: Support to Governance at local and national levels
<b>5. Amounts concerned</b>	Total estimated cost: EUR 25,960,266 Total amount of EU budget contribution EUR 10 million This action is co-financed with the following indicative amounts: - through parallel funding by KfW for an amount of EUR 5 million. - through joint co-financing from the grant beneficiaries for an amount of EUR 275,000 And through a multi-donor trust fund by: - World Bank for an amount of USD 3 million (EUR 2,650,879)

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	- Denmark for an amount of DKK 60 million (EUR 8,034,387)			
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality Component 1: Indirect Management with the Kreditanstalt für Wiederaufbau (KfW) Component 2: Direct Management - grants – direct award Component 3: Direct Management - procurement of services; Direct Management - grant – direct award			
<b>7. DAC code(s)</b>	15112 - Decentralisation and support to subnational government 15130 - Legal and judicial development 15110 - Public sector policy and administrative management 16062 - Statistical capacity building			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Civil Society and Local Authorities Thematic Programme			

## SUMMARY

Support to governance is one of the focal sectors of intervention of the Single Support Framework 2014-2020 in Palestine<sup>2</sup>, which foresees together with the institutional building, an enhanced policy dialogue and the mainstreaming of actions in favour of civil society.

Following the EU's pledge at the Cairo Conference for Gaza in October 2014 and responding to Headquarters' instructions, interventions in 2015 will focus on measures helping the redeployment of the Palestinian Authority (PA) in the Gaza strip and paving the way for the institutional reunification.

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The actions foreseen are: 1) strengthening the local institutions to efficiently manage public finances and consolidate public services to Gaza population; 2) supporting the reintegration of the Palestinian Judicial Institute (PJI) and the Palestinian Bar Association (PBA) through the development of professional skills of judges, prosecutors and lawyers and the establishment of common management and communication systems; 3) supporting public administration reintegration and institutional building in key areas directly linked to PEGASE<sup>3</sup> Direct Financial Support to PA budget and related Results-Oriented Framework (ROF), including special services such audit, monitoring and evaluation.

## **1 CONTEXT**

### **1.1 Sector/Country context**

Palestine has been marked by the disruption of more than forty years of occupation, during which the economic development path and the democratisation process has paralleled political developments at regional level. After a period of sustained statebuilding progress and economic recovery between 2007 and 2011 (albeit largely driven by government spending, in turn, funded by aid flows), the democratic path and the economy have significantly slowed down since 2012 (no electoral process, limited institutional accountability, slowing growth, high unemployment, and large fiscal deficits). It further deteriorated dramatically in 2014 as a result of the massive destruction in Gaza during "Operation Protective Edge" in July/August 2014 as well as the restrictions in the West Bank which led to the closure of Hebron for almost two months.

The conflict and humanitarian tragedy in Gaza has made an already struggling Palestinian economy worse and put further stress on the Palestinian Authority (PA), both in terms of legitimacy and on its fiscal situation which in 2014 already faced a deficit of USD 1.59 billion. With the reconciliation process struggling and Israel's withholding of clearance revenues<sup>4</sup> since December 2014 as a response to the PA's request for accession to the International Criminal Court (ICC), the ongoing fiscal crisis and PA difficult governance are further exacerbated. Difficulties of the PA in paying salaries and bills are recurrent, putting the institutional functioning and the delivery of basic services to the Palestinian population at risk. This is particular exacerbated in the Gaza Strip where the "National Consensus Government" (NCG) is not present on the ground and civil servants recruited after 2007 have not received their salaries since April 2014, except one-off 'humanitarian' cash assistance.

Poverty levels remain of serious concern. The latest data from the Palestinian Central Bureau of Statistics (PCBS) indicate that, in 2011, poverty rates reached 18% in the West Bank and 39% in Gaza, with 70 % of the population in Gaza being aid dependent. These figures have increased due to the 2014 hostilities in Gaza, which resulted in the injury, displacement, loss of livelihoods, employment, homes and assets of thousands of households as well as severe destruction of municipal infrastructure<sup>5</sup>. The latter has seriously affected municipalities' ability to sustain basic

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<sup>3</sup> Mécanisme Palestino-Européen de Gestion de l'Aide Socio-économique: EU's direct financial support programme to the PA.

<sup>4</sup> Israel collects border revenues on behalf of the PA, which represent more than 65% of the PA's national budget revenues.

<sup>5</sup> PA municipal damage assessment estimates damages at around USD 58,6 million.



service provision to the population (equivalent to more than 90% of the 1,8 million residents in Gaza) also because it cut the principal revenue sources of municipalities.

With the institutional reintegration process stalled and the NCG unable to take full control of the reconstruction process, challenges in terms of justice and security are increasing with local conflicts becoming a commonplace. The situation of the judiciary is deteriorating, the Courts, although officially open, are not properly functioning also due to lack of fuel and electricity, or even basic stationary. Court judgments are increasingly not enforced and executed. The fragmentation of the state institutions, which includes a separation of the PJI based in the West Bank and PJI based in the Gaza Strip<sup>6</sup> and a certain degree of disconnection of the PBA's West Bank and Gaza Strip branches, and the political tensions bring to an increased role of informal justice systems.

### *1.1.1 Public Policy Assessment and EU Policy Framework*

Since 2008, the European Commission has been supporting the PA's national reform agenda.

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.

Six strategic goals have been established on governance: (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) Enhanced 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.

In early October, in the aftermath of the devastating conflict of July 2014, the PA has released its "National Early Recovery and Reconstruction Plan for Gaza 2014-2017". Priorities related to reconciliation and institutional reintegration are embedded in this document. Furthermore, at the PA's request, a tripartite EU, UN and World Bank "Detail Needs Assessment" (DNA) is currently performed through the Economic, Infrastructures, Social and Governance sectors.

Understandingly, the war on Gaza has further stretched PA's institutional capacities. It will thus be essential that the PA exercises effective leadership and ownership over its strategies, identifies and manages its priorities between the three documents and ensures sound donor coordination in the governance sector.

The 2013 EU-PA Joint Action Plan 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.

### *1.1.2 Stakeholder analysis*

The final beneficiary of the action will be the Palestinian population as a whole.

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<sup>6</sup> The PJI based in Gaza is administered by Hamas faction and is not officially recognised by the PA.

Key partners and direct beneficiaries remain primarily the PA institutions: Component 1): Municipalities, Ministry of Local Government (MoLG), Municipality Development and Lending Fund (MDLF); Component 2): the PJI, the PBA, and indirectly the Ministry of Justice, High Judicial Council, Public Prosecution; Component 3) General Personnel Council, Ministry of Finance, Ministry of Social Affairs, Palestinian Central Bureau of Statistics (PCBS), and other relevant institutions for PEGASE Direct Financial Support (DFS).

### *1.1.3 Priority areas for support/problem analysis*

The PA has demonstrated significant improvement over recent years in terms of institutional building, as recognised at the September 2012 Ad Hoc Liaison Committee. Nonetheless, those achievements still need to be further formalised and institutionalised to be sustainable. Furthermore, following the formation of the NCG, the PA has to undertake the difficult task to achieve its institutional reunification with Gaza. This entails addressing both pre and post-2007 employees populations from the education and health sectors mainly, overcome the separation of the legal systems and the judiciary institutions and ensure the efficient provision of basic public services to the Gaza population, whose resilience is at stake following the last war of July/August 2014.

There is an urgent need to enable the PA to advance in the recovery operations after the 2014 conflict, not only to ensure the provision of critical services to the population but equally important to acquire authority and leadership over the process. Through the Municipality Development Programme II (MDP II), the PA is allocating grants for capital investment projects and capacity development interventions to municipalities in Gaza (Gaza Emergency Response window) in line with the most critical needs identified in the PA post-war municipal damaged assessment. Training and capacity interventions, such as participatory community planning, re-planning of areas and re-parcelation, or development of emergency management skills within the municipalities are part of the intervention.

A functioning justice system is vital as well to ensure governance and respond to disputes and demands emerging in the aftermath of the escalation. Disputes over housing, land and property rights as well as personal status/family law issues are becoming usual. However, the capacities of justice services and law enforcement are declining. Hence, there is a need to provide professional development to the limited existing capacities to treat such an increased number of legal disputes and regularise professional legal business. Notwithstanding the political situation, in parallel, there is a need to overcome the institutional separation by enabling institutions to extend cooperation and activities between the West Bank and the Gaza Strip. With regards to the PBA, this is easily possible, as it operates as a single legal entity in both West Bank and Gaza Strip. This is not the case with the PJI, where there is not yet an integration of the two existing institutions (PJI-West Bank and PJI-Gaza Strip). However, addressing the support primarily to the educational and training dimension can potentially act as a facilitator of reunification (by recomposing the fracture within the community of justice professionals) with less risk of political blockages; particularly now that the Minister of Justice is the Head of the Board of Directors of both PJIs.

Finally, the EU, providing substantial Direct Financial Support to the national budget, will continue to support the consolidation of the PA's general governance capacity, with particular emphasis on the administrative civil service reform and the

development of staff integration plans and strategies. Continued support will as well be provided to monitoring and evaluation of reforms, including in supporting the PCBS as a crucial institution to ensure a sound monitoring and evaluation of the reforms and overall macroeconomic and social outlook.

## 2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
<p>Substantially worsening political context with continued occupation and freezing of the transfer of Clearance Revenues by Israel which may lead to increased instability, volatility and of a return to violence in the medium-term growing.</p> <p>Among the factors leading to increased tensions are also the steps taken on the Palestinian side to seek for international recognition (since 01/04/2015, Palestine is a member of the International Criminal Court) and the corresponding reactions from Israel.</p>	H	<p>Seek enhanced EU dialogue with Israel, linking the effectiveness of EU cooperation in Palestine directly to Israeli actions (triangulation).</p> <p>Seeking political dialogue with EU</p>
<p>Deterioration status quo in Gaza and back-lash against the UN and possibly other international actors due to the struggling reconstruction mechanism and donors' failure to fulfil pledges made in Cairo.</p>	H	<p>EU support for NCG to take leadership in the recovery process both at technical and political level.</p>
<p>Lack of progress of the NCG in its reconciliation process and continued regression in democratic and social accountability, with decreased legitimacy of the PA among the Palestinian population</p>	H	<p>EU policy dialogue and monitoring of the reforms' progress. Increased support for civilian oversight</p>
<b>Assumptions</b>		
<p>(1) The two-State solution is still the political aim supported by the EU, and the EU continues supporting the PA as part of EU support for a peaceful solution;</p> <p>(2) Israel respects its Oslo/Paris agreements' commitments, notably in terms of transfer of clearance revenues;</p> <p>(3) The PA continues to be committed to its statehood agenda and the reconciliation process moves forward. This include in particular a completed autonomy to PJI-West Bank and steps towards the reintegration of the institution with PJI-Gaza Strip;</p>		

(4) The overall context allows the EU and Beneficiaries intervening in Gaza (no armed operations, viable security conditions, movement and access in/out allowed) and no further Israel destructions occur.

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

A global evaluation of the EU support to Palestine and the Palestinian people 2007-2013, was finalised in May 2014. The recommendations included the following:

1. *Triangulation of cooperation efforts.* In this unique context, the EU needs to address certain obstacles through its partnership not only with Palestine, but also with Israel. High level strategic, systematic and sustained results-oriented dialogue not only with Palestinian counterparts, but also with Israel, linking Cooperation effectiveness directly to Israeli actions. The lack of a complementary and effective political track involving Israel - what this Evaluation refers to as “triangulation” - has limited the Cooperation’s sustainable impact in achievement of the EU’s overarching goals.

2. *PEGASE Direct Financial Support (DFS)* is effectively supporting political goals: DFS is accompanied by adequate political engagement and leverage for policy reform in order to increase effectiveness for EU aid. PEGASE DFS is now backed up by a Results-Oriented Framework covering six pilot sectors, and which need to be supported by adequate capacity building and monitoring capacities, as recommended by the recent evaluation 2011-2013.

3. *Serious political commitment from all institutions involved and PA ownership* of the objectives which the EU seeks to address need to be guaranteed in order to achieve sustainable institutional reform. This includes NCG's full commitment to move forward with the reconciliation process.

4. *EU interventions should address structural deficiencies within institutions* and strengthen accountability in order to have strategic impact.

Individual evaluations at sector and programme/projects level have in addition demonstrate the need of developing proper result-oriented approaches (including monitoring and evaluation systems) in order to ensure proper effectiveness of interventions.

Regarding local governance, past evaluations of the Non State Actors Programme and reviews of the Municipal Development Programme, have noticed the positive impact of the intervention of civil society actors in local service delivery in order to ensure better response to citizens needs. Likewise, the second phase of MDP (which was initially only focussing on enhancing the creditworthiness of municipalities), included pilot actions on social accountability and participatory process tools and practices. With the EU support to MDPII, additional participatory monitoring and evaluation will be piloted.

In the justice sector, the commitment of all judiciary actors to reform and the reciprocal respect of the role and autonomy of each institution are the two key factors for the success of any supporting action. This is particularly true for the PJI, which in the past suffered from competition and interference from the Ministry of Justice and other judiciary institutions. The recognition of the PJI as the sole training institution by all the different judiciary actors in 2014 and the recent financial and

administrative authorisation granted by the Ministry of Justice to the Director of the PJI are the basis of the new proposed action (see point 6 as well). For both, PJI and PBA actions, economic sustainability of activities has to be addressed as a first priority, in view of not accruing the recurrent cost of the institutions.

### **3.2 Complementarity, synergy and donor coordination**

Donor co-ordination takes place in various forms under the Local Development Forum (LDF) and its four "strategy groups", including the Governance Strategy Group (GSG - with EU co-lead). Relevant fora for component 1 is the Local Governance Sector Working Group (LGWG) and the bi-annual supervision missions of the MDP at which the 9 funding partners participate. For component 2, it is the Justice Sector Working Group (JSWG), as well as informal donors JSWG, in which EUPOL COPPS<sup>7</sup> is leading the joint monitoring process. For components 3 and 4 relevant fora include the Fiscal Working Group (FSWG), the Public Administration Working Group (PACS), the PAR informal donors group, the Social Protection Working Group, as well as the informal 'Direct Financial Assistance' donors group.

Through PEGASE DFS, the EU is contributing to the Palestinian National Budget recurrent expenditures since 2008, with systematic and predictable contributions to the payment of PA civil servant's salaries and pensions, social allowances to the poorest and most vulnerable Palestinians, and health referral costs due to the East-Jerusalem hospitals. 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. More specifically, component 1 (MDP Gaza new window), will complement the support provided to the Municipalities through the MDP programme since 2009, which is supported by the PA and 9 international partners<sup>8</sup>. Concerning component 2 the support will complement EU assistance for legal aid services and tentatively for legal harmonisation work (currently under preparation) as well as the support provided through West Bank universities by us and Netherlands on educational justice programmes, respectively on Master and Bachelors degrees.

Component 3 is in full synergy with PEGASE support. Additionally, synergies and complementarity are created with different EU civil society supported projects regarding the three components, particularly regarding local service provision of basic services, human rights issues and institutional accountability – funded under the Non State Actors programme, European Instrument for Democracy and Human Rights and the 2014 Governance programme. To note as well that democratic values and governance are particularly strengthened through the implementation of the EU Roadmap for better engagement with civil society, adopted by EU Heads of mission on July 2014.

In addition, EU coordination towards joint programming is progressing as reflected in the revised 2013 EU Local Strategy on Development Cooperation (EU LDS). The EU LDS clarifies EU Member States' priority sectors of intervention and the in-country EU division of labour. Since December 2014, 16 sector fiches have been jointly developed, under the lead of the EU-lead donors and participation of EU active donors for each relevant sector, indicating the key priorities of EU's

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<sup>7</sup> European Union Co-ordinating Office for Palestinian Police Support.

<sup>8</sup> The EU joined the MDP II as 10th international partner at the end of 2014.

cooperation and policy dialogue. The relevant fiches for this action are: Justice (Netherlands), Local Governance (Denmark), Public Administration (United Kingdom), and Social Protection (EU). The EU Working Group on PEGASE DFS, which has been set-up under the umbrella of the EU Heads of Cooperation in East Jerusalem, will be an important coordination and monitoring mechanism which regards those two last sectors.

### 3.3 Cross-cutting issues

*Good governance* will be strengthened through the action as follows: accountability, capacity development and transparency initiatives at municipal levels (component 1); internal governance of justice institutions (component 2); integrity, transparency and accountability of the use of public funds at national level (component 3). Anti-corruption principles and practises will be promoted in all the components.

*Environmental sustainability* will be promoted throughout component 1 activities. The MDLF has developed the Environmental and Social Management Framework (ESMF) to set up procedures and mitigation measures related to the MDP's environmental social impact.

*Human Rights* will be tackled under Component 2, to ameliorate the access to justice and better guarantee fair trials.

*Gender equality* will be promoted in all components as much as possible. In particular, gender issues are mainstreamed across the MDP (component 1). As well, the gender dimension will be embedded in the transfer of knowleged foreseen to legal professionals (component 2) and considered within the public administration reform (component 3).

