

ACTION FICHE

1. IDENTIFICATION

Title	PEGASE: Institution Building – Governance, Social and Economic Development		
Total cost	€14,000,000 EC contribution		
Aid method / Management mode	Project approach – <i>centralised management or joint management with an international organisation</i>		
DAC-code	15140	Sector	Public administration

2. RATIONALE

2.1. Sector context

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

The reform agenda is extensive and security issues and the rule of law are key priorities of the PA in the context of its Annapolis commitments and the Road Map. Development of the civil police force with the support of the EU POL COPPS mission is important in this context. Efficient and effective management of the court system is also crucial. In addition, the strengthening of public financial management and audit and control systems is also high on the agenda. The strategy for the education sector is embedded in the draft Five Year Plan for the period 2007-2011 and the PA is developing a social protection system aimed at improving the equity, efficiency and effectiveness of social protection. For the economic and private sector the PA has identified a range of donor interventions that can assist the private sector and the PA in improving the business climate and trigger new private sector investments.

2.2. Lessons learnt

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

In some areas PA absorption capacity is limited and the non-functioning of the PLC presents a major hindrance for activities and improvements in the governance sector since legislative reform, as well as executive oversight, are limited without functioning parliamentary structures. Past EC funded support to the social sectors has shown that significant and sustainable capacity building is a pre-condition to the implementation of ambitious reform programmes in the medium term.

2.3. Complementary actions

The EC has an extensive technical assistance portfolio which has been implemented through the Reform Support Instruments and more recently the European Neighbourhood Policy Support Instruments. This new PEGASE envelope will build upon and take forward the technical assistance already in progress while being aligned with the current reform priorities of the PA as set out in the PRDP.

For example, the EC is funding a technical assistance project in support of the justice sector (SEYADA) and, in the wider field of democratisation the EC is the single largest donor to the Central Elections Commission and also provides a coordinator for the Governance Strategy Group (donor-PA coordination). The EC is providing funds of up to €4.5 million from the Instrument for Stability (IfS) to procure equipment (vehicles, public order equipment, uniforms) for the Palestinian Civilian Police, in coordination with the EUPOL COPPS police mission. Additional IfS funds also support the Office of the Quartet Representative's activities.

The action will complement existing EC funded interventions in the social sector namely: social allowances paid to civil servants, pensioners and social hardship cases of the Ministry of Social Affairs and support of non-recurrent costs of the Ministry of Education. Ongoing projects which complement the new actions envisaged under this envelope in the education sector include, TA to the Ministry of Education, schools rehabilitation programmes, Vocational Training support programme, Tertiary Education support programme (in collaboration with the World Bank) as well as EC contribution to UNRWA activities, specific investments in social sector in East Jerusalem and the TEMPUS programme.

Concerning support to the economy and private sector development, several ongoing actions are complementary to those envisaged here including the extensive work on establishing the customs data management system, the establishment of the Palestinian Shippers Council, the European Palestinian Credit Guarantee Scheme and various programmes on trade and export. Many other donors are present in these areas and will continue based on the pledges made at the Paris donor conference.

2.4. Donor coordination

High level donor coordination takes place at the level of the Ad Hoc Liaison Committee (AHLC). At the local level donor coordination takes place in various forums including the Local Development Forum (LDF) and the four "Strategy Groups" (governance, economy, social and humanitarian affairs, infrastructure). Moreover, the Ministry of Planning and relevant line Ministries have created sector working groups (SWG) which are technical and strategic forums for coordination and alignment of policy for main international and local stakeholders.

The European Commission and individual Member States play a leading role in these forums. The European Commission is the Chair of the Governance Strategy Group and provides technical assistance through the Governance Coordinator based in the Ministry of Planning, it also chairs the sector working group on social security, and is an active participant in the group on Education, chaired by France. In addition EU policy is coordinated through regular meetings of EU Heads of Cooperation. Implementation will also be closely co-ordinated with the work of the Quartet Representative, Mr Blair.

3. DESCRIPTION

3.1. Objectives

The overall objectives of the action are to strengthen democratic Palestinian institutions, advance the reform process of the Palestinian Authority, and build a viable and sustainable Palestinian economy in line with priorities in the social sector as set out in the Palestinian Reform and Development Plan (PRDP). Specific objectives relate to the sectors of intervention foreseen.

Concerning Governance, the focus of the EC support lies in improving capacity and effectiveness in public sector (financial) management, security, justice, economic and service delivery. These include sustained improvements in the rule of law, progress in basic public administration and civil service reform to enhance functions across all core areas, improved transparency and accountability and reforms to intergovernmental relations between the central and local levels.

In the Social sector specific objectives include improving the quality of education and management and planning in the sector, and to build capacity to reform the social safety net systems. In both sectors, the underlying goal is to increase the relevance, effectiveness and efficiency of service provision. Improving health provision is also an objective.

