

ANNEX 2

of the Commission Implementing Decision on the Annual Action Plan 2014 for Palestine<sup>1</sup>  
**Action Document for Support for the enabling environment for investment and trade  
and for vocational training in Palestine**

**1. IDENTIFICATION**

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

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

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

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

<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.

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

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

## **2.2. Context**

### **2.2.1. Country context**

#### **2.2.1.1. Economic and social situation and poverty analysis**

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

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

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

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

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

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

### 2.2.1.2. National development policy

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

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

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

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

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<sup>2</sup> During donors meeting on Jan 15th 2014.

### **2.2.2. Sector context: policies and challenges**

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

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

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

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

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

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

Another important challenge for private sector is the lack of qualified labour force. The World Bank reports that around 40% of the firms surveyed in the MENA report indicated that lack of skilled labour is a major constraint on business. The size and organisation of the TVET sector does not produce qualified workers able to deal with the new and changing requirements of the labour market. The TVET sector is fragmented among a wide range of providers and many urgent issues have to be addressed such as the quality of teachers and trainers, curriculum design, and the provision of physical resources. Today the TVET system enrolls about 6% of the total number of students in the secondary cycle<sup>3</sup>, much below the needs of the economy. Among other problems the system is not attractive and with a limited offer of quite traditional qualifications. Women enrolment rates are modest and mostly in traditional female sectors. There is a growing problem of skills mismatch, with the TVET sector not adapting rapidly enough to the changes in the labour market.

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

### 2.3. Lessons learnt

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

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

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

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

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

#### 2.4. Complementary actions

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

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

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

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

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

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

## 2.5. Donor coordination

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

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

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

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

### 3. DETAILED DESCRIPTION

#### 3.1. Objectives

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

The specific objectives are:

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

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

#### 3.2. Expected results and main activities

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **3.4. Cross-cutting issues**

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

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

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

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

### **3.5. Stakeholders**

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

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

#### **4. IMPLEMENTATION ISSUES**

##### **4.1. Financing agreement**

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

##### **4.2. Indicative operational implementation period**

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

##### **4.3. Implementation components and modules**

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

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

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

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

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

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

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

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

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

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

#### **4.4. Scope of geographical eligibility for procurement and grants**

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

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

#### 4.5. Indicative budget

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

#### 4.6. Performance monitoring

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

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

#### 4.7. Evaluation and audit

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

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

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

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

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

#### **4.8. Communication and visibility**

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

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

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

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

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

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

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