## 4 DESCRIPTION OF THE ACTION

### 4.1 Objectives/results

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 ameliorate the capacities, the accountability and the delivery of services targeting in particular the municipalities in Gaza; (2) to develop conditions for the reintegration of the justice institutions focusing on training and regulatory functions (3) to support the process of public administration reunification and consolidate the management capacity at the PA, including a structured planning; monitoring and evaluation;

The **expected results** are:

(1) Access to municipal services in Gaza is enhanced; population's resilience is enhanced and the management capacity of municipalities ameliorated, including on participatory measures.

(2) A coherent training system for judges and prosecutors is developed by the PJI, implemented in West Bank and roll-out in Gaza; the PBA internal governance (West Bank and Gaza branch) is consolidated with a better service-delivery on trainings and regulation of the legal profession.

(3) Delivery of key basic public services to the Gaza population is ensured; PA general governance capacity is ameliorated, particularly in terms of integrity,

transparency and accountability of the use of public funds and on monitoring and evaluation of reforms

## 4.2 Main activities

The main **activities** consist of:

*Component 1:* “Institutional building at sub-national level”: support to the Palestinian Municipal Development Programme II (MDPII)”, including: (1) Municipal capital investment grants; (2) Support to recurrent expenditure (except salaries); (3) Capacity development; and (4) Training.

The detailed list of activities to be carried out will be identified by/with the municipalities in the inception phase through a planning process and the allocation of funds will be done accordingly.

*Component 2:* “Support to the justice sector: coherent development of professional skills”, including: (1) PJI action: legal and organisational structure aspects, development of monitoring and communication systems and tools, further development and implementation of training systems for judiciary actors, networking and outreach activities (2) PBA action: organisational capacity consolidation, further development and implementation of training services, development of management and communication tools, networking and outreach activities.

*Component 3:* “Supporting public administration reunification and ad-hoc support related to PEGASE DFS and its ROF”, including: (1) technical assistance to the PA civil service reform focusing in particular to the integration of the Gaza post-2007 employees and the reintegration of the PA pre-2007 civil servants in respect with efficiency and effectiveness principles; (2) institutional capacity building and technical assistance within key line ministries/institutions supporting key reforms in areas related to EU temporary support measures (PEGASE DFS and its related ROF) such as macro/fiscal related reforms, public finance management reform, social protection reform; as well as support to the Palestinian Central Bureau of Statistics as a crucial institution to ensure a sound monitoring and evaluation of the reforms and overall macroeconomic and social outlook; (3) evaluation, monitoring, control and audit systems of PEGASE programmes; technical assistance (including IT support) and consultancy services related to PEGASE DFS programmes.

## 4.3 Intervention Logic

In order to achieve the overall objective four specific objectives have been identified taking into consideration the reconciliation process and the context of the recovery in the Gaza Strip. The situation requires ability to rapidly respond to the needs of the population in Gaza at the same time that encourages the achievement of the institutional reunification between the West Bank and the Gaza strip. The designed intervention is designed to provide bottom-up support to the political interventions towards the reconciliation, focusing on actions that can trigger the process on the ground in a smooth manner notwithstanding the political volatility of the process. To that end, and taking into account the limitations to implementing in the Gaza Strip the action builds upon strategies, approaches and/or mechanisms previously tested, consolidating EU’s support to PA’s statebuilding agenda

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

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

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3 Implementation modalities**

#### *5.3.1 Component 1*

##### **5.3.1.1 Indirect management with the Kredietanstalt für Wiederaufbau (KfW)**

A part of this action may be implemented in indirect management with the KfW in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. KfW allocates EUR 5 million to the *Gaza Emergency Response* window as parallel funding to the World Bank's multidonor trust fund which allocates USD 3 million from the WB and DKK 60 million from the Government of Denmark to finance this new window for Gaza. This implementation entails financing of grants for capital investment projects, support to operational expenditure, capacity development and training, and management costs.

This implementation modality is justified because KfW is the main funding partner of the MDP, supporting the programme since its beginning. KfW has also proved to be a reliable implementing partner for the EU contribution of EUR 7,3 million to the MDPII. The *Gaza Emergency Response* window has proved to be a fast channel to provide funds to Gaza. This new window of the MDP, which is operational since December 2014, has already disbursed more than USD 5 million.

The entrusted entity would carry out the following budget-implementation tasks: general supervision and monitoring of activities, partly contracting, validation and processing of payments, reporting, evaluation and, if necessary, auditing. Procurement and tendering with regard to works and supplies contracts will be sub-delegated to the Municipality Development and Lending Fund, which is applying the World Bank procurement rules.

Similar to EU's support to the MDPII under Decision 2013/24708, the same process will be applied and KfW will ensure appropriate ex-ante/ex-post controls on the correct application of procedures and use of funds (in line with Art 2.4 GCs Pagoda).



### 5.3.2 *Component 2*

#### 5.3.2.1 Grant: direct award "Support to the training of judges and prosecutors in the West Bank and Gaza Strip" (direct management)

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

The grant aims at consolidating and extending a coherent and comprehensive training system for judges and prosecutors through the PJI in views of facilitating the institutional reintegration between the West Bank and Gaza Strip. The grant is aimed at implementing an action with the following fields of intervention: (1) expanding initial and continuous training programmes for judges and prosecutors in West Bank and in Gaza Strip; (2) consolidating PJI's training system and institutional framework in view of the institutional reintegration with Gaza Strip; (3) reinforcing regional and international networks with other judicial schools, in ways apt to facilitate the inclusion of the Gaza Strip; (4) reinforcing the communication tools such as IT and web supports in order to facilitate interaction with the Gaza Strip professionals. Trainings and capacity development activities will consider in particular the gender dimension, human rights principles and anti-corruption practices.

The action will be implemented by the PJI lead by the PA and aims at covering both West Bank and Gaza Strip. Whereas the strategic preparatory phase for the integration of the PJI between West Bank and Gaza Strip can already start; the implementation of training activities in Gaza Strip with a clear identification of the target group will depend on the evolution of the reintegration in a more general manner. In case the later is not feasible during the implementation of the action, training activities will concentrate within West Bank and activities in Gaza Strip will be limited to open conferences or similar events.

##### *(b) Justification of a direct grant*

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the **Palestinian Judicial Institute**.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because, on the one hand, 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 of the technical competence, specialisation and administrative power of the selected beneficiary to mobilise and carry out additional training to judicial staff (Article 190(1)(f) RAP). In Palestine, the training of judicial staff, as in many other countries, is entrusted by the public authorities to a central independent public institution. The legal framework of the PJI states that the PJI is an independent institution since its establishment in 2008 with Presidential decree no. 6. In 2014, the Public Prosecution and the High Judicial Council reconfirmed the role of the PJI (operating in the West Bank) as the training body for judges and prosecutors. With its yearly budget attributed by the PA (which in its turn it is affected by a financial crisis), the institution covers its running cost and provides basic continuous training services to West Bank judges and prosecutors. Considering the above, and taking into account the challenges of the legal and institutional reintegration between the West Bank and the Gaza Strips, which has been further exacerbated following the 2014 Israeli

incursion in the Gaza Strip, the PJI-West Bank appears to be the most appropriate beneficiary and vehicle (implementing partner) for an action of this kind.

*(c) Essential selection and award criteria*

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

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

*(d) Maximum rate of co-financing*

The maximum possible rate of co-financing for this grant is 90 % of the eligible costs of the action..

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 maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(e) Indicative trimester to conclude the grant agreement*

4<sup>th</sup> trimester of 2015.

5.3.2.2 Grant – direct award: "Support to the lawyers' community in the West Bank and the Gaza Strip (direct management)

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

The objective of the grant is to consolidate and extend the training and service delivery for lawyers in an harmonised manner for both West Bank and Gaza Strip. Through the action, the following fields of interventions will be tackled: (1) consolidation and extension of training programmes for lawyers, including building up on previous EU pilot diploma programme towards young lawyers and specific actions for Gazean professionals; (2) reinforcement of the cohesion of the institution through the enhancement of PBA's management system, for improved institutional sustainability and transparency, training delivery and services to its members; (3) development of communication tools to ensure equal levels of information and exchanges between West Bank and Gaza Strip lawyers and the adequate dissemination of legal matters, link in particular to the transition/reunification process. Activities will promote gender balance, knowledge to ameliorate human rights protection and anti-corruption measures.

*(b) Justification of a direct grant*

Under the responsibility of the authorising officer responsible, the grant may be awarded without a call for proposals to the **Palestinian Bar Association**.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because, on the one hand, 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 action has characteristics calling for an implementing partner with technical competences and

experiences on the education of lawyers and on the regulatory functions for the legal profession (Article 190(1)(f) RAP). The PBA, governed by the law of 1999 and with its different local branches in the West Bank and in the Gaza Strip, is considered as single entity and its role cannot be taken by any other organisation. It can thus in practical terms be considered as having a prominent role for stepping up the reintegration between the West Bank and the Gaza Strip on legal issues as well as having the dedicated technical competence in the field targeted by the action. With the membership fees, the settling of which has in its turn severely been affected by the crisis in the Gaza Strip (estimated at 50% of lawyers), the institution keeps covering its running cost and providing basic services to the professionals, which include a pension system and an emergency relief scheme for lawyers in need.

*(c) Essential selection and award criteria*

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

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

*(d) Maximum rate of co-financing*

The maximum possible rate of co-financing for this grant is 90% of the eligible costs of the action.

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 maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(e) Indicative trimester to conclude the grant agreement*

4<sup>th</sup> trimester of 2015.

5.3.3 *Component 3*

5.3.3.1 Procurement (direct management)

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Support the process of institutional reunification and institutional building, focussing on Gaza	services	1	2016
Ad-hoc technical assistance support to PEGASE DFS and ROF, and PEGASE-DFS specific audit and monitoring measures	services	3	2016

5.3.3.2 Direct award 'Support to the Palestinian Central Bureau of Statistics' (direct management)

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

The main objective of this action is, building on EU current support, to ensure high-level utilization of the statistical program and update the socio-economic indicators to contribute to the overall development planning process as well as other sector plans and programmes, and capacity building of the Palestinian Central Bureau of Statistics (PCBS) staff in various statistical themes. This support would facilitate the current shift of PEGASE Direct Financial Support to a results-oriented monitoring and policy dialogue tool, which requires a strong and independent statistics institution for adequate monitoring purposes.

*(b) Justification of a direct grant*

Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to the **Palestinian Central Bureau of Statistics**.

Under the responsibility of the Commission’s authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the action has specific characteristics requiring this beneficiary for its technical competence, specialisation and legal mandate (Article 190(1)(f) RAP). The mandate of this independent institution has been established by law. It aims to develop and enhance the Palestinian official statistical system based on legal grounds that organize the process of data collection and utilization for statistical purposes.

*(c) Maximum rate of co-financing*

The maximum possible rate of co-financing for this grant is 90% of the eligible costs of the action.

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 maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(d) Indicative trimester to conclude the grant agreement*

4<sup>th</sup> trimester of 2015.

**5.4 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 and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Budget Article 9(2)(b) 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 in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

**5.5 Indicative budget**

	EU contribution (amount in	Indicative third party contribution, in
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	<b>EUR)</b>	<b>currency identified</b>
<b>5.3.1 – Component 1:</b>		
5.3.1.1. Indirect management with the KfW	4,500,000	EUR 5 million (KfW) USD 3 million (WB) DKK 60 million (DRO)
<b>5.3.2 – Component 2:</b>		
5.3.2.1. Direct grant to the Palestinian Judicial Institute	1,000,000	110,000
5.3.2.2. Direct grant to the Palestinian Bar Association	1,000,000	110,000
<b>5.3.3 – Component 3:</b>		
5.3.3.1. Procurement (direct management)		0
Support the process of institutional reunification and institutional building, focussing on Gaza	900,000	
Ad-hoc technical assistance support to PEGASE DFS and ROF, and PEGASE-DFS specific audit and monitoring measures	2,000,000	55,000
5.3.3.2. Direct Grant to the PCBS	500,000	
5.8 – Evaluation, 5.9 – Audit, 5.10 – Communication and visibility	100,000	N.A.
<b>Total</b>	<b>10,000,000</b>	EUR 5.275 million USD 3 million DKK 60 million

## 5.6 Organisational set-up and responsibilities

A Financing Agreement will be concluded between the European Union, represented by the European Commission, and the PA.

Component 1: The Municipality Development and Lending Fund is the implementing body of the Municipality Development Programme II (MDP II) which is financed by the PA (MoF and MoLG) and ten funding partners (EU, KfW, World Bank, Denmark, Swedish International Development Agency, Agence Française de Développement, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Belgian Development Agency, Swiss Agency for Development and Cooperation, International Agency of the Association of Netherlands Municipalities (VNG)). Only three funding partners are currently contributing to the *Gaza Emergency Response* window. Bi-annual joint supervision missions led by the World Bank are carried out, at which the PA, the MDLF and the funding partners participate. The findings of

these missions are reported in an Aide Memoire that is circulated and endorsed by the PA and the funding partners.

Component 2: Two separate Steering Committees with participation of the respective institutions' Board of Directors members and the EU shall be set up to oversee and validate the overall direction and policy of each action. Each Steering Committee should meet at least twice a year and will incorporate stakeholders such as the end-users and/or the universities when relevant.

Component 3: This component will be covered and monitored under the PEGASE DFS Results-Oriented Framework, which will encompass quarterly sector dialogue and overall bi-annual high-level policy dialogue. Additionally, a Steering Committee for the public administration and the PBCS action will be set up with the respective institutions to oversee and guide the implementation of the activities.

The principles of gender equality and equal opportunities shall be considered when establishing the Steering Committees.

## **5.7 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this actions will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.8 Evaluation**

Having regard to the nature of the action, final evaluation(s) will be carried out for this action or its components via independent consultants contracted by the Commission or via an implementing partner.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that special emphasis on implementation of the Gaza Strip which entails great risks given the volatile political situation.

The Commission shall inform the implementing partner at least 15 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, 2 contracts for evaluation services shall be concluded under a framework contract in 2017.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, 1 contract for audit services shall be concluded in 2017.

## **5.10 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 at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, 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.

## **5.11 Pre-conditions**

In the case of the direct award grant for the Palestinian Judicial Institute, precondition will be that the PJI -beyond legal personality- has also guaranteed administrative and financial autonomy. The experience of the previous grant managed by PJI seems to cast serious doubts on its capacity to clear effective project management if expenditure must be approved via the ordinary administrative and accountancy procedures of the PA. Draft legal amendments that should eventually clarify the issue of financial autonomy have been circulated but have not been yet approved. A written delegation of budgetary authority of the Minister of Justice to the Director of the PJI concerning the funds of the EU grant must be given, or equally effective administrative arrangement agreed beforehand. The Commission reserve its rights to re-direct the budget allocated to the PJI action to other components of this programme in case this precondition is not met.

## APPENDIX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	<b>Intervention logic</b>	<b>Indicators</b>	<b>Baselines</b> (incl. reference year)	<b>Targets</b> (incl. reference year)	<b>Sources and means of verification</b>	<b>Assumptions</b>
<b>Overall objective:</b>	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.	Progress on the reconciliation process	Gaza recovery Plan and Detailed Needs Assessment	Institutional integration	PCBS – HoMs and ENP annual reports	
<b>Specific objective(s):</b>	1) Better municipal service delivery in the Gaza Strip through capital investment projects, improve municipal capacity and enhanced citizen participation.	<ul style="list-style-type: none"> <li>- Affected population in Gaza with access to restored municipal services;</li> <li>- Share of identified priority damages repaired by Gaza municipalities.</li> <li>- Number of Gazan municipalities that have succeeded in implementing capacity development and training interventions.</li> </ul>	Municipal damage assessment estimation of total municipal damages of USD 58 million.		MDPII progress reports Evaluation reports.	Local construction material and supplies are available notwithstanding limitation of the blockage on import of material and goods into Gaza.