Specific objectives in the Economic and Private Sector are to support the recovery of the Palestinian economy after years of crisis and to prepare key institutions to successfully adapt to the present and future economic context. These will include among others; assisting firms in upgrading their operations and expanding their markets (industry, agriculture and services sectors); building capacity in key Palestinian public sector institutions to manage their relations with third parties and improve their services to the private sector; and support to the revitalisation of employment and investment in areas that have experienced a sustained negative economic environment over the past years.

In this context, due consideration will be given to the priorities of the EU-PA Joint Action Plan, to be re-launched in the first half of 2008.

3.2. Expected results and main activities

The expected results of the action are the full support to the priorities and objectives of the Palestinian Reform and Development Plan (PRDP) to help the PA to build effective and efficient institutions across all four axes of the PRDP of Governance,

Social Development, Economic and Private Sector Development and Infrastructure. Funds under this action will also be allocated for equipment and audit.

Enhanced and targeted technical assistance will be coordinated with other donors through the Judiciary Sector Working Group. The activities will support the overall justice sector reform and development strategy of the PA and bolster the efforts of the judiciary to address the effectiveness of court proceedings and the fair and equal access to justice for citizens. Palestinian Civilian Police (PCP) can also be supported to become fully operational and to enhance the capacities to enforce the rule of law in the oPt. Furthermore the EC will continue to support the capacities of the PA to further develop and implement a coherent governance and reform framework based on the experiences of the PRDP process and facilitated through the Governance Strategy Group.

In the Education sector the focus will be on quality improvement as set out in the PRDP. The action will contribute to upgrade and equip low performing schools and support the development of quality monitoring and assurance. The action will support implementation of the Quartet Representative's Quick Impact Project dealing with education. The action will also contribute to the implementation of the "Social Protection Reform and Integration (SPRI)" programme of the PRDP. Support will be provided to the Ministry of Social Affairs for the implementation of the social safety net reform programme, with a view to securing more equitable targeting systems, more reliable payment mechanism building on recent support provided to the sector by EC and other main donors.

New interventions financed under this action will focus both on PA institutions crucial for present and future economic development, on intermediary organisations (e.g. business associations and centres), as well as private sector actors directly. The main interventions and their results foreseen are support to selected activities including the Quick Impact Projects (QIPs) promoted by the Quartet Representative in the areas of border crossings (management, training, infrastructure), trade facilitation and agriculture resulting in increased investments and investor confidence in those areas. Agriculture can also be supported as can the regulatory environment and standards, in particular those related to trade. Support to customs and taxation systems will also continue

3.3. Stakeholders

The direct beneficiary of the action will be the Palestinian population. A key partner will be the Ministry of Finance as well as the Ministry of Planning through its coordination role. Other relevant ministries such as Justice, Social Affairs, Education and Higher Education, as well as other PA institutions such as the Chief Justice, the Attorney General, CEC, the PMA, the PCBS, eventually the PLC, PSI, among others. Civil society organizations and academic institutions will also be stakeholders, for example, private sector firms, business Federations (PFI, Private Sector Coordination Council, PalTrade etc).

3.4. Risks and assumptions

Location of certain institutions in the Gaza Strip renders the provision of assistance to these difficult in the current context. The overall political context can also be a

limiting factor in the governance sector, with a non-functioning PLC and with Presidential and legislative elections due within a year. A political crisis and increased violence could possibly lead to institutional breakdown within the PA. Lack of progress or commitment to the PRDP would delay activities. Sustainability of interventions in the private sector domain are inescapably tied to the overall economic context, including the blockade of Gaza, and movement and access in the West Bank.

3.5. Crosscutting Issues

Gender equality will be mainstreamed into the governance sector through the planned establishment of the Governance Department within the Ministry of Planning as well as through specific activities in the sub-sectors of governance.

Environmental sustainability is a central cross-cutting issue where interventions in agriculture are concerned. In particular the sustainable management of scarce water resources is vital. Good governance is a key cross-cutting issue in support for customs modernisation as well as TA support for MNE and PSI in terms of public-private sector dialogue.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Subject to completion of the identification phase the projects will be implemented under a centralised management structure with direct payments by the Commission to service and equipment providers or under joint management, potentially with UN bodies and agencies and/or the World Bank. A financing agreement following standard models in force will be concluded between the Commission and the Ministry of Finance of the Palestinian Authority.

4.2. Procurement and grant award procedures

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

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. Full financing can be applied in the cases provided for in Article 253 of the Implementing Rules of the Financial Regulation where financing in full is essential to carry out the action in question.

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

The West Bank and Gaza are territories facing a crisis situation, as defined in Article 168(2) of the Implementing Rules of the Financial Regulation. As a result, negotiated

contracting procedures or grant direct award may be used in accordance with applicable provisions.

4.3. Budget and calendar

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

Indicative breakdown of the overall budget of €14 million is €10 million for technical assistance, €3.5 million for equipment and supplies and €0.5 million for audits and evaluation.

4.4. Performance monitoring

The action will be monitored with reference to standard performance indicators in the sectors relevant to the action. An adequate day-to-day project monitoring will be carried out.

4.5. Evaluation and audit

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

4.6. Communication and visibility

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