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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 Palestine¹

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

1. Title/basic act/ CRIS number	Governance at local and national levels, CRIS number: ENI/2015/038-315 financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	Palestine The action shall be carried out at the following location: West Bank and Gaza Strip
3. Programming document	Single Support Framework (SSF) 2014-2015
4. Sector of concentration/ thematic area	Focal Sector 1: Support to Governance at local and national levels
5. Amounts concerned	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)

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

	- Denmark for an amount of DKK 60 million (EUR 8,034,387)			
6. Aid modality(ies) and implementation modality(ies)	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			
7. DAC code(s)	15112 - Decentralisation and support to subnational government 15130 - Legal and judicial development 15110 - Public sector policy and administrative management 16062 - Statistical capacity building			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	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"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	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"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	Civil Society and Local Authorities Thematic Programme			

SUMMARY

Support to governance is one of the focal sectors of intervention of the Single Support Framework 2014-2015 in Palestine², 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.

² 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.

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 PEGASE³ 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 revenues⁴ 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 infrastructure⁵. The latter has seriously affected municipalities' ability to sustain basic

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

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

⁵ 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 Strip⁶ 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.

⁶ 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, thePBA, 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>
Assumptions		
<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 COPPS⁷ 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 partners⁸. 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

⁷ European Union Co-ordinating Office for Palestinian Police Support.

⁸ 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

4th 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

4th 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

4th 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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	EUR)	currency identified
5.3.1 – Component 1:		
5.3.1.1. Indirect management with the KfW	4,500,000	EUR 5 million (KfW) USD 3 million (WB) DKK 60 million (DRO)
5.3.2 – Component 2:		
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
5.3.3 – Component 3:		
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.
Total	10,000,000	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.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective:	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	
Specific objective(s):	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"> - Affected population in Gaza with access to restored municipal services; - Share of identified priority damages repaired by Gaza municipalities. - Number of Gazan municipalities that have succeeded in implementing capacity development and training interventions. 	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"> - Clear legal framework for PJI developed (with special regard to reunification with Gaza) - Training systems developed, incl. on gender dimension. - Number of female/male judges, prosecutors, lawyers trained. - Number of (internal) regulations concerning enhanced management (incl. participation of women) and office procedures for PBA. - % of increase of knowledge among legal professionals on new legal developments. 	<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>	<p>- clear legal PJI framework - 2017</p> <p>- Number of judges, prosecutors/lawyers trained corresponding to needs of justice sector. 2017</p>	<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"> % of reintegrated 'pre 2007' employees % of reintegrated 'post 2007' employees % of reintegrated the 2,340 'pre 2007' employees previously excluded in the payroll % of degree of satisfaction of public services in Gaza - % change in access to health care 	<p>N/A</p> <p>Number of employees post 2007 excluded</p>	<p>Number of employees reintegrated</p> <p>- moving ahead 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>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 & 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"> - key reforms implemented in line with jointly-agreed objectives in the PEGASE Results-oriented Framework - Achieving more than 80% of the strategic objectives of the National Strategy for the Development of Official Statistics 2014-2018 - Number of contributions to the payment of salaries/pensions, social allowances and medical arrears. 	<ul style="list-style-type: none"> - objectives/targets jointly-agreed in the PEGASE DFS RoF; - According to the National Strategy for the Development of Official Statistics 2009-2013, 85% of the strategic objectives had been achieved - Over 10 PEGASE DFS payments in 2014 	<ul style="list-style-type: none"> - Updating the socio-economic indicators - Promoting high-level utilisation of statistical program among all relevant stakeholders, in order to contribute to the national development planning and monitoring processes - Over 10 PEGASE DFS payments/year in 2016-2018 	<ul style="list-style-type: none"> - PEGASE DFS RoF annual reporting Special surveys and reports by the PCBS - PEGASE DFS audit reports - PEGASE DFS financial reports - PEGASE DFS final and mid-term evaluations 	
Outputs	<p>1) – X capital investment grants</p> <ul style="list-style-type: none"> - capacity development packages and training interventions 	<ul style="list-style-type: none"> - Number of capital investment projects implemented. - Number of municipalities that received training and capacity development 	<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"> - 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. 	<ul style="list-style-type: none"> - Number of male/female lawyers, judges, prosecutors trained - Consistency of content and quality of training with actual needs of target group, incl. training on gender dimension. - Number and quality of documents on organisational issues - Quality of new website. Intensity and quality of communication with foreign stakeholders 	<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"> - Technical models developed for 	<p>Number of</p>	<ul style="list-style-type: none"> - Moving ahead 	<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>