	<p>2) Support the capacity development of the justice institutions, with special regard to training and regulatory functions, focusing on Gaza</p>	<ul style="list-style-type: none"> <li>- Clear legal framework for PJI developed (with special regard to reunification with Gaza)</li> <li>- Training systems developed, incl. on gender dimension.</li> <li>- Number of female/male judges, prosecutors, lawyers trained.</li> <li>- Number of (internal) regulations concerning enhanced management (incl. participation of women) and office procedures for PBA.</li> <li>- % of increase of knowledge among legal professionals on new legal developments.</li> </ul>	<p>Inconsistent legal framework for PJI without integration of Gaza - 2015;</p> <p>Limited institutional ability to plan and implement trainings.</p> <p>Regulatory/legal framework for PBA as of 2015</p>	<ul style="list-style-type: none"> <li>- clear legal PJI framework - 2017</li> <li>- Number of judges, prosecutors/lawyers trained corresponding to needs of justice sector. 2017</li> </ul>	<p>MoJ reports</p> <p>PBA reports</p> <p>Partner reports</p> <p>Reports from the Judicial Authority</p> <p>Relevant decisions and decrees</p> <p>Periodic reports</p>	<p>Sufficient political commitment of judiciary actors to reforms and reunification; access and political conditions in the Gaza Strip</p>
	<p>3) Achieve the institutional reunification with Gaza, enabling the rolling-out of key reforms</p>	<ul style="list-style-type: none"> <li>% of reintegrated 'pre 2007' employees</li> <li>% of reintegrated 'post 2007' employees</li> <li>% of reintegrated the 2,340 'pre 2007' employees previously excluded in the payroll</li> <li>% of degree of satisfaction of public services in Gaza</li> <li>- % change in access to health care</li> </ul>	<p>N/A</p> <p>Number of employees post 2007 excluded</p>	<p>Number of employees reintegrated</p> <ul style="list-style-type: none"> <li>- moving ahead with the Implementation of solutions for the pre/post 2007 employees, starting with those working in the education and health sectors.</li> <li>- Improving the capability and effectiveness of the PA civil service, with a focus on Gaza.</li> </ul>	<p>The MoF payroll and budget</p> <p>MoH and WHO reports</p> <p>Other PA and donors reports</p>	<p>Sufficient political commitment to the statebuilding reforms and the reconciliation process</p>

	<p>(4) Consolidate the management capacity of the PA, including in terms of planning and Monitoring &amp; Evaluation,</p> <p>(Supporting the National strategy for the Development of Official Statistics 2014-2018, through reinforcing the PCBS capacities.)</p>	<ul style="list-style-type: none"> <li>- key reforms implemented in line with jointly-agreed objectives in the PEGASE Results-oriented Framework</li> <li>- Achieving more than 80% of the strategic objectives of the National Strategy for the Development of Official Statistics 2014-2018</li> <li>- Number of contributions to the payment of salaries/pensions, social allowances and medical arrears.</li> </ul>	<ul style="list-style-type: none"> <li>- objectives/targets jointly-agreed in the PEGASE DFS RoF;</li> <li>- According to the National Strategy for the Development of Official Statistics 2009-2013, 85% of the strategic objectives had been achieved</li> <li>- Over 10 PEGASE DFS payments in 2014</li> </ul>	<ul style="list-style-type: none"> <li>- Updating the socio-economic indicators</li> <li>- Promoting high-level utilisation of statistical program among all relevant stakeholders, in order to contribute to the national development planning and monitoring processes</li> <li>- Over 10 PEGASE DFS payments/year in 2016-2018</li> </ul>	<ul style="list-style-type: none"> <li>- PEGASE DFS RoF annual reporting</li> <li>Special surveys and reports by the PCBS</li> <li>- PEGASE DFS audit reports</li> <li>- PEGASE DFS financial reports</li> <li>- PEGASE DFS final and mid-term evaluations</li> </ul>	
<b>Outputs</b>	<p>1) – X capital investment grants</p> <ul style="list-style-type: none"> <li>- capacity development packages and training interventions</li> </ul>	<ul style="list-style-type: none"> <li>- Number of capital investment projects implemented.</li> <li>- Number of municipalities that received training and capacity development</li> </ul>	<p>Municipal damage assessment</p> <p>estimation of total municipal damages of USD 58 million.</p>		<p>MDPII progress reports</p> <p>Evaluation reports.</p>	<p>Local construction material and supplies are available notwithstanding limitation of the blockage on import of material and goods into Gaza</p>
	<p>(2) - Coherent training system implemented by PJI for judges and prosecutors (male/female) in the West Bank and Gaza</p> <ul style="list-style-type: none"> <li>- Advancements on training system for lawyers (male/female) and regulation of the legal profession, extending them to the Gaza strip while addressing its specific needs.</li> </ul>	<ul style="list-style-type: none"> <li>- Number of male/female lawyers, judges, prosecutors trained</li> <li>- Consistency of content and quality of training with actual needs of target group, incl. training on gender dimension.</li> <li>- Number and quality of documents on organisational issues</li> <li>- Quality of new website. Intensity and quality of communication with foreign stakeholders</li> </ul>	<p>Baselines mainly represented by achievements upon completion of previous grants (2013)</p>	<p>Consolidation and extension of training framework in West Bank and Gaza</p> <p>Foreign networks re-established or activated ex novo in Gaza</p> <p>Rational functioning of offices</p>	<p>PBA and PJI reports</p> <p>Donor reports</p> <p>ROM reports and evaluations</p> <p>PA reports</p>	<p>Sufficient political commitment of judiciary actors to the reforms and the institutional reunification; enough security and access to Gaza strip</p>
	<p>(3) The PA implements long-</p>	<ul style="list-style-type: none"> <li>- Technical models developed for</li> </ul>	<p>Number of</p>	<ul style="list-style-type: none"> <li>- Moving ahead</li> </ul>	<p>The MoF payroll and</p>	<p>Sufficient political</p>

	<p>term solutions to the issue of non-working PA public servants</p> <p>The PA implements long-term solutions to the working employees who do not receive their salaries</p> <p>Moving ahead with the reforms for a public sector reputable for integrity, good performance and responsiveness through the cost-effective delivery of high quality public services to citizens</p> <p>The PA moves ahead with reforms to improve service delivery at the local level in Gaza</p>	<p>staff reintegration</p>	<p>pre/post-2007 employees in Gaza</p>	<p>with the implementation of solutions for the pre/post-2007 employees, starting with those working in the education and health sectors.</p> <p>- Improving the capability and effectiveness of the PA civil service, with a focus on Gaza.</p>	<p>budget</p> <p>- MoH and WHO reports</p> <p>Other PA and donors reports</p>	<p>commitment to the statebuilding reforms and the reconciliation process</p>
	<p>(4) Key reforms in areas related to the PEGASE DFS results-oriented framework are implemented and advanced monitoring, control and audit systems for all PEGASE DFS programmes are enforced.</p> <p>Implementing the National strategy for the Development of Official Statistics 2014-2018</p>	<p>- Regular PA reporting on jointly-agreed objectives on PEGASE RoF</p> <p>- Regular and predictable monthly/quarterly contributions to the payment of salaries, social allowances and medical referrals</p>	<p>10 payments took place in 2014</p> <p>According to the the National Strategy for the Development of Official Statistics 2009-2013, 85% of the strategic objectives had been</p>	<p>At least 10 payments/year in 2016-2018</p> <p>- Updating the socio-economic indicators</p> <p>- Promoting high-level utilisation of statistical program among all relevant stakeholders, in order to contribute to the national development planning and monitoring processes</p>	<p>- PA RoF reporting</p> <p>- MoF expenditure reports;</p> <p>- PEGASE DFS financial reports</p> <p>- PEGASE DFS final and mid-term evaluations</p> <p>Special surveys and reports by the PCBS</p>	<p>Sufficient political commitment to the statebuilding reforms and the reconciliation process</p>

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This action is funded by the European Union

**ANNEX 2**

of the Commission implementing Decision on the Annual Action Programme 2015 part 2 in favour of Palestine<sup>1</sup>

**Action Document for "Support to the Private Sector in Gaza"**

<b>1. Title/basic act/ CRIS number</b>	Support to the Private Sector in Gaza CRIS number: ENI/2015038-311 financed under the European Neighbourhood Instrument			
<b>2. Zone benefiting from the action/location</b>	Palestine The action shall be carried out at the following location: West Bank and Gaza Strip			
<b>3. Programming document</b>	Single Support Framework 2014-2015			
<b>4. Sector of concentration/ thematic area</b>	Focal Sector 2: Support to the private sector and sustainable economic development			
<b>5. Amounts concerned</b>	Total estimated cost: EUR 10,000,000 Total amount of EU budget contribution EUR 10,000,000			
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality Component 1: Indirect management with the United Nations Development Programme (UNDP) Component 2: Direct management (PEGASE mechanism) Component 3: Procurement of services			
<b>7. DAC code(s)</b>	32130			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	N/A			

## SUMMARY

Support to the Private Sector and Sustainable Economic Development is one of the focal sectors of intervention of the Single Support Framework 2014-2015 in Palestine<sup>2</sup>.

Following the EU's pledge at the Cairo Conference for Gaza in October 2014 and responding to Headquarters' instructions, interventions in 2015 will focus on measures helping the redeployment of the Palestinian Authority (PA) in Gaza and paving the way for the institutional reunification.

The action's overall objective is to promote inclusive, sustainable, private sector-led economic development and thus promote decent-job creation in the Gaza Strip, building the path towards a green economy.

The private sector in the Strip has faced more than a decade of strife and was further struck by the military operation "Protective Edge" carried out by the Government of Israel in the summer of 2014. Against this challenging background, and in order to improve Gazan companies' prospects for sustainable development, the action will specifically target the Gaza Industrial Estate (GIE).

More specifically, the intervention aims at:

- consolidating the Gaza Industrial Estate to ensure it is fully operational and works as a catalyst for industrial development. (Component 1);
- supporting an incentives programme for companies that, after the recent conflict, are interested in relocating within the GIE (Component 2);
- contributing to PIEFZA's (Palestinian Industrial Estates and Free Zones Authority) capacity to efficiently develop the industrial zones in Palestine (Component 3).

<sup>2</sup> 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.

This action is in line with the PA Early Recovery and Reconstruction Plan as presented at the Cairo conference and takes into account the findings of the Detailed Needs Assessment (DNA) for Gaza developed by the PA, with EU, UN and World Bank support.

## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

**Palestinian economy** remains the poorest in the region and economic (consumption-driven) growth has been volatile over the past decade. In this context, although the economies of the West Bank (WB), Gaza and East Jerusalem share many characteristics, there are also clear and acute differences as a result of physical and political separation. Trade between the WB and Gaza has virtually disappeared. Within the WB, the restrictions on access and movement imposed on goods and persons by Israel, the non-contiguous control of land by the Palestinian Authority (PA) and the lack of access to Area C are huge constraints and have contributed to the development of small "insular" economies<sup>3</sup>.

The share in the economy of the two core sectors producing tradable goods (manufacturing and agriculture) has shrunk between the Oslo Accords time and today, respectively from 19 to 12% and from 13% to 2%. The percentage value of exports to Gross Domestic Product (GDP) of the Palestinian economy (around 19% in 2013) is among the lowest in the world. Moreover, Palestinian exports are highly concentrated in low value-added goods and services, mostly directed to a small number of countries, with more than 80% of them heading to Israel. In addition, the economy is highly reliant on imports from Israel (60% of total imports in November 2014).

The Palestinian economy is characterised by firms with limited productivity, low investment and scarce competition, in spite of remarkable capacity of local entrepreneurs to adapt to the wide-ranging political and economic constraints.

From a development perspective, key issues identified include:

- increasing poverty levels and high dependence on international aid;
- very high level of unemployment: more than 26% in 2014 (WB: 17%, Gaza: 43%);
- limited access to finance;
- limited chance/ability to deepen regional integration with neighbouring countries;
- limited participation of women in the formal working sector;
- insufficient focus on environmental issues at both institutional and enterprise level.

As regards the specific case of **Gaza**, its private sector suffered especially hard blows over last ten years. The resulting, current nearly complete halt in imports and exports, determined a dramatic drop in manufacturing and agricultural outputs.

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<sup>3</sup> Micro-SMEs represent a major component of the Palestinian business reality. More than 96% of establishments operating in Palestine in 2012 had less than 10 employees. (Palestinian Central Bureau of Statistics - PCBS).

Although the blockade imposed by Israel was partially eased in 2010 (for consumer goods and construction materials for donor-funded projects), restrictions on imports of construction and raw materials for the private sector remain in place with the exception of those channelled through the so-called Gaza Reconstruction Mechanism<sup>4</sup>. Similarly, trade to the West Bank and Israel, which traditionally absorbed around 85% of Gaza's exports, is restricted. Combined with the destruction of the tunnels connecting the Strip with Egypt, the blockade has effectively suffocated the economy. The military operation "Protective Edge" in summer 2014 has further impacted the private sector. Thousands of factories and commercial establishments were damaged or destroyed and severe losses devastated the agricultural and fishing industries. As a consequence, unemployment - with all its socio-political effects - was further exacerbated.

### 1.1.1 Public Policy Assessment and EU Policy Framework

In order to **do business**, Palestinian enterprises still face many constraints. According to the World Bank Doing Business Report 2014 ("West Bank and Gaza"), Palestine ranks 138<sup>th</sup> out of 189 economies surveyed. In particular, it ranks last in "Resolving Insolvency" (189<sup>th</sup>) and very low in "Getting Credit" (165<sup>th</sup>) and "Starting a Business" (143<sup>rd</sup>).

Despite the large number of existing policies and the initiated legal reforms<sup>5</sup>, the degree of their implementation, effectiveness and impact seem far from satisfactory. The institutional framework remains incomplete, especially considering the lack of a Small and Medium Enterprises (SME) development strategy. However, the PA was able to successfully establish a state of the art credit registry and the Palestinian Monetary Authority (PMA) provided valuable technical support in several projects' implementation.

The **National Economic Development Plan (NEDP) 2014-16** outlines three Strategic Goals:

1. Reducing dependence of the Palestinian economy on Israel and facilitating improved international trade opportunities;
2. Developing an enabling business and investment environment in Palestine;
3. Promoting competitiveness of the industrial sector and of M-SME.

These broad goals appear consistent with the priorities of the donor community, which looks especially at facilitating trade, at creating a conducive business and investment environment and at promoting competitiveness in selected economic sectors.

In september 2014 the Cabinet endorsed the comprehensive *National Export Strategy* (NES), formulated in partnership by the private and public sectors and with EU support. The NES has been formally adopted within the *Palestinian National*

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<sup>4</sup> The Gaza Reconstruction Mechanism (GRM) is a temporary agreement between the Government of Palestine and the Government of Israel, which was brokered by the UN in 2014. The mechanism, based on the creation of a dedicated database of rehabilitation works, is aimed at easing approval procedures and administrative/coordination process for UN agencies engaged in construction works. It is in the current context essential to minimize the chance of critical inputs shortages hampering the works in the GIE and the actual relocation of businesses.

<sup>5</sup> Among others: laws on competition, trademark/copyright, bankruptcy and amendments to the investment law.

*Development Plan (PNDP) 2014-2016* and proposes comprehensive measures for export development and the competitiveness of Palestinian products in twelve key sectors: stone and marble, agro-food (olive oil, fruit/vegetables, processed meat, herbs), textile/garment, pharmaceutical, footwear and leather, furniture, gold/jewellery, metal, plastics, ICT, tourism and financial services.

As regards **Gaza**, in response to the damages caused by the operation "Protective Edge", the Palestinian Consensus Government produced an **Early Recovery and Reconstruction Plan**, presented at the Cairo conference in October 2014. The Plan calls for the re-launch of the industrial, agricultural, commercial and service sectors, foreseeing a 3-phased intervention. Phases I and II provide short and medium terms detailed scenarios for immediate relief with the objective to restore livelihoods and get businesses quickly back to work utilising: i) existing programs (Phase I) such as the DFID/EU funded Palestinian Market Development Program and ii) special programs (Phase II) tailored to support the recovery of food, construction, and wooden industries. Phase III provides for a longer term approach (to start in a year) focusing on the rehabilitation of industrial, commercial and service establishments. The action detailed in this document is expected to support the third phase of this plan, which is also in line with the already mentioned **Detailed Needs Assessment (DNA)** for Gaza.

According to the DNA, the industrial sector, followed by the commerce and tourism sectors, was the most severely damaged by the operation "Protective Edge", contributing to 60% of total damage and 49% of total loss incurred in the non-agricultural productive sectors. 33% of total damages in the non-agricultural productive sector concerned equipment, 23% final products, and 21% building and infrastructures.

According to DNA estimates, the conflict led to a loss of employment approximately of 6% in Gaza and an annualised loss of 11% GDP. The DNA recommends that reconstruction, rehabilitation and recovery of social, infrastructure and productive sectors are contextualised in a longer-term recovery (or transformation) of the Gaza Strip.

As mentioned, support to private sector and sustainable economic development is amongst the three main areas of interventions of the **Single Support Framework 2014-2015**. The objective of this support is promoting inclusive, sustainable, private sector-led economic development and thus decent-job creation in Palestine, building the path towards a green economy. More specifically, it aims at (1) improving the competitiveness of Palestinian products and services in an environmentally sustainable way; and (2) contributing to skills development, innovation, sustainable job creation and decent work, and ensuring specific actions on gender, when needed. The support foreseen through this action is in line with these objectives.

Further inspiration for the programme came from the Commission Communication "**Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries**"<sup>6</sup>. In the document, the Commission sets out a number of principles for strengthening the role of the private sector in EU development cooperation, principles that will guide the finalisation and

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<sup>6</sup> European Commission Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Region. May 2014. COM(2014)263.



implementation of the Programme: focus on employment creation, inclusiveness and poverty reduction; differentiated approach to private sector, especially in fragile contexts; creating opportunities through market-based solutions; following transparent criteria in case of direct support to private sector actors; ensuring policy coherence in areas affecting the private sector in partner countries.

### *1.1.2 Stakeholder analysis*

**Private Sector Companies in Gaza** have borne the brunt of the military operation "Protective Edge" (see section 1.1.3). They are the direct target group of the action, which will support their relocation in the Gaza Industrial Estate, where their perspectives for long-term development will be substantially improved..

The **people of Gaza** will be the indirect beneficiaries of the action. The action will promote inclusive, sustainable, private sector-led economic development in the Gaza Strip, which should in turn benefit to the Gazan population as a whole.

A **Higher Inter-Ministerial Committee on Recovery and Reconstruction** headed by the Deputy Prime Minister is coordinating the Government's efforts to implement the National Early Recovery and Reconstruction Plan for Gaza. The Deputy Prime Minister Office was closely involved in the preparation of this action.

**PIEFZA** (Palestinian Industrial Estates and Free Zones Authority) is a governmental institution established in the mid-90s which is responsible for creating, developing and managing industrial estates in Palestine. There are currently 4 industrial estates in Palestine: the Gaza Industrial Estate (operating since 1999), the Bethlehem Industrial Park (since 2013) the Jericho Agro Industrial Park (since 2014), the Jenin Industrial Free Zone (since 2015). PIEFZA governing board is chaired by the Minister of National Economy. PIEFZA was closely involved in the preparation of this action.

**PIEDCO** (Palestine Industrial Estate Development and Management) is the company contracted by PIEFZA to develop and operate the Gaza Industrial Estate. It operates on the basis of a PIEFZA/PA 49 years' concession on the land and accepted to offer parallel incentives on new tenants' rental costs for multiple years, in view of the expected marked increase in the number and operational capacity of potentially relocating companies.

**UNDP** is the best placed implementer for Component 1 of the Programme, in consideration of: i) the availability of a UN preferential mechanism to introduce material inputs into Gaza, ii) its relevant presence in the Strip, iii) the good track record of collaboration with the Delegation and iv) the record of positive relations and on-going collaboration with PIEFZA.

### *1.1.3 Priority areas for support/problem analysis*

According to PA figures, massive damages occurred at about 861 industrial facilities, including within the Gaza Industrial Estate (GIE). As a consequence, more than 7,000 workers lost their jobs, thereby worsening the already dire unemployment situation in the Strip. To this should be added an increase in prices of goods and services (incl. transportation), scarcity of basic products, food insecurity, communication breakdown, commercial activities virtually paralysed, agricultural fields devastated and abandoned, shortage of cash for financial institutions and limited activity in the banking sector. Finally, lack of electricity and high fuel prices

strangled numerous businesses already weakened by the blockade, import restrictions and delays in funding the reconstruction program.

The direct losses suffered by factories and workshops were estimated by the PA at about USD220 million. The damage occurred mostly in the construction, food, wooden and chemical sectors.

The National Early Recovery and Reconstruction Plan provides a framework for interventions, including off-site infrastructure (water supply, electricity, sewage, telecommunication, etc.), increasing capacity of crossing points and strengthening GIE capacity to provide efficient services to factories willing to relocate into it. The EU engaged in discussions with the PA to develop an approach which is not compensation-based and focuses on the objective of supporting the recovery "in a sustainable and competitive way" directly targeting private sector businesses.

The support to the relocation of industries to the GIE will improve their development prospects. However, in the current context, companies' financial capacities are weak and a programme of incentives is needed to allow their move into the GIE. In addition, the GIE infrastructure needs to be rehabilitated to enable full use of its potential. Furthermore, PIEFZA's capacity remains limited and needs to be reinforced, while the unstable context in Gaza requires a particularly close monitoring of any important new development initiative.

The incentives component will finance equipment and building costs<sup>7</sup> for industries that are willing to re-establish their factories in the GIE also capitalising on the favourable rental conditions already negotiated with the GIE developer. This will be done on the basis of a programme to be set-up by the PA and funded through a PEGASE Programme. EU funds will be channelled directly to factories via a mechanism similar to the Partnership for Regional Investment, Development and Employment (PRIDE) scheme currently used by EU and Japan in the Jericho Agro-Industrial Park. The capacity of PIEFZA to manage this programme and to carry-out its activities will also be reinforced, in light of the lessons learned from the ongoing PRIDE programme. Against the backdrop of the unstable context in the Gaza Strip, an *in-itinere* monitoring system will be also set-up in order to regularly assess the performance of the programme and support decision-making on any necessary re-adjustment.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Israel does not permit entry of sufficient goods and inputs into the Gaza Strip to allow the project activities to be implemented.	H	Dialog and cooperation with the office for the Coordination of Government Activities in the Territories (COGAT) when needed. Use of the UNDP coordination mechanism for the infrastructural part.

<sup>7</sup> Up to an established maximum amount and to a specific percentage of overall investment.

Further escalation of conflict in Gaza.	M/H	Continuous monitoring of the situation and adaptation of the action to new circumstances.
Poor coordination between PA staff in Ramallah and Gaza	H	Continuous monitoring of the situation
Insufficient PA capacities to implement the programme	M	Provision of technical assistance.
PIEFZA staff is not operational in Gaza, and does not efficiently coordinates with PIEFZA staff in Ramallah	M	Continuous monitoring of the situation, Dialog with PIEFZA, Provision of technical assistance.
<b>Assumptions</b>		
Israel allows sufficient inputs and goods in the Gaza Strip in order to allow the building of the factories and the equipment of the programme beneficiaries.		
Sufficient political stability		

### 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

The EU-funded PA's programme PRIDE (Partnership for Regional Investment, Development & Employment), was the first national programme in support to an industrial park in Palestine, namely the Jericho Agro-Industrial Park (JAIP). The performance of this programme - currently on-going and co-funded by the Japanese Government - has been positive. Nevertheless, limited capacity in PIEFZA has led to implementation delays. This lesson will be taken into account in the design of the current programme, which has to provide for the necessary “accompanying measures” in the form of support to PIEFZA’s capacity. In addition, it will be important to have the PA clearly defining - from the outset - each actors’ responsibilities as well as the exact features of the package of incentives offered to companies willing to re-establish their activities in the GIE.

After operation "Cast Lead", the EU had a key role in the efforts to revive the private sector in Gaza by supporting the main initiative of the Gaza Early Recovery and Reconstruction Plan: the Private Sector Reconstruction in Gaza (PSRG) programme. An evaluation of this intervention, carried out in 2013, confirmed that the PSRG objective of resumption of activities by beneficiaries was largely achieved. It also highlighted how PSRG managed to build on the resilience and financial strength of part of the local business community, providing effective leverage for the mobilisation of own financial resources. This was also made possible by the “symbolic” value of the Programme, which was perceived as a clear sign of the international commitment to support Gaza people and economy. As a consequence, the majority of beneficiaries succeeded in re-creating employment, almost reaching pre-war levels. However, PSRG impact could have been further enhanced through (i) the adoption of a more flexible and sustainability-orientated approach, (ii) the provision of complementary capacity building for the PA and private sector institutions, (iii) the simplification of procedures and (iv) the establishment and operation of a better Monitoring and Evaluation system.

An Evaluation of the EU Support to Private Sector Development in Third Countries was completed in March 2013. The study commends the EU comprehensive

approach, which provides a wide range of different types of PSD support, and recommends to:

- embed PSD support in the wider national strategy of the country;
- conduct upfront technical analysis and consultations;
- coordinate more effectively between EU different kinds of support to PSD;
- devote sufficient resources to the definition of expected results and baselines and to conduct appropriate evaluations.

Promoting SMEs is a priority area in Euro-Mediterranean industrial cooperation. One activity consisted in evaluating the implementation of the Small Business Act for Europe (SBA) in Palestine in 2014. Results pointed to the need for strengthening the institutional framework by elaborating a multi-year SME development strategy and better coordinating initiatives taken by NGOs, donors, private sector organisations and government bodies.

### 3.2 Complementarity, synergy and donor coordination

**EU-financed programme of incentives to Jericho Agro-Industrial Park tenants:** JAIP is an industrial park focused on agri-business where, similarly to the case of the Gaza Industrial Estate, the operation and management is supervised by PIEFZA. In order to attract investment in JAIP, the PA offers a range of incentives, including tax breaks, to its tenants. In this context, it has established a programme called PRIDE (Partnership for Regional Investment, Development & Employment) to provide financial support to JAIP tenants. In order to facilitate the efficient channelling of funds towards the PRIDE Programme, the EU established a PEGASE programme which entails the audits and verifications typical of all PEGASE and provides financial support to PA/EU eligible JAIP tenants to purchase equipment, machinery, tools and building material (not including installation/labour costs) for their operations in the park. Inventory costs, taxes and customs applicable to the eligible items are not covered. The value of the support received by each eligible beneficiary amounts to a maximum of 50% of the total value of assets and shall not exceed USD 0.5 million.

**Japan** committed USD 4 million to the PRIDE programme through PEGASE. In addition, Japan has financed infrastructure projects in JAIP through the United Nation Development Programme (UNDP), as well as technical assistance to PIEFZA.

The EU and KfW-funded **European Palestinian Credit Guarantee Fund (EPCGF)** operates through local banks and provides guarantees for loans extended to SMEs, both for capital expenditure and working capital. The fund helps stabilise the Palestinian economy and safeguards employment and income in the private sector by preserving market-economy structures in the SME and financial sectors. The fund's target group are SMEs with a maximum of 20 employees<sup>8</sup> and it benefits a wide range of sectors (trade, industry, services, agriculture, construction, tourism). The loan ceiling is fixed at USD 200,000 to support borrowers who generally lack sufficient bankable collateral but have a business plan generating sufficient cash flow for repayment. In total, more than 3,650 loans have been guaranteed so far, for a cumulative amount exceeding USD136 million. As of the end of 2014, the EPCGF

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<sup>8</sup> 75% of beneficiaries employ less than 5 persons.

had guaranteed a total of 43 loans in Gaza, for total 930,000 USD. The EPCGF is currently seeking to increase its activity in Gaza and the PA is considering the possibility to channel additional PA funds earmarked for Gaza reconstruction through the EPCGF.

The Palestinian Market Development Programme (**PMDP**) implemented and co-funded by DFID under a contribution agreement has provided an immediate response after the war with a new a Gaza "back to work" window under the grant component of the project. The objectives of the grants shifted from technical assistance to provision of equipment and repairs. The 661 Applicants are mainly engaged in the construction, agricultural, furniture, metal and food industry.

The EU-financed and UNRWA-implemented **Emergency Job Creation Programme in the Gaza Strip 2011-13** contributed to economic development in Gaza by providing paid work for skilled and unskilled civilians. The businesses directly targeted by the project benefitted from the intervention not only through the reduction of labour costs but also through the improved capacity in business management, acquired through experts hired and placed in the Palestinian Federation of Industries (PFI).

The proposed project is also complementary with initiatives implemented at the **regional level** aiming at supporting private sector development, including: "Support to investment, innovation, and sustainable growth", "Contribution to the Neighbourhood investment facility to support the financing and development of micro and MSEs in the South Neighbourhood", "Support to the improvement of the business environment in Southern Mediterranean" and SWITCH-Med (promoting more sustainable consumption and production patterns).

As regards **donors' coordination**, the Economic Policy Strategy Group (ESG), co-chaired by the Ministry of Finance and the World Bank, is the operational forum for strategic PA-donors coordination on economic development. Three working groups have been established by the ESG: fiscal issues, agriculture and private sector development & trade (the latter co-chaired by Minister of National Economy (MoNE) and the World Bank). The EU also participates in the regular donor-PA dialogue on Economy and Trade established by the MoNE. In addition, EU coordination towards joint programming is progressing as reflected in the revised 2013 EU Local Strategy on Development Cooperation (EU LDS). The EU LDS clarifies EU Member States priority sectors of intervention and the in-country EU division of labour. Since December 2014, 16 sector fiches (including on Private Sector Development) have been jointly drafted, under the lead of the EU-lead donors and participation of EU active donors for each relevant sector, indicating the key priorities for the EU to focus cooperation and policy dialogue.

### **3.3 Cross-cutting issues**

The proposed action will support the PA Agenda for environment protection. The relocation of industries out of urban areas will reduce the impact of pollution on the population, while ensuring a coordinated and monitored environmental impact. The GIE is expected to invest in renewable energies and cleaner technologies will be promoted among beneficiary businesses.

Public-private dialogue was encouraged during the assessment following the recent conflict and the design of the overall PA recovery programme, will be further promoted during the detailed design of the action and its implementation, with the

active involvement of PIEFZA, PIEDCO, private sector representative organisations (such as PFI) and beneficiary businesses.

#### **4 DESCRIPTION OF THE ACTION**

##### **4.1 Objectives/results**

###### Overall objective

To promote inclusive, sustainable, private sector-led economic development and therefore promoting decent-job creation in the Gaza Strip, building the path towards a green economy.

###### Specific objectives

1. To rehabilitate and consolidate the Gaza Industrial Estate to ensure it is fully operational and works as a catalyst for industrial development (Component 1);
2. To support an incentives programme for companies that, after the recent conflict, are interested in relocating within the GIE (Component 2);
3. To contribute to PIEFZA's capacity to efficiently and sustainably manage and develop the industrial zones in Palestine (Component 3);

###### Results

- 1.1 The GIE electrical infrastructure is operational;
- 1.2 The GIE Wastewater System is operational;
- 1.3 The GIE Water well and desalinisation Unit are operational;
- 2.1 At least 20 companies are established inside the GIE thanks to the incentives provided;
- 3.1 PIEFZA's capacities are reinforced;
- 3.2 PIEFZA is implementing efficiently the incentives programme;
- 4.1 An efficient *in-itinere* monitoring system is in place.

##### **4.2 Main activities**

The action may - inter alia - include the following activities to:

- 1.1.1 rehabilitate GIE transformer rooms (16 out of 21);
- 1.1.2 repair out-of-order power cables;
- 1.2.1 rehabilitate GIE waste water rooms;
- 1.3.1 rehabilitate one water well;
- 1.3.2 rehabilitate the GIE Desalinisation unit;
- 2.1.1 implement a PEGASE programme providing incentives to companies willing to relocate into the GIE;
- 3.1.1 provide strategic advice to PIEFZA and better triggering the role of Charter/Small Business Act national coordinator;
- 3.1.2 provide training to PIEFZA staff;
- 3.2.1 provide technical assistance to PIEFZA for the implementation of the incentives programme;

4.1.1 set up an *in-itinere* monitoring system for the incentives programme;

4.1.2 implement the monitoring system.

### 4.3 Intervention logic

In order to contribute to the promotion of inclusive, sustainable, private sector-led economic development and relieving the problem of unemployment in the Gaza Strip, the action will strategically focus on reinforcing the efficiency and the activity of the GIE. Several considerations led to the choice of this area as an engine for potential growth and job creation. The GIE is located in a relatively protected area which suffered comparatively minor damages during the last conflicts, allowing most of its tenants to quickly get back to work<sup>9</sup>. Companies established in the GIE normally do benefit from well-functioning basic services and logistics: permanent provision of power is ensured through an agreement with the electricity distribution company, there are two water networks (brackish and desalinated) supplying factories from an elevated water tank and telephone and internet networks are designed to meet the needs of any facilities. It should be noted that the whole area of the Industrial Estate (including the lots still unoccupied) is indeed covered by the infrastructure network. Also, the attractiveness of the GIE is proved by the 100% occupancy rate of its already developed plots. Finally, its location is adjacent to Al Montar/Karni crossing point which could - if re-opened - be used as an alternative to Kerem Abu Salam/Kerem Shalom. Hence the GIE provides a credible vehicle for expanding productive employment opportunities and, if restrictions on exports from Gaza are released by Israel, setting the foundations for a future export-oriented area.

While the GIE infrastructure will be fully rehabilitated, relocating companies will benefit from a programme of incentives which will include a financial contribution for equipment purchase and factories' construction, channelled directly to private businesses under a PRIDE-like scheme, currently used in JAIP. In parallel, additional incentives on plots rental costs will be guaranteed by the GIE developer.

The main assumption regarding the two first specific objectives is that Israel allows sufficient inputs and goods in the Gaza Strip in order to allow the building of the factories and the equipment supply of the programme beneficiaries. The availability of preferential UN channels established over last few months with Israel was one of the most compelling reasons behind the choice of UNDP as implementer of Component 1, so to minimize the chance of critical inputs shortages hampering the rehabilitation of the GIE and the relocation of interested businesses.

In addition, the action will reinforce PIEFZA's capacity to efficiently manage the programme and develop Palestine's industrial zones.

An *in-itinere* monitoring system will be set-up to assess regularly the appropriateness and relevance of the action's design in the unstable context of the Gaza Strip. It will also monitor the effectiveness, efficiency and impact of the action at the level of businesses and the overall economy, as well as its potential sustainability. This will support decision-making on any necessary re-adjustment of the programme design and strategic orientations. For the entire programme to bear fruits along the lines of

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<sup>9</sup> Security concerns are unanimously referred to as the main threat to investment in Gaza. The GIE's privileged position in this regard was confirmed by dedicated civil society consultations held in Gaza in March 2015.

this intervention logic, an overarching assumption is sufficient political stability, and notably the absence of military conflicts in the Gaza Strip.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

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

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3 Implementation modalities**

#### *5.3.1 Rehabilitation and consolidation of the Gaza Industrial Estate to ensure it is fully operational and works as a catalyst for industrial development (Component 1)*

##### **5.3.1.1 Indirect management with an international organisation**

A part of this action may be implemented in indirect management with the United Nations Development Programme (UNDP) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the rehabilitation of the Gaza Industrial Estate. The implementation by UNDP is justified in consideration of its strong experience and presence in Gaza, as well as on the positive record of collaboration registered over last years with the EU. In addition, as mentioned above (indicate under which point), UNDP has access to the UN coordination mechanism allowing the entry of construction material into the Gaza Strip: a crucial asset for the success of the project.

The entrusted entity would carry out the following budget-implementation tasks: tendering, contracting, paying, monitoring activities in view of the rehabilitation of the Gaza Industrial Estate electrical infrastructure, wastewater system, water well and desalinisation unit.

#### *5.3.2 Support to an incentives programme for companies that, after the recent conflict, are interested in relocating within the GIE (Component 2)*

##### **5.3.2.1 PEGASE (direct management)**

The second component of the action will be financed through the PEGASE mechanism, in line with its standard *modus operandi*. Ex ante audit will be performed on the programme design itself (including - inter alia - the definition of selection criteria for funding), on the individual applications/requests for funding from potentially relocating businesses and on the implementation of the to-be-reimbursed operations. Ex-post audits will, further to the payment, verify the accuracy and compliance to financial rules and regulations. The mentioned actions



are not budgeted for under this action, as they will be performed (and funded) in the framework of the contractual relations already established by the Contracting Authority for the implementation of other interventions utilising the PEGASE mechanism.

5.3.3 *Contribution to PIEFZA's capacities to efficiently and sustainably manage and develop the industrial zones in Palestine (Component 3)*

5.3.3.1 Procurement (direct management)

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance to PIEFZA	Services	1	1 <sup>st</sup> 2016

5.3.4 *Regular strategic monitoring of the Programme (Component 4)*

5.3.4.1 Procurement (direct management)

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
<i>In-itinere</i> Monitoring of the action	Services	1	1 <sup>st</sup> 2016

**5.4 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 and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) 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 in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

**5.5 Indicative budget**

	EU contribution (amount in EUR)	Indicative third party contribution in EUR
<b>5.3.1. Rehabilitation and consolidation of the Gaza Industrial Estate to ensure it is fully operational and works as a catalyst for industrial development (Component 1),</b>	2,500,000	0
5.3.1.1 Indirect management with UNDP	2,500,000	0
<b>5.3.2 Support to an incentives programme for companies that, after the recent conflict,</b>	7,000,000	0

<b>are interested in relocating within the GIE (Component 2)</b>		
5.3.2.1 PEGASE (direct management)	7,000,000	0
<b>5.3.3 Contribution to PIEFZA's capacities to efficiently and sustainably manage and develop the industrial zones in Palestine (Component 3)</b>	275,000	0
5.3.3.1 Procurement (direct management)	275,000	0
<b>5.3.4 Regular strategic monitoring of the Programme (Component 4)</b>	175,000	0
5.3.4.1 Procurement (direct management)	175,000	0
5.8 – Evaluation, 5.9 - Audit	Covered by another decision	N.A.
5.10 – Communication and visibility	50,000	0
Contingencies	0	0
<b>TOTAL</b>	<b>10,000,000</b>	<b>0</b>

## 5.6 Organisational set-up and responsibilities

### Component 1:

This component will be implemented by the United Nations Development Programme.

On the PA side, the leading partner will be PIEFZA. A steering committee, meeting at least twice a year and comprising key stakeholders (including UNDP, the EU and PA representatives) shall be set up to oversee and validate the overall direction of the project.

In due consideration of the principle of ownership, the European Commission reserves the right to change the afore-mentioned organisation or the scope of the delegation, without this necessarily requiring an amendment of the financing agreement. In that case, it shall consult the beneficiary on this change and notify to it the name of the new organisation and/or the scope of the task(s) delegated to it.

### Component 2:

This component will be implemented by the Commission, through the Office of the European Union Representative in East-Jerusalem.

On the PA side the leading partner in the implementation of the PEGASE programme will be PIEFZA, with the collaboration of the Ministry of Finance in the execution of the payment to final beneficiaries. Representatives of the Private Sector Federations will also be involved.

### Components 3 and 4:

These components will be implemented by the Commission through the Office of the European Union Representative in East-Jerusalem. Two service contracts will be procured and contracted. Steering committees will be set-up to oversee and validate the overall direction and policy of the actions.

## **5.7 Performance monitoring and reporting**

An *in-itinere* monitoring system will be set up and implemented.

The day-to-day technical and financial monitoring of the implementation will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## **5.8 Evaluation**

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission via an implementing partner. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this is the first time that such an approach is used in the Gaza Strip.

The Commission shall inform the implementing partner at least 15 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk

assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

#### **5.10 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 at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, 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.

## APPENDIX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	<b>Intervention logic</b>	<b>Indicators</b>	<b>Baselines (incl. reference year)</b>	<b>Targets (incl. reference year)</b>	<b>Sources and means of verification</b>	<b>Assumptions</b>
<b>Overall objective: Impact</b>	To promote inclusive, sustainable, private sector-led economic development and job creation in the Gaza Strip, building the path towards a green economy	Real GDP growth in the Gaza Strip  Unemployment rate in the Gaza Strip  Labour force participation rate in the Gaza Strip  Share of exports of Palestinian Goods and services in the GDP	2013: 6% 2014: (est.) -15%  Q4 2014: 42.8%  Q4 2014: 44.9%  2013:18.6%	2019: 4%  Q4 2019: 32%  Q4 2019: 35%  2019: 19%	Palestinian Central Bureau of Statistics (PCBS), International Monetary Fund (IMF)	Sufficient political stability
<b>Specific objective(s): Outcome(s)</b>	1. To rehabilitate and consolidate the Gaza Industrial Estate to ensure it is fully operational and works as a catalyst for industrial development  2. To support an incentives programme for companies that, after the recent conflict, are interested in relocating within the GIE  3. To contribute to PIEFZA's capacities to efficiently and sustainably manage and	Number of companies operating in the Gaza Industrial Estate  Numbers of workers employed in the Gaza Industrial Estate  Yearly value of exports from companies established in the GIE	October 2014: 30  October 2014: 2,000  -	2019: 50  -  -	PIEFZA, Progress reports	Israel allows sufficient inputs and goods in the Gaza Strip in order to allow the building of the factories and the equipment of the programme beneficiaries.

	develop the industrial zones in Palestine					
Outputs	1.1 The GIE electrical infrastructure is operational	1.1.1 Number of transformer rooms rehabilitated	2015: 0	2017:16	PIEFZA, Progress reports	Israel allows sufficient inputs and goods in the Gaza Strip in order to allow the building of the factories and the equipment of the programme beneficiaries.
		1.1.2 Quantity of power cables restored (meters)	2015: 0	2017: 1500		
	1.2 The GIE Wastewater System is operational	1.2.1 Number of Waste Water Room Rehabilitated	2015: 0	2017: 2		
	1.3 The GIE Water well and desalination Unit are operational	1.3.1 Number of Water Well Rehabilitated	2015: 0	2017: 1		
		1.3.2 Number of Desalination Unit Rehabilitated	2015: 0	2017: 1		
	2.1 At least 20 companies are established inside the GIE thanks to the incentives provided	2.1.1 Number of new companies established inside the GIE thanks to the incentives programme	2015: 0	2019: 20		
	3.1 PIEFZA's capacities are reinforced 3.2 PIEFZA is implementing efficiently the incentives programme	3.1.1 Number of training provided to PIEFZA staff	2015: 0	2019: tbd		
	Monitoring system established					
	Number of Monitoring report produced	2015: 0	2019: tbd			



This action is funded by the European Union

**ANNEX 3**

of the Commission implementing Decision on the Annual Action Programme 2015 part 2 in favour of Palestine<sup>1</sup>

**Action Document for Short-Term Low Volume Sea Water Desalination Plant for the Southern Governorates of the Gaza strip – Phase II**

<b>1. Title/basic act/ CRIS number</b>	Short-Term Low Volume Sea Water Desalination Plant for the Southern Governorates of the Gaza strip – Phase II (STLV-II) CRIS number: ENI/2015/038-310 financed under European Neighbourhood Instrument			
<b>2. Zone benefiting from the action/location</b>	Palestine The action shall be carried out at the following location: Southern Governorates of the Gaza strip (Khan Younis and Rafah)			
<b>3. Programming document</b>	Single Support Framework (SSF) 2014/2015 European Union Representative Office in Jerusalem (EUREP Office)			
<b>4. Sector of concentration/ thematic area</b>	Focal Sector 3: Support to water and land development			
<b>5. Amounts concerned</b>	Total estimated cost: EUR 10,000,000 Total amount of EU budget contribution EUR 10,000,000			
<b>6. Aid modality and implementation modality</b>	Project Modality Indirect management with UNICEF			
<b>7. DAC code(s)</b>	14031 - Basic drinking water supply			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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

	born and child health			
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Environment and Climate Change + Human Development/Health			

## SUMMARY

Support to Water and Land development is one of the focal sectors of intervention of the Single Support Framework 2014-2015 in Palestine.

Following the EU's pledge at the Cairo Conference for Gaza in October 2014 and responding to Headquarters' instructions, interventions in 2015 will focus on measures helping the redeployment of the Palestinian Authority (PA) in Gaza and paving the way for the institutional reunification.

The current action focuses on providing additional sources of water to the citizen of the Gaza Strip through the construction of a short-term Low Volume (STLV) Desalination Plant with a potential capacity of 14,000 m<sup>3</sup>/day<sup>2</sup> with an estimated selling price of water of around 0.93 €/m<sup>3</sup>. The new plant will be a development and expansion of the current STLV Desalination plant funded by EU for the Southern Governorates of the Gaza. The project will be implemented through an indirect management with UNICEF.

This project is an appropriate, quick and effective response to the acute shortage of potable water in Gaza. Indeed without significant intervention, the water situation in Gaza will continue to deteriorate and will increase health risks, especially in the vulnerable community of Gaza. Currently private companies are selling water for a price going up to 9.3 €/m<sup>3</sup>. This cost is not affordable for a large portion of the population. In addition, these private companies are extracting water from ground wells which adds more pressure on the aquifer.

The project is fully compliant with different studies, plans and strategies developed by the Palestinian Authority: the *National Water Sector Strategy 2014-2016*, the *National Early Recovery and Reconstruction Plan for Gaza (NERPP)* and the *Comparative Study of Options Gaza (CSO-G)*. The latest one, published in June 2011 established a rolling schedule of interventions to address the critical issue of water in Gaza. From the set of interventions, the construction of STLV desalination plant was a key recommendation to ensure a reasonable production of water of acceptable quality for domestic use.

The project by offering an alternative source of water to Gaza will partially reply to the urgent need to decrease the abstraction of ground water to protect the aquifer from further deterioration.

<sup>2</sup> 6,000 m<sup>3</sup>/day from the STLV-I and up to 8000 m<sup>3</sup>/day from STLV-II.



## 1 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

The development context in Palestine is fundamentally shaped by two factors: the ongoing Israeli-Palestinian conflict (more than 40 years of continued occupation and expansion of the settlements in the West Bank) and the slow progress of returning the Palestinian Authority to the Gaza partly due to the complex legal, political and practical issues that severely limits its ability to carry out its governmental responsibility.

Obstacles for economic development are multiple: limited access to land and water in the West Bank, severe restrictions on movement of goods considered by Israel to be of "dual use"<sup>3</sup>, disrupting effects of settlement activity and settlers, difficulty of obtaining permits for movement of people into and out of Gaza and of East Jerusalem, the lack of an adequate investment environment, etc.

The economic situation in Palestine continues to deteriorate. Real GDP per capita has declined since 2000 as a result of political conflicts and subsequent Israeli heavy restrictions on movement and access (including the blockade of Gaza). 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. *For the first time in a decade, the Palestinian economy faced negative growth in 2014*: The recent conflict in Gaza has been estimated to reduce GDP by around 15%<sup>4</sup>.

The Palestinian Authority (PA) has limited control of its revenues, remaining dependent on clearance revenue transfers from Israel as well as on donor contributions. Although ruled by the Paris protocol of 1994 (amended in 1995), the clearance revenue transfers is unpredictable due to unilateral calculations by Israeli authorities. Furthermore, in period of tensions or to counter Palestinian diplomatic actions, Israel is indeed able to stop transferring these monthly tax revenues. The withholding of these clearance revenues and loss of revenue due to 'fiscal leakages' underline the PA's financial dependence on the Israeli Government.

In the short term, the PA will continue to depend on donor aid to cover its recurrent deficit.

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 (in Gaza, the unemployment rate jumped to 45% in the second quarter of 2014 driven by a large loss of jobs in the construction sector. Youth and women experience the highest rates and remain more and more excluded of the decision-making processes. Youth in the 15-24 years group reached 63% in Gaza adding to the risks of social instability). Poverty and social situation are strongly impacted by the degradation of the Palestinian economy.

The conflict in Gaza over the summer 2014 also deepened extreme poverty there, the rate of which was already 21% beforehand (compared with 13% in Palestine as a

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<sup>3</sup> Items that have both civilian and potentially security-threatening use.

<sup>4</sup> Source: IMF annual report.

whole) – stressing the seriousness of the situation and current risks of an escalation. The conflict constitutes a major drama. Nearly the entire population is lacking adequate access to clean water, electricity and health care<sup>5</sup>.

The main water resource is the coastal aquifer stretching across the Gaza. Sea water intrusion, sewage and pesticide heavy agricultural water infiltration together with the natural soil conditions have had an adverse effect on ground water quality. Over 90 percent of Gaza water has high level of biological and chemical contamination considered as not meeting World Health Organisation (WHO) standards.

Groundwater provides about 98% of all water supplies while the remaining 2% is provided through purchasing from the Israeli water company (Mekorot).

A numerical groundwater model developed by Coastal Municipality Water Unit (CMWU) predicts that no more freshwater will be available in the Gaza Aquifer by 2016, if the current rate of ground water extraction and low recharge levels prevail and that the damage to it would become irreversible by 2020.

The Gaza water network is well developed with a connectivity of 97 percent (although the efficiency is estimated at 54 %). However, due to existing restriction and constraints, water supply is intermittent and the water consumption is estimated to 90l/c/d<sup>6</sup>. After summer 2014, despite rapid repair by CWMU) of 80 percent of priority repairs to infrastructure, between 20 to 30 % (450,000 people) are unable to access municipal water.

### 1.1.1 *Public Policy Assessment and EU Policy Framework*

A *National Water Sector Strategy 2014-2016* was presented to the international community in February 2014. The strategy is built on different objectives: (1) Ensuring good governance principles and institutional and legal environment that guarantees equitable distribution of the service, (2) Integrated management and sustainable development of water resources in consideration of quality and quantity, (3) equitable and reliable water services, (4) Improved sanitation services and infrastructure to protect water resources against pollution and (5) Ensured financial sustainability for water and sanitation service providers.

The *National Early Recovery and Reconstruction Plan for Gaza (NERPP)*<sup>7</sup> presents a strategy with two main objectives: (i) slowing the deterioration of the groundwater aquifer through small interventions in the short-term; and (ii) introducing high-volume interventions such as large-scale desalination and increasing water imports from neighbouring countries over the medium and longer-terms.

The short-term strategy - which takes into consideration the *Comparative Study of Options Gaza (CSO-G)*<sup>8</sup> - the so-called " *Rolling Programme of Interventions to reply to the humanitarian water crisis in Gaza*" - is comprised of three initiatives (i)

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<sup>5</sup> According to the latest United Nations estimates, more than 40,000 housing units, 141 schools, 29 hospitals, dozens of factories and vast areas of cultivated agricultural land, as well as Gaza's only power plant, were destroyed or damaged.

<sup>6</sup> l/c/d – liter per capita per day.

<sup>7</sup> The National Early Recovery and Reconstruction Plan for Gaza – International Conference in Support of the Reconstruction of Gaza. Cairo, Arab Republic of Egypt - October 2014.

<sup>8</sup> The Gaza Emergency Technical Assistance Programme (GETAP) on Water Supply to the Gaza Strip Component 1 – The Comparative Study of Options for an Additional Supply of Water for the Gaza Strip (CSO-G)- The Updated Final Report [Report 7 of the CSO-G], 31 July 2011.

improving efficiency of the Gaza water utility, reducing losses, and upgrading and rehabilitating existing networks, and reconfiguring the distribution system to manage additional supplies of water; (ii) introduce short-term low-volume desalination plans to add 13 million CM/year of desalinated water to the water supply network; and (iii) piloting and expanding schemes for treated wastewater reuse in agriculture.

### 1.1.2 *Stakeholder analysis*

The estimated direct beneficiaries from the STLV-II project will be around the 120,000 inhabitants located in the Khan Younis Governorate and part of the 50,000 inhabitants located in Rafah Governorate.

The indirect beneficiaries are located in all the district of Rafah governorates (110,000 inhabitants<sup>9</sup>) and in the Gaza as a whole as the project will help to relieve the aquifer stress from over-pumping. Women and children will be positively affected by the project as it will decrease the water related disease and benefit from safer better quality water and a much improved service.

The concept note for a Short Term low Volume desalination plant – Phase II (STLV-II) was drafted by United Nations Children's Fund (UNICEF) in collaboration with CMWU in July 2013. Based on this technical proposal, different meetings were held with the partners (UNICEF, Palestinian Water Authority (PWA) and CMWU). CMWU operates and manages nearly 18 small scale desalination plants and is therefore considered to have the adequate experience to design and operate the plant.

In addition, a donor meeting was organised by PWA-Gaza in December 2014 with the participation of EUREP, UNICEF, the United States Agency for International Development (USAID) and CMWU. The agenda of the meeting was to discuss the best options to allocate the funding's from USAID and EUREP and it has been concluded that EU funds should be committed to the STLV-II. This meeting was followed by a second meeting in January 2015 where PWA reiterated its willingness to see EU funds allocated to the STLV-II. Lastly, in February 2015, the PWA's chairman endorsed the proposal from EUREP and PWA-Gaza to fund the STLV-II.

### 1.1.3 *Priority areas for support/problem analysis*

Longer-term responses to the challenges of clean water and sanitation for the people of Gaza have to be addressed. In light of the current demand for fresh water and the expected growth by some 60 percent over current levels of abstraction from the aquifer, the increase of potable water supply in the short-term and the longer-term is essential to restoring the aquifer.

Following the conflict in Gaza over the summer 2014, a *Detailed Needs Assessment*<sup>10</sup> (DNA) process (implemented jointly with EU, UN and World Bank) has been launched and expected to help the National Consensus Government (NCG) to better target programming and implementing of the reconstruction in Gaza. One of its recommendations is to place the highest possible priority on activities that expand and develop alternatives to aquifer abstraction and therefore, to introduce

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<sup>9</sup> The inhabitants of Rafah will be fully covered once the connection of the three existing reservoirs will be done (PWA seeking funds for this activity through NGOs funding).

<sup>10</sup> Detailed Needs Assessment & Recovery Strategy for the Water and Sanitation Sub-Sector in Gaza 2014 – Version February 2015.

desalination plants to add desalinated water to the water supply network is considered as a long-term stability action.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Escalation of conflicts in Gaza	M/H	UNICEF's staff and resources are constantly reviewed in the context of threat and risk levels.
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 activity through Israeli interventions in Gaza	H	UNICEF's staff and resources are constantly reviewed in the context of threat and risk levels.  UN brokered mechanism to allow construction materials to enter Gaza on a large scale, to make them available to the private sector (sellers/constructors) and to ensure close end user monitoring (thus reducing the risk of it being used for offensive purposes) is fully implemented
No dispute arisen for the use of the land allocated to the project	L	PWA to monitor the expansion of the military camp close to the border of the land allocated to the plant
<b>Assumptions</b>		
(i) The security situation in Gaza remains at the current level or improves, which still enable project implementation,		
(ii) The electricity supply in Gaza remains stable or improves from its current level (after the Israeli intervention in Gaza this summer 2014) and details on the facility needs for the connection to the power grid have been shared with the Gaza Electrical Distribution Company (GEDCO) and the Palestinian Energy And Natural Resources Authority (PENRA).		

## 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

### 3.1 Lessons learnt

Lessons are drawn from the STL V-Phase I. This project will benefit from much of the assessment and development work undertaken during that project to mitigate costs and enhance the benefits. The STL V-Phase I is forecasted to be finalised in January 2016 but already, main lessons learnt are related to: the quality of the design for the technical parameters, the consistency of the bidding process and a close follow-up with the Israeli office for the Coordination of Government

Activities in the Territories (COGAT) for-Gaza for the authorisation for the entry of materials.

The Financial analysis and business model (under the preliminary design) already undertaken under the Phase I is a valid pre-assessment for the feasibility of the Phase II. The final report was provided in July 2013 and it confirms that the cost of desalinated water will be around 1\$/m<sup>3</sup> and that the profit for the first year of implementation (including all maintenance costs) could be around 5 % growing up to 8 % after 6 years.

### **3.2 Complementarity, synergy and donor coordination**

Water is a focal sector of EU support to the Palestinians with a total of EUR 97 million invested by the EU from 2006 to 2014. The EU cooperation in this sector has also been increasing in quality and quantity over the past 2 years, with EUR 58.5 million committed between 2012 and 2014 alone, including EUR 24.5 million for Gaza (out of which EUR 10 million for the STLV-Phase I).

At regional level, the EU is funding the SWIM programme (Sustainable Water Integrated Management) which comprises capacity building and pilot activities i.a. on water resources threats and water use model, as well as development of regional guidelines, including for desalination. Synergies with the work carried out under this programme will be promoted.

A project to improve the water distribution networks in several targeted areas of the Rafah and Khan Younis Governorates is also being implemented by the CMWU under a separate project funded by the EU.

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 Germany.

In the sector of water and sanitation, the PA/ PWA and several development partners<sup>11</sup> have signed in July 2012 a Memorandum of Understanding (MoU). The MoU intends to align and harmonize strategies in support of the PWA.

EU coordination towards joint programming is progressing as reflected in the revised 2013 EU Local Strategy on Development Cooperation (EU LDS). The EU LDS clarifies EU Member States priority sectors of intervention and the in-country EU division of labour. Since December 2014, 16 sector fiches have been jointly developed, under the lead of the EU-lead donors and participation of EU active donors for each relevant sector, indicating the key priorities for the EU to focus cooperation and policy dialogue. For Water Germany is the lead donor with active participation of the EU.

Furthermore regular coordination meetings are taking place with the World Bank and USAID.

### **3.3 Cross-cutting issues**

*Good governance* principles, the use of local systems and empowerment of local stakeholders are embedded in the design of the activities.

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<sup>11</sup>, EUREP/EU, ADF, Austria, Finland, Germany, Norway, Spain, The Netherlands, USAID and WB.

*Gender equality* will be promoted in particular in the implementation of component 5.

*Environmental sustainability and protection* are the main objectives of the project together with health risk mitigation, as the project is specifically aiming at reducing sanitary risks from the supply of undrinkable water.

*Climate change* is approached through the use of alternative sources of water.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

The overall objective of this intervention is to mitigate the health and socio-economic impact on the population in the Governorates of Khan Younis and Rafah in the Gaza strip resulting from the lack of safe drinking water due to high levels of groundwater contamination and to contribute to the protection of the ground water resources.

The specific objectives include:

- To improve the quantity and quality of water supplied to consumers;
- To limit the rapid deterioration of the coastal aquifer due to over abstraction.

The expected results are:

- The construction of a seawater desalination plant with a potential capacity of 14,000m<sup>3</sup>/day<sup>12</sup>,
- The financial capacity to manage, operate and maintain the plant is developed through an adequate tariff mapping;
- The quality of water supplied to consumers meet minimum WHO standards and increase access to 90 l/c/d of safe water for drinking and domestic purposes.

### **4.2 Main activities**

#### *Component 1 - Consultancy services*

The following consultancy assignments will be developed:

a) Preliminary designs including assessment & selection of preferred option.

Based on a review of the preliminary design already undertaken under the Phase I, the preliminary design will explore the best available techniques for energy efficiency and low operation and maintenance costs. The preliminary design will cover:

- Intake works to consider the options of sea intake and beach wells;
- Civil work designs – Intake and site works;
- Desalination plant with a capacity of around 14,000m<sup>3</sup>/d<sup>13</sup>;
- Enhancement Power supply requirement.

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<sup>12</sup> 6,000 m<sup>3</sup>/day from the STLV-I and up to 8000 m<sup>3</sup>/day from STLV-II.

<sup>13</sup> The exact capacity that can be installed with the budget available will be established by the consultancy.

b) Environmental and Social Impact Assessment (ESIA) update.

The ESIA will consist on an update of the existing ESIA produced during the Phase I of the project and extending the scope to new areas covered with different the technologies and methods proposed for this project.

c) Outline designs of established option incorporating recommendations of the ESIA and preparation of and tender documentation.

Component 2 - Civil /Marine Works – (Raw Water Intake and reject water discharge)

Provision shall be made to facilitate the 14,000m<sup>3</sup>/d production capacity for the water abstracted to be pumped to the desalination plant from the intake and rejected water (brine) to be discharged to the sea. The following key activities will be undertaken, as a minimum:

- Construction of sea water intake and pumping systems;
- Installation of pipeline to connect seawater intake to the treatment plant;
- Construction of an offshore sea outfall for brine (reject water) disposal;
- Installation of brine (reject water) disposal pipelines.

Component 3 - Installation of the Desalination Plant and ancillary works

A modular type seawater desalination plant to facilitate the final design output of 14,000m<sup>3</sup>/day, with RO units to be installed in stages will be constructed.

The following key activities will be undertaken as a minimum:

- Construction of structures to house the treatment plant equipment and units together with associated site establishment works, extension to internal roads, boundary walls storage facilities etc.;
- Installation of 1st stage of Reverse Osmosis units (desalination units) together with associated pre-treatment filtration systems, including civil, electrical and mechanical works;
- Installation of pumping stations associated with the treatment and discharge process;
- Provision of operations and management training for PWA/CMWU staff.

Component 4 - Electrical works

The proposed plant will be connected to the electrical grid of GEDCo the only distributor of electricity in the Gaza and will use the new power transmission line<sup>14</sup> constructed under the phase I.

The following key activities will be undertaken as a minimum:

- Upgrading of the power supply from the power grid from 1.6MW to 4.0MW including the installation of new transformer and switch gear;
- Procurement and Installation of standby generators;
- Provision of plant monitoring and control facilities.

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<sup>14</sup> Capacity of 1.6MW of power.

### Component 5 - Public campaigns

The aim of the public campaigns is to educate the people on the benefits of desalinated water, safe water handling and optimal use of water and to build confidence on its quality and encourage payment of the water tariff.

### Component 6 - Water Tariff mapping

A study on the water tariff to apply will be conducted during the implementation of the project. The proposed of tariff will be eventually reviewed and endorsed by the PWA.

### Component 7 - Water Networks – Pipe connections to blending reservoirs and distribution network improvements

The component 7 will be implemented upon reserve of remaining available funds after the contracting under the components 1 to 4. A mix of rehabilitation of existing water network and extending the coverage to the wider community will be applied under this component. The following key activities are envisaged:

- Rehabilitation and extension of pipeline serving Al-Rahma tank in Kahn Younis from the bulk water transfer main;
- Pipeline connections from the bulk water transfer main to other blending reservoirs in both Khan Younis & Rafah Governorates depending on the availability of funds.

The PWA has already confirmed that most of the activities under this component could be implemented through NGO funding if not implemented under this project.

## **4.3 Intervention logic**

Based on the critical situation in Gaza in regards of water source, it is imperative to provide alternative source of water to supply the inhabitants. Without doing it, the aquifer could be irretrievably damaged by 2020, knowing that the current damages to the aquifer will need already decades to be remediated. The construction of a seawater desalination plant with a potential capacity of 14,000m<sup>3</sup>/day, including the design study, the raw water intake, the electrical work, the public campaign and the tariff mapping with a possibility to extend the water network system is one of the most accurate solutions for a short-term remediation. The construction will lead to the improvement of the quality of water supplied to consumers and will limit, to a certain extent, the rapid deterioration of the coastal aquifer due to over abstraction. The impact of the intervention will be an improvement of the health and socio-economic levels of the population in the Governorates of Khan Younis and Rafah in the Gaza and will contribute to the protection of the ground water resources.

## **5 IMPLEMENTATION**

### **5.1 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.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts



and agreements implemented, is 54 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3 Implementation modalities**

#### **5.3.1 Indirect management with international organisation**

This action may be implemented in indirect management with United Nations Children's Fund (UNICEF) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012

This implementation entails *"The construction of a Phase II for the Short Term Low Volume (STLV) Sea water Desalination Plant for Southern Governorates of the Gaza strip"*. This implementation is justified by (i) the substantial proven achievement in the implementation of STLV I by UNICEF, (ii) the economy of scale and the savings on activities already implemented during the phase I (the Environmental and Social Impact assessment, the preliminary design options study and the site investigations including topographical and bathometric surveys, geological and source water quality investigation and analysis) out of which the new project will be built, (iii) the application of the principles of Paris Declaration and Accra Agenda in Donor's harmonization and coordination, (iv) the need to avoid artificial project breakdown and administrative complexity for the PWA and CMWU and lastly (vi) the needs to use an actor already well-implemented in the Gaza.

The entrusted entity would carry out the following budget-implementation tasks: general implementation and monitoring of activities, procurement, contracting, paying, reporting and monitoring.

### **5.4 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 and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) 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 in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

### **5.5 Indicative budget**

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified</b>
5.3. – Construction of a seawater desalination plant composed of design study, the raw water intake, the plant construction, the electrical work,	9,900,000	

the public campaign and the tariff mapping with a possibility to extend the water network system		
5.3.1. – Indirect management with UNICEF	9,900,000	
5.8 – Evaluation, 5.9 - Audit	50,000	N.A.
5.10 – Communication and visibility	50,000	N.A.
Contingencies		N.A.
Total	10,000,000	

## 5.6 Organisational set-up and responsibilities

UNICEF will ensure the coordination with all stakeholders, i.e. PWA, the Commission (through the Office of the EU Representative in Jerusalem), CMWU, contractors, etc. to guarantee an effective implementation of the project.

UNICEF, through its project management unit, will manage and monitor the project implementation and will be responsible for the engagement of contractors for the different components of the project. The awarding of contracts will be done in full coordination with PWA and CMWU.

In response to the specific situation of the Gaza, UNICEF, jointly with PWA, will coordinate with the Israeli Authority<sup>15</sup> to facilitate the delivery to Gaza of the project equipment and construction materials.

UNICEF intends to sub-delegate the construction supervision activities, the leak detection study and the water tariff mapping to the Coastal Municipality Water Unit (CMWU). Appropriate provisions will be included in the delegation agreement.

PWA will be responsible to monitor the project from technical, environmental, financial and management aspects on regular basis and report to the government.

CMWU will be responsible to carry out regular monitoring of the project lifecycle during design and implementation in coordination with UNICEF and the PWA, to undertake construction supervision activities and to operate and maintain the system after the commissioning phase.

The land allocated for the desalination purposes as well as all the related desalination facilities are public ownership owned by the Palestinian Authority where PWA, will abide the operation and maintenance functions to CMWU. Any future operational arrangements shall be subject to the water law. The distribution system and the main line will be maintained by CMWU.

### Steering Committee

A Steering Committee will be established with the main objective of to oversee the various phases of the project implementation and resolve the issues arising at the policy level. The steering Committee will comprise the following representatives: PWA, the Commission, UNICEF and CMWU. Representatives from Civil Society

<sup>15</sup> Under the specific UN brokered mechanism to allow construction materials to enter Gaza on a large scale.

and Municipalities could be involved. The final composition of the Steering Committee will be agreed at the beginning of the project.

Under the chairmanship of UNICEF the steering committee will meet at least once per year to review the progress of the project and resolve constraints, if any. Ad-hoc meeting will be called in case of urgent issues.

#### Project Management Committee

For a transparent and effective implementation of the project, a Project Management Committee (PMC) will be established. The PMC will consist of representatives from the Commission, UNICEF, PWA and CMWU.

The main mandate of the PMC is to ensure technical standards, provide technical inputs in the review of project documents, evaluation of the contracts, and review of project progress in addition to any technical issues related to the project implementation. The PMC will meet monthly to review the progress of the project and resolve technical constraints, if any. Ad-hoc meetings can be called in case of urgent issues. The minutes of the monthly meetings will be shared with the Steering Committee.

A detailed description of responsibilities will be formalised in a Memorandum of Understanding within the first 6 months of implementation for this action.

### **5.7 Performance monitoring and reporting**

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

### **5.8 Evaluation**

Having regard to the nature of the action, evaluations will not be carried out for this action or its components.

In case an evaluation is not foreseen, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in

agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit/expenditure verification services shall be concluded possibly under a framework contract towards the end of the project, indicatively at the end of 2020 or at the beginning of 2021.

## **5.10 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 at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, 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 2 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 40,000, tentatively in the 4th trimester 2015 and in the 1st trimester 2020.

## **6 PRE-CONDITIONS**

None

## APPENDIX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To mitigate the health and socio-economic impact on the population in the Governorates of Khan Younis and Rafah in the Gaza strip resulting from the lack of safe drinking water due to high levels of groundwater contamination and to contribute to the protection of the ground water resources	Health, environmental and socio-economical macro indicators	Real GDP growth in the Gaza Strip: - 2013= 6% - 2014= (est.) -15% Child mortality rate (per 1,000 children under the age of 5) 2012 = 16.2 Ground Water pumped for domestic purpose 2014= 99 mcm/year	2019=4%  2019=12  2019=55 mcm/year (Sustainable abstraction rate)	Palestinian Central Bureau of Statistics (PCBS), International Monetary Fund (IMF) Water sector reports Health sector reports	
Specific objective(s):  Outcome(s)	SO1 - Improve of the quantity and quality of water supplied to consumers;  SO2 - Limit the rapid deterioration of the coastal aquifer due to over abstraction	I1a - % of families accessing safe and adequate quantity of water for drinking and domestic purposes.  I1b - % of new connections meeting the PA and WHO water quality standards  I2- % of unauthorised groundwater wells	B1a – 2014 - 2,000 families have access to safe water for drinking and domestic purposes in the project area.  B1b – 2014- More than 90 % water has high levels of chlorides and nitrates and does not meet WHO water quality stadards.  B2 – 2014 - 4 groundwater wells (in Khan Younis) in	T1a – 2019 - around 10,000 households are connected to the new water supply systems to receive 90 l/p/d with service interruption of less than 10 percent T1b - More than 90 % of the new connections in the project area meet the PA and WHO water quality standards T2 – 2019 - wells in Khan Younis will be closed	PWA reports CMWU reports Project monitoring reports Number of customers registered in the registry of CMWU	(i) Security situation in Gaza remains stable or improve  (ii) Electricity supply in in Gaza is improved  (iii) Unpredictable Israeli policies and actions are limited in number

		closed down	operation			
<b>Outputs</b>	<p>R1 - The construction of a seawater desalination plant</p> <p>R2 - The financial capacity to manage, operate and maintain the plant is developed through an adequate tariff mapping</p> <p>R3 - The quality of water supplied to consumers meet minimum WHO standards and increase access to 90 l/c/d of safe water for drinking and domestic purposes.</p>	<p>I1- 1 desalination with a potential capacity of 14,000m<sup>3</sup>/day<sup>16</sup></p> <p>I2 - 1 tariff mapping is done by CMWU and endorsed by PWA</p> <p>I3 – 170,000 inhabitants benefit from a direct access to water of WHO quality level</p>	Idem as above for the corresponding indicator.	Idem as above for the corresponding indicator.	Idem as above for the corresponding indicator.	<p>(i) Availability of funds</p> <p>(ii) Appropriate trained staff are in charge of the project</p> <p>(iii) Quality of the work provided by the contractors</p> <p>(iv) Limited delays in approval from COGAT for the entry of materials in Gaza</p>

<sup>16</sup> 6,000 m<sup>3</sup>/day from the STLV-I and up to 8000 m<sup>3</sup>/day from STLV-II.

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This action is funded by the European Union

**ANNEX 4**

of the Commission Implementing Decision on the Annual Action Programme 2015 Part II in favour of Palestine<sup>1</sup>

**Action Document for "Support to East Jerusalem"**

**INFORMATION FOR POTENTIAL GRANT APPLICANTS**

**WORK PROGRAMME FOR GRANTS**

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning grants awarded directly without a call for proposals: 5.3.1, 5.3.2, 5.3.3, 5.3.4, 5.3.5, 5.3.6.

<b>1. Title/basic act/ CRIS number</b>	Support to East Jerusalem CRIS number: ENI/2015/038-312 financed under European Neighbourhood Instrument
<b>2. Zone benefiting from the action/location</b>	Jerusalem, Palestine The action shall be carried out at the following location: Jerusalem
<b>3. Programming document</b>	Single Support Framework 2014-2015
<b>4. Sector of concentration/ thematic area</b>	Non-Focal Sector: Support to East Jerusalem
<b>5. Amounts concerned</b>	Total estimated cost: EUR 11,094,444 Total amount of EU budget contribution EUR 10,000,000 This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 1,094,444
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality Direct management – grants – direct award Direct management – procurement of services

<sup>1</sup> 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.

<b>7. DAC code(s)</b>	Main DAC code – 16010 Social services			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Not applicable			

## SUMMARY

By adopting a multi-sector approach to sustain and develop the resilience of Palestinians in East Jerusalem, the project seeks to prevent the population from being further coerced into leaving the city, thus jeopardizing the chances to safeguard the Palestinian identity of Jerusalem in potential, future talks on the status of the city.

Through targeted interventions in the following sectors: (i) education and recreational services, (ii) vocational training, (iii) education, (iv) socio-economic empowerment, (v) youth, and (vi) environment, the project responds to the continued deterioration of socio-economic trends, caused by insufficient investment in community services, 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 CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

East Jerusalem has traditionally served as the focus of political, commercial, religious and cultural life for the 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 and cultural identity 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 population of the Old City and refugee camps. Recent trends in violent confrontations, substantial land confiscation, increased house evictions and demolitions in highly populated urban neighbourhoods, further abate the Palestinian community in the city. As for the East Jerusalem private sector, it is characterised by very low levels of investment, workers skills deficit across sectors, high unemployment rates, the burdening 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, 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 recognised 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 Palestine and should be maintained as a centre of life for its population.

#### *1.1.1 Public Policy Assessment and EU Policy Framework*

The *Palestinian National Development Plan (PNDP) 2014-2016*, that includes the PA's new Governance Strategy for 2014-2016 (and financial commitments associated with it) puts forward as priority sectors: (i) governance, (ii) social sector, (iii) economic sector, and (iv) infrastructure.

The PNDP sets the expansion of Palestinian sovereignty over Jerusalem as a priority. Yet, the *Strategic Multi-Sectorial Development Plan (SMDP)*, which remains identified in the PNDP 2014-2016 as the specific planning instrument for East Jerusalem, expired in 2013. Although the PNDP calls for "initiatives and setting up plans and programmes" to "activate and mobilise Palestinian, Arab and international political, financial and moral support", there is still no indication of the development of updated strategic instruments for East Jerusalem; this despite the intention to do so was expressed by the Office of the President of the Palestinian Liberation Organisation (PLO).

The *Joint Action Plan*, signed between the PA and the EU in March 2013, puts emphasis 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 Foreign Affairs Council Conclusions of December 2009".

This idea is reflected in the *EU Single Support Framework 2014-2015*, which includes a non-focal sector dedicated to the support to East Jerusalem. The EU aims at adopting a more strategic approach to sustain the presence of the Palestinian population and to protect the Palestinian identity of the city, responding to the EU

political commitment on the status of East Jerusalem and to the European Neighbourhood Policy Joint Action Plan (priority 8).

### *1.1.2 Stakeholder analysis*

The direct beneficiary of the present action is the Palestinian population living in East Jerusalem, especially children, youth, women, vulnerable communities and, more comprehensively, people whose fundamental rights are being violated.

In the absence of formal Palestinian Institutions (closed down by the Israeli authorities since 2001), the key stakeholders remain primarily community-based organisations, local and international NGOs and international organisations supporting East Jerusalem communities.

Civil society organisations have suffered from the growing isolation of the city in the past ten years, as well as from a number of measures taken by the Israeli authorities against Palestinian organisations. Coupled with insufficient international funding for East Jerusalem organisations, this resulted in the closure and/or transfer to the West Bank of numerous organisations, further weakening the Palestinian institutional and social fabric in Jerusalem.

Coordination with the few remaining institutions, such as the Jerusalem Directorate of Education or the (officially closed) Arab Chamber of Commerce, is an important component of this action, which promotes their empowerment whenever possible.

The EU directly refers to the Office of the President of the PLO for 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.

### *1.1.3 Priority areas for support/problem analysis*

The EU support to East Jerusalem is purposefully multi-sectoral. Two/three priority sectors are identified yearly in coordination with the Office of the President of the PLO (and following civil society consultations), and actions in these areas are then selected. Synergies are therefore ensured not only between actions of the same year, but mostly in the overall context of all on-going actions under the programme. Strong coherence has been developed over the years, thanks to this cyclical approach, which also allowed the EU to be present in the most relevant sectors at almost any given time.

East Jerusalem's strangled economy features high unemployment and rising poverty rates, and is neglected by the Israeli municipality. 75.3% of East Jerusalem residents, and 82.4% of East Jerusalem children, live below the poverty line<sup>2</sup>. In 2012, the percentage of unemployment in the governorate of Jerusalem was 23.8% and is currently especially high among the young (aged 20-24: 36.4%), uneducated (9-7 years of schooling: 22.4%) and women (19.9%)<sup>3</sup>.

The specific political and regulatory environment in East Jerusalem constrains possibilities for development and discourages investments and economic planning.

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<sup>2</sup> The Association for Civil Rights in Israel, East Jerusalem 2014 – By the Numbers, 24 May, 2014.

<sup>3</sup> Palestinian Central Bureau of Statistics, Jerusalem Statistical Yearbook 2013, June 2013, pg. 129, 133, and 134.

The resilience of the population relies on enhancing potential for economic development, maintaining a skilled workforce, modernising existing industries, improving the competitive capacities of businesses and enhancing the entrepreneurial culture.

Palestinian women in East Jerusalem face particular challenges. Indeed, over and above the factors that negatively affect all Palestinian women (discriminatory legislation, weak performance of state institutions and services, patriarchal social and cultural traditions, and the effects of the Israeli occupation), women in East Jerusalem have to deal with specific issues related to their own socio-political context: residency rights, house demolitions and evictions, increased gender-based violence, lack of services for women, and the multiplicity of legislations related to personal status matters.

By living in occupied East Jerusalem many young boys and girls feel torn between their individual and national identities. They are at risk of being alienated from their society and becoming increasingly violent in response to institutionalised discrimination, economic stagnation and lack of any perspective.

The education system in East Jerusalem has been severely affected by Israeli policy and is currently fragmented into four types of service providers, lacking any coordination. The Palestinian Authority (PA) has no official responsibility on the 12,355 pupils registered in the 44 Awqaf<sup>4</sup> schools of East Jerusalem, as it is officially forbidden to operate there. Hence, schools lack basic resources and can barely deal with the increasing discomfort, challenges and social exclusion suffered by pupils. Main challenges faced by the system in EJ concern school dropout, shortage of classrooms<sup>5</sup>, access to school, movement restrictions and transportation for teachers and students, shortage of trained teachers, inadequate number of inclusive education/resource room teachers and absence of alternative educational frameworks able to deal with students with special needs.

During the last few months of 2014, the number of arrested minors increased dramatically in EJ. Once arrested, a minor might be moving many times from prison to home arrest before being sentenced. As no specific services are provided to those minors and their families, this youth is currently denied its right to education for “security reasons”<sup>6</sup>.

Open spaces are extremely rare in East Jerusalem. The absence of recreational and sport facilities in a city where over 60% of the population is under 25 years old, living in a state of continued political tension and in poor socio-economic conditions is a further strong element of pressure.

All these problems are even more acute in highly marginalised areas such as Silwan, the Old City and the Shu'fat refugee camp. In the latter, overcrowding also impedes the set-up of an effective waste management system, thus further worsening hygienic conditions and environmental degradation.

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<sup>4</sup> Awqaf schools in EJ are the public schools *de facto* administrated by the PA Ministry of Education and Higher Education through the Jerusalem Directorate of Education.

<sup>5</sup> In 2010 the Israeli Supreme Court ruled in favour of a human rights organisation's petition denouncing the chronic shortage of 1000 classrooms in East Jerusalem.

<sup>6</sup> According to the organisation Addameer, at least 20% of Palestinian children under home arrest are prevented from attending school.

## 2 RISKS AND ASSUMPTIONS

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Negative political developments leading to increased violence.	H	Maintain recourse to use of European umbrella organisations.
Hardened Israeli policies on access to Jerusalem for persons and goods.	H	Encourage recruitment by implementing partners of Jerusalem ID holders, encourage pragmatic approach and procurement of non-Palestinian products if necessary. Maintain continuous coordination with donors, increase communication on EU support to East Jerusalem.
<b>Assumptions</b>		
Coordination among donors and communication on EU strategic intervention in Jerusalem are continuously strengthened.		

## 3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

### 3.1 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. In addition, projects' external evaluations, sectoral studies carried out by NGOs and consultations with civil society organisations and other donors provide useful feedback on the programme.

Furthermore, reports from Results Oriented Monitoring (ROM) of on-going projects are used to support identification and formulation of new actions in East Jerusalem.

The lessons learnt for actions in East Jerusalem can be summarised as follows:

- While the EU shall maintain its method of implementation working through partnerships between European/International and local organisations (thus creating an umbrella mechanism), it should also consider working directly with Palestinian partners when conditions matching the highly sensitive and political context allow.
- The EU must maintain flexible and creative means of implementation. More specifically, the initial idea of working across sectors, combined with the most recent geographical approach, have allowed interventions to respond to various needs in East Jerusalem, ensuring relevance and responsiveness.
- It is critical to enhance co-ordination of on-going operations in East Jerusalem, in order to avoid duplication and increase the potential for synergies among actions.

It should be also noted that three of the interventions included in the 2015 programme (namely components 2, 3 and 4) are follow-up phases of previous EU actions in East Jerusalem, which were implemented with encouraging results. The strong relevance and effectiveness of these actions were confirmed by ROM reviews

which, also, indicated emerging elements for long term impact that would have highly benefitted from follow up/strengthening phases.

### 3.2 **Complementarity, synergy and donor coordination**

Responding to the aim to adopt a more strategic approach to sustain the presence of Palestinian population and the Palestinian identity of the city, and in the framework of their efforts towards Joint Programming, the EU and EU Member States developed and endorsed a *Sector Strategy Fiche on East Jerusalem* in 2014. This document formulates a joint strategy for EU-funded interventions in Jerusalem.

Furthermore, in the context of the reinforced coordination on East Jerusalem (notably through the operational Working Group on East Jerusalem led by the EU), a matrix of EU interventions in the city was updated in mid-2014 and has been used to support the identification of the present action, in coordination with other on-going and planned interventions (including EU projects under thematic funding).

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 a clear institutional framework guiding development strategies make extremely difficult donor coordination at operational level. Yet, the EU is engaged in regular bi-lateral information sharing with non-EU most significant actors, i.e. the UN family, the Welfare Association and the Islamic Development Bank.

### 3.3 **Cross-cutting issues**

*Good governance* principles are entrenched in the implementation mechanism and projects' ownership from 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, especially in components 3 and 5.

*Gender equality* will be promoted in every component of the action and gender-disaggregated data will be used when possible. In addition, the present action provides services which are 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, as environmentally-friendly practices will be promoted through these components.

## 4 **DESCRIPTION OF THE ACTION**

### 4.1 **Objectives/results**

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 residents of East Jerusalem and preserve the Palestinian character of the city, and in particular:

- To improve the quality of education and recreational services in the Old city of Jerusalem (component 1).
- To foster youth and women professional skills development (component 2).
- To improve the quality of and increase access to basic education in East Jerusalem with an inclusive perspective (component 3).

- To promote the active participation of Palestinian communities and civil society in the Old City, Silwan, Al Tur, Esawiyyeh and Sur Baher to access and protect their social, legal and economic rights (component 4).
- To build capacity of Jerusalemite youth to take active role in their communities (component 5).
- To contribute to the promotion of hygiene and environmental conditions of the population of the Shu'fat refugee camp (component 6).

## 4.2 Main activities

### Component 1: Rehabilitation of the Terra Sancta School Centre

The main activities will be organised around (i) the rehabilitation of the school building and creation of new classrooms; (ii) utilization of an empty space to create sport facilities.

### Component 2: Promoting East Jerusalem innovation and sustainable economic development through TVET (Technical and Vocational Education and Training)

The main activities will be articulated around (i) improving perceptions of TVET careers opportunities; (ii) strengthen and expand the TVET services in East Jerusalem, (iii) foster economic development through increased empowerment of local business, women and youth.

### Component 3: Inclusive Education Intervention for East Jerusalem children

The main activities will focus on (i) enhancing capacity to develop inclusive culture and practices in targeted schools, (ii) enhancing parents and members of local communities acceptance of an inclusive approach in mainstream education, (iii) developing home-based schooling for home-detained children.

### Component 4: “Wujood” - Strengthening the resilience of vulnerable Palestinian communities in East Jerusalem

The main activities will be developed under 4 components: (i) enhance the capacity of the 5 targeted communities to develop emergency response mechanisms, (ii) foster women’s rights and gender equality, (iii) enhance employment and entrepreneurship opportunities for women and youth, (iv) strengthen the Palestinian identity of young men and women.

### Component 5: Promoting change and youth leadership in East Jerusalem

The main activities will be articulated around (i) strengthening the advocacy capacities of Palestinian CBOs in East Jerusalem, (ii) building the capacity of Jerusalemite youth in political skills and critical thinking, (iii) activating the community role of Jerusalemite youth in developing community-based initiatives.

### Component 6: Improvement of environment and hygiene conditions of the community of Shu'fat refugee camp

The main activities will focus on (i) analysing the current system of waste collection and management and establishing a responsible body, (ii) enhancing sustainable waste management skills and infrastructures, (iii) increasing awareness of inhabitants of Shu'fat camp on the issues of environmental protection and hygiene best practices.

## 4.3 Intervention logic

Logical framework in appendix.

## 5 IMPLEMENTATION

### 5.1 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.

### 5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### 5.3 Implementation modalities

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.

In addition, the very limited pool of Jerusalem-based NGOs and the specific competence and capacity of the selected ones, provide further justification to the use of direct award.

#### 5.3.1 *Component 1 - Grant: direct award "Rehabilitation of the Terra Santa School Centre" (direct management)*

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

The **general objective** of this initiative is to improve the availability and quality of social and educational services in the Old City of Jerusalem.

The **specific objectives** are to rehabilitate the Terra Santa school buildings, to improve the quality of education at the Terra Santa school, to promote sport activities among students and neighbourhood population.

The main **expected results** are improved teaching environment, creation of new classrooms, creation of a sport and recreational area in the Old City.

*(b) Justification of a direct grant*

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the **Custodia di Terra Santa**.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because on the one hand 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 is in a situation of legal monopoly with regards to the ownership of the school buildings and has in addition developed the specific competence and experience required to carry out rehabilitation work in the complex environment of the Old City (Article 190(1)(c) RAP).

Custodia di Terra Santa has been working in the Old city of Jerusalem for more than 30 years, mostly on supporting preservation of Palestinian heritage buildings, affordable housing and public facilities such as schools. As such, they have developed a unique experience of working with the various stakeholders in the Old city, dealing with the Israeli authorities on renovation issues, and have gained insight on the needs of these communities.

*(c) Eligibility conditions*

Not applicable.

*(d) Essential selection and award criteria*

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

The essential award criteria are relevance of the proposed action to the *EU Single Support Framework 2014-2015*; 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%.

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 maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(f) Indicative trimester to conclude the grant agreement*

Last trimester 2015.

5.3.2 **Component 2 - Grant: direct award** “Promoting East Jerusalem innovation and sustainable economic development through TVET” (**direct management**)

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

The **overall objective** of this initiative is to contribute to strengthening the resilience of East Jerusalem residents by fostering youth and women professional skills development and by promoting a more dynamic, sustainable market.

The **specific objective** is to consolidate the position of TVET in East Jerusalem as a main relevant-market-needs resource for the development of the youth workforce, consistent with the PA National Development Plan and the National TVET Strategy.

The main **expected results** are an increased positive attitude towards TVET, a reinforced TVET sector, an increased employability of women and youth, and a strengthened sustainable development of the local market through increased economic empowerment of local businesses, women and youth.

*(b) Justification of a direct grant*



Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to **Cooperazione Internazionale (COOPI)**.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because on the one hand 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 action has characteristics calling for an implementing partner with technical competences and experiences on the particular TVET and business environments in Jerusalem (Article 190(1)(f) RAP).

Beyond their deep competence on TVET in Palestine, COOPI has developed a unique experience on TVET in East Jerusalem, as proven by the successful phases I and II on which the proposed component is building on. Each phase builds on the results and experience of the previous one, allowing COOPI to engage new actors (partners, associates and beneficiaries), while widening and fine-tuning each of the phases.

*(c) Essential selection and award criteria*

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

The essential award criteria are relevance of the proposed action to the *EU Single Support Framework 2014-2015*; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

*(d) Maximum rate of co-financing*

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

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 maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(e) Indicative trimester to conclude the grant agreement*

Last trimester 2015.

5.3.3 **Component 3 - Grant: direct award "Inclusive Education Intervention for East Jerusalem Children" (direct management)**

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

The **overall objective** of this initiative is to contribute to the full enjoyment of the right to education for Palestinian children in East Jerusalem.

The **specific objective** of the action is to improve the quality of and increase access to basic education in East Jerusalem with an inclusive perspective.

The **expected results** of the initiative are an enhanced capacity towards developing an inclusive culture and inclusive educational practices among educators of target schools, increased access to inclusive educational services, enhanced empowerment of parents and local communities, the setting up of functioning networking

mechanisms among Awqaf schools, and strengthened capacity of the Jerusalem Directorate of Education.

*(b) Justification of a direct grant*

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to **Terre Des Hommes Italia**.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because on the one hand 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 action has characteristics calling for an implementing partner with technical competences and experiences on the particularities of East Jerusalem educational set-up and stakeholders (Article 190(1)(f) RAP).

Terre des Hommes Italia is the organisation whose expertise on education allowed the successful introduction of the concept of inclusive education in East Jerusalem. Indeed, despite the existence of a Palestinian strategy on inclusive education, this had not been endorsed in Jerusalem schools. While doing so, Terre des Hommes Italia's contributed to strengthen the presence of the Department for East Jerusalem (from the Ministry of Education) in the city as well as its coordination with the Jerusalem directorate for education (under Jordanian Waqf). The present action is building on the success of this first phase, strengthening institutional sustainability and widening its scope.

*(c) Essential selection and award criteria*

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

The essential award criteria are relevance of the proposed action to the *EU Single Support Framework 2014-2015*; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

*(d) Maximum rate of co-financing*

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

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 maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(e) Indicative trimester to conclude the grant agreement*

Last trimester 2015.

5.3.4 **Component 4 - Grant: direct award "Wujood" – "Strengthening the resilience of vulnerable Palestinian communities in East Jerusalem" (direct management)**

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

The **overall objective** of this initiative is to contribute to strengthening the resilience of vulnerable communities in East Jerusalem.

The **specific objective** of the action is to promote the active participation of Palestinian communities and civil society in the Old City, Silwan, Al Tur, Esawiyyeh and Sur Baher to access and protect their social, legal and economic rights.

The **expected results** of the initiative are: increased preparedness to respond to emergencies through coordinated mechanism, improved awareness on women's rights and gender equality and support to women claiming their rights among East Jerusalem communities, enhanced skills and knowledge for women and youth to access available employment and entrepreneurship opportunities, strengthened Palestinian identity of young Palestinian men and women in East Jerusalem.

*(b) Justification of a direct grant*

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to **Oxfam Novib**.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because on the one hand 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 action has characteristics calling for an implementing partner with technical competences and managing experiences on the particularities of East Jerusalem communities and stakeholders (Article 190(1)(f) RAP).

In its pilot consortium project, Oxfam Novib had engaged with 6 local partners in an action addressing community resilience with a geographical, multi-sectoral approach. The encouraging results of this innovative intervention in a challenging environment and the experience gained by Oxfam Novib called for the development of a second phase that would strengthen the capacity building of its local partners, while including new local partners and extending the action to a new, particularly marginalised area, At-Tur neighbourhood.

*(c) Essential selection and award criteria*

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

The essential award criteria are relevance of the proposed action to the *EU Single Support Framework 2014-2015*; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

*(d) Maximum rate of co-financing*

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

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

*(e) Indicative trimester to conclude the grant agreement*

Last trimester 2015.

5.3.5 **Component 5 - Grant: direct award** “Promoting change and Youth leadership in East Jerusalem” (direct management)

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

The **overall objective** of this initiative is to support change for Palestinians living in Jerusalem by promoting community leadership and advocating for the political, economic and social rights of Jerusalemites under international humanitarian law.

The **specific objectives** of the action are to empower Jerusalem Youth and CBOs to play an active role in their communities and influence policy makers, to engage with and hold international duty bearers accountable to uphold the rights of Jerusalemites living in East Jerusalem, to strengthen the operational capacity of East Jerusalem civil society towards advocacy and campaigning, to build the capacity of Jerusalemite youth in life and political skills, and raise awareness about their rights, to activate the community role of Jerusalemite youth in designing, developing and implementing research, community-based initiatives and campaigns, to promote strategy oriented critical thinking among Jerusalemite youth.

The **expected results** of the initiative are strengthened CSO/CBOs networks that jointly work to address key issues in East Jerusalem in coordinated advocacy, enhanced leadership skills of 250 Jerusalemite youth, improved capacities of CBOs to respond to needs of their communities, increased international awareness on human rights violations in East Jerusalem.

*(b) Justification of a direct grant*

Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to **Dan Church Aid**.

Under the responsibility of the Commission’s authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because on the one hand 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 action has characteristics calling for an implementing partner with technical competences and experiences on the particularities of Jerusalemite youth and communities dynamics (Article 190(1)(f) RAP).

Dan Church Aid is one of the few European organisations that deepened its involvement in East Jerusalem over the past 6 years, developing very strong links with local partners and good understanding of communities' dynamics. Dan Church Aid engagement in building capacity of local NGOs and empowering local CBOs is also very valuable in the context of East Jerusalem. Furthermore, Dan Church Aid has the competence and experience required to shelter its local partners and to develop the local and international advocacy component that is essential in this politically sensitive action.

*(c) Essential selection and award criteria*

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

The essential award criteria are relevance of the proposed action to the *EU Single Support Framework 2014-2015*; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

*(d) Maximum rate of co-financing*

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

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 maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(e) Indicative trimester to conclude the grant agreement*

Last trimester 2015.

5.3.6 **Component 6 - Grant: direct award** “Improvement of environment and hygiene conditions of the community of Shu’fat refugee camp” (**direct management**)

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

The **overall objective** of this initiative is to contribute to the promotion of hygienic and environmental conditions of the population of Shu’fat refugee camp.

The **specific objective** of the action is to foster involvement of institutional and non-institutional actors through infrastructural and soft activities.

The **expected results** of the initiative are a strengthened waste collection system in the Refugee Camp, an increased awareness of inhabitants of Shu'fat camp on the issues of environmental protection and hygiene best practices, rehabilitated areas are used to the benefit of the urban population.

*(b) Justification of a direct grant*

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to **CESVI**.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because on the one hand 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 action has characteristics calling for an implementing partner with technical competences and experiences on the particularities of East Jerusalem waste management and environmental issues (Article 190(1)(f) RAP).

CESVI has gained experience on environmental issues in Palestine through interventions in the area of Hebron. Although the context in East Jerusalem is different, their unique technical expertise has been adjusted to the very specific context of the Shu'fat refugee camp. They have experience working with local partners and stakeholders in the environment sector and have the competence to coordinate work with local partners and UNWRA.

*(c) Essential selection and award criteria*

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

The essential award criteria are relevance of the proposed action to the *EU Single Support Framework 2014-2015*; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

*(d) Maximum rate of co-financing*

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

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 maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(e) Indicative trimester to conclude the grant agreement*

Last trimester 2015.

#### **5.4 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 and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) 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 in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

#### **5.5 Indicative budget**

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution, in currency identified</b>
5.3 – Grants composed of	9,850,000	
5.3.1 – Direct grant “ <i>Rehabilitation of the Terra Santa School Centre</i> ” (direct management)	1,750,000	194,444
5.3.2 – Direct grant “ <i>Promoting East Jerusalem innovation and sustainable economic development through TVET</i> ” (direct management)	1,500,000	166,667
5.3.3 – Direct grant “ <i>Inclusive Education Intervention for East Jerusalem Children</i> ” (direct management)	1,200,000	133,333
5.3.4 – Direct grant “ <i>“Wujood” - Strengthening the resilience of vulnerable</i> ”	2,500,000	277,778

<i>Palestinian communities in East Jerusalem</i> ” (direct management)		
5.3.5 – Direct grant “ <i>Promoting change and Youth leadership in East Jerusalem</i> ” (direct management)	1,500,000	166,667
5.3.6 – Direct grant “ <i>Improvement of environment and hygiene conditions of the community of Shu’fat refugee camp</i> ” (direct management)	1,400,000	155,555
5.8 – Evaluation, 5.9 - Audit	45,000	N.A.
5.10 – Communication and visibility	100,000	N.A.
Contingencies	5,000	N.A.
Totals	10,000,000	1,094,444

## 5.6 Organisational set-up and responsibilities

Not applicable.

## 5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

## 5.8 Evaluation

Having regard to the nature of the action, an ex-post evaluation will be carried out for this action or its components contracted by the Commission. Final evaluations of the action’s components will be carried out by the implementing partners.

They will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that there is no formal strategic framework for actions in East Jerusalem.

The Commission shall inform the implementing partner at least 1 month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia

provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded, under a framework contract, in the closure phase of the action.

## **5.9 Audit**

Grant agreements under direct management will include expenditure verifications.

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, contracts for audit services (if found necessary) shall be concluded in 2019.

## **5.10 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 at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, 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.

Visibility of and communication on EU actions in East Jerusalem shall be implemented by way of procurement (services) but could also potentially be implemented by way of small grants. Such visibility and communication measures would be implemented notwithstanding legal obligations on communication and visibility under each components of this action.

Subject in generic terms	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Visibility and	Services	2 or 3	From 2016 onwards



Communication	Grants – direct award	1 or 2	From 2016 onwards
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*(a) Objectives of visibility and communication measures, fields of intervention, priorities of the year and expected results*

The **overall objective** of these measures is to contribute to increase awareness on EU support to East Jerusalem.

The **specific objectives** of these measures are to increase visibility of the EU program to support East Jerusalem, to promote awareness of EU position on East Jerusalem and to communicate on EU strategic involvement in East Jerusalem.

The **expected results** of the initiative are an increased awareness among the Palestinian population of EU support to the Palestinian living in Jerusalem, a strengthened understanding among the general public on EU support to East Jerusalem

*(b) Justification of modalities of intervention*

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because on the one hand 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 action has characteristics calling for implementing partners with technical competences and experiences on the problematics of East Jerusalem.

*(c) Essential selection and award criteria*

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

In case of grants, the essential award criteria are relevance of the proposed action to the EU Single Support Framework 2014-2015; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

*(d) Maximum rate of co-financing*

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

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 maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

*(e) Indicative trimester to conclude the grant agreement*

From 2016 onward.

## APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) <sup>7</sup>

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	<b>Intervention logic</b>	<b>Indicators</b>	<b>Baselines (incl. reference year)</b>	<b>Targets (incl. reference year)</b>	<b>Sources and means of verification</b>	<b>Assumptions</b>
<b>Overall objective: Impact</b>	To maintain the viability of the two-state solution with Jerusalem as the capital of the two states by strengthening the resilience of the Palestinian East Jerusalem residents and preserve the Palestinian character of the city.	Palestinian population living in East Jerusalem. Palestinian population living under poverty line in Jerusalem. Number of registered businesses in East Jerusalem.	75.3% in 2014	Increase in basic data reflecting level of living conditions.	Palestinian Central Bureau of Statistics. The Association for Civil Rights in Israel.  The Arab Chamber of Commerce of Jerusalem.	

<sup>7</sup> Mark indicators aligned with the relevant programming document mark with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Specific objective(s): Outcome(s)</b></p>	<p>SO1: To improve the availability and quality of social services in the Old city of Jerusalem.</p> <p>SO2: To foster youth and women professional skills development.</p> <p>SO3: To contribute to the full enjoyment of the right to basic education for Palestinian children in East Jerusalem.</p> <p>SO4: To strengthen the resilience and active social participation of Palestinians in the most vulnerable EJ communities.</p> <p>SO5: To contribute to the mobilization of the leading potential of Jerusalem youth for community change.</p> <p>SO6: To contribute to the promotion of hygienic and environmental conditions in the Shu'fat refugee camp.</p>	<p>IO1.1: Number of classrooms in the Old City. IO1.2: Number of children in recreational activities.</p> <p>IO2.1: Employment rate for youth disaggregated by sex. Women employment rate.</p> <p>IO3.1: Number of children enrolled in primary schools. IO3.2: Number of drop-outs in primary schools.</p> <p>IO4.1: Improved management of emergency situations. (how do you assess it?) IO4.2: Increased number of families pursuing realization of their residency rights. IO4.5: Diminution of numbers of families living under the poverty line.</p> <p>IO5.1: Increased community-led initiatives. IO5.2: Increased youth participation. IO5.3: Increased international awareness on East Jerusalem.</p> <p>IO6.1: Improved waste-management mechanisms and efficiency. IO6.2: Increased environmental awareness.</p>	<p>Datas in reports from institutions, IOs or NGOs for the year 2014.</p> <p>Filed court cases and court rulings in 2014.</p> <p>Initiatives launched in 2014.</p> <p>Collection of solid waste in 2014. Recycling possibilities in 2014.</p>	<p>Increase in data on availability and quality of public services. Increase in data related to socio-economic conditions.</p> <p>Increase of children completing primary schools; enrolling in secondary schools.</p> <p>Increase number of court cases and of positive rulings. Improved economic situation of families in marginalised areas.</p> <p>Increase in number of community and youth initiatives. Improvement in international press coverage.</p> <p>Increase in capacity of waste collection. Increase in recycling possibilities.</p>	<p>Yearly report from the Jerusalem Directorate for Education. Yearly report from Arab chamber of commerce. Yearly or punctual reports from IOs, NGOs and institutions.</p> <p>Reports from CBOs; youth surveys; review of international press.</p> <p>Yearly reports from UNWRA and from NGOs.</p>	<p>International NGOs and Palestinian NGOs are not prevented from operating in Jerusalem. Access of people, goods and services from the West Bank to Jerusalem do not worsen. Level of violent and security related incidents do not prevent normal implementation of projects and do not disrupt daily life in the city.</p>
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<b>Outputs</b>	<p>R1.1: New classrooms built. R1.2: New sport and recreational facility.</p> <p>R2.1: Upgrade of vocational courses. R2.2: Creation of outreach vocational courses. R2.3: Improved connection with labour market.</p> <p>R3.1: Improved teaching skills of teachers. R3.2: Improved inclusion of special needs pupils.</p> <p>R4.1: Improved mechanisms for emergency response. R4.2: Improved women employability. R4.3: Increased youth empowerment.</p> <p>R5.1: Development of community-based initiatives. R5.2: Strengthened community leadership. R5.3: Strengthened advocacy tools.</p> <p>R6.1: Strengthened waste collection system. R6.2: Increased environmental awareness of inhabitants.</p>	<p>IR1.1: number of classrooms built. IR1.2: number of sport facility built. IR1.3: frequency of use of recreational facility.</p> <p>IR2.1: number of courses upgraded. IR2.2: number of outreach courses developed. IR2.3: number of graduated recruited.</p> <p>IR3.1: number of on-job trainings for teachers. IR3.2: number of special needs pupils in mainstream education. IR3.3: number of resource rooms opened.</p> <p>IR4.1: number of communities equipped with functioning emergency response units. IR4.2: number of women enrolled in internship opportunities. IR4.3: number of youth initiatives.</p> <p>IR5.1: number of community-based initiatives developed. IR5.2: number of sub-grants awarded to CBOs. IR5.3: number of advocacy campaigns developed.</p> <p>IR6.1: number of machinery and equipment installed. IR6.2: number of awareness campaigns and training courses.</p>	<p>Idem as above for the respective actions. Narrative reports of each actions. Monitoring visits to each actions.</p>	<p>Idem as above for the corresponding actions.</p>	<p>Idem as above for the corresponding actions.</p>	<p>Idem as above.</p>
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