



Brussels, 19.11.2019
C(2019) 8426 final

COMMISSION IMPLEMENTING DECISION

of 19.11.2019

on the Annual Action Programme in favour of Palestine¹ for 2019

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

COMMISSION IMPLEMENTING DECISION

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on the Annual Action Programme in favour of Palestine¹ for 2019

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012², and in particular Article 110 thereof,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action³, and in particular Article 2(1) thereof,

Whereas:

- (1) In order to ensure the implementation of the Annual Action Programme in favour of Palestine for 2019, it is necessary to adopt an annual financing Decision, which constitutes the annual work programme for 2019. Article 110 of Regulation (EU, Euratom) 2018/1046 establishes detailed rules on financing decisions.
- (2) The envisaged assistance is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU⁴.
- (3) The Commission has adopted the Joint Strategy for Palestine 2017-2020 which sets out the following priorities: 1. Governance Reform, Fiscal Consolidation and Policy, 2. Rule of Law, Justice, Citizen Safety and Human Rights, 3. Sustainable Service Delivery, 4. Access to Self-Sufficient Water and Energy Services and 5. Sustainable Economic Development.
- (4) The objectives pursued by the Annual Action Programme in favour of Palestine for 2019 to be financed under the European Neighbourhood Instrument⁵ are to preserve the viability of the two-state solution. The planning for this Annual Action Programme is set within the framework of the European Joint Strategy 2017-2020 'Towards an accountable and democratic Palestinian state' and the review of the modalities of EU

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² OJ L 193, 30.7.2018, p.1.

³ OJ L 77, 15.3.2014, p. 95.

⁴ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

⁵ Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27).

engagement on the ground in support of a two-state solution announced by High Representative and Vice President Mogherini and Commissioner Hahn in September 2017.

- (5) The action entitled “Support to productive and social investments in Palestine intends to operationalise its objective of promoting inclusive, sustainable and private sector-led development and equitable access to natural resources. This is expected to contribute to enhancing the economic independence of Palestine, as well as employment and economic prospects for its citizens, especially for the youth.
- (6) The action entitled "Access to self-sufficient water and energy services" aims at setting the right conditions for infrastructure development in both water and energy sectors, contributing to addressing the obstacles currently hampering investments in the sectors.
- (7) The action entitled "Support to enhance Governance and Human Rights" contributes to develop and implement a normative framework for Palestine’s legislative process and to strengthen the implementation of the international Human Rights treaties to which Palestine has acceded through technical assistance to relevant Palestinian institutions, combined with enhancing civil society’s key role in holding the government accountable.
- (8) It is appropriate to authorise the award of grants without a call for proposals, pursuant to Article 195 of Regulation (EU, Euratom) 2018/1046.
- (9) Pursuant to Article 4(7) of Regulation (EU) No 236/2014, indirect management is to be used for the implementation of the Annual Action Programme.
- (10) The Commission is to ensure a level of protection of the financial interests of the Union with regards to entities and persons entrusted with the implementation of Union funds by indirect management as provided for in Article 154(3) of Regulation (EU, Euratom) 2018/1046. To this end, such entities and persons are to be subject to an assessment of their systems and procedures in accordance with Article 154(4) of Regulation (EU, Euratom) 2018/1046 and, if necessary, to appropriate supervisory measures in accordance with Article 154(5) of Regulation (EU, Euratom) 2018/1046 before a contribution agreement can be signed.
- (11) It is necessary to allow for the payment of interest due for late payment on the basis of Article 116(5) of Regulation (EU, Euratom) 2018/1046.
- (12) In order to allow for flexibility in the implementation of the programme, it is appropriate to allow changes which should not be considered substantial for the purposes of Article 110(5) of Regulation (EU, Euratom) 2018/1046.
- (13) The actions provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee established under Article 15 of the financing instrument referred to in recital 4,

HAS DECIDED AS FOLLOWS:

Article 1
The programme

The Annual Action Programme in favour of Palestine for 2019, as set out in the Annexes, is adopted.

The Programme shall include the following actions:

Annex I: Action Document: ‘Support to productive and social investments in Palestine’;

Annex II: Action Document: ‘Access to self-sufficient water and energy services’;

Annex III: Action Document: ‘Support to enhance Governance and Human Rights’.

Article 2

Union contribution

The maximum Union contribution for the implementation of the programme for 2019 is set at EUR 53,360,000 and shall be financed from the appropriations entered in the following line of the general budget of the Union: budget line 22.040104: EUR 53,360,000.

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

Article 3

Methods of implementation and entrusted entities or persons

The implementation of the actions carried out by way of indirect management, as set out in the Annexes, may be entrusted to the entities or persons referred to or selected in accordance with the criteria laid down in point 5.4 of the Annex I, in point 5.3 of the Annex II and in point 5.3 of the Annex III.

Article 4

Flexibility clause

Increases or decreases of up to EUR 10 million not exceeding 20% of the contribution set in the first paragraph of Article 2 or cumulated changes to the allocations of specific actions not exceeding 20% of that contribution, as well as extensions of the implementation period shall not be considered substantial within the meaning of Article 110(5) of Regulation (EU, Euratom) 2018/1046, where these changes do not significantly affect the nature and objectives of the actions.

The authorising officer responsible may apply the changes referred to in the first paragraph. Those changes shall be applied in accordance with the principles of sound financial management and proportionality.

Article 5

Grants

Grants may be awarded without a call for proposals pursuant to Article 195 of Regulation (EU, Euratom) 2018/1046 to the bodies referred to in point 5.4.1 of the Annex 1, point 5.3.1.4. of the Annex 3.

Done at Brussels, 19.11.2019

For the Commission

Johannes HAHN

Member of the Commission



ANNEX 1

to the Commission Implementing Decision on the Annual Action Programme in favour of Palestine¹ for 2019

Action Document ‘Support to productive and social investments in Palestine’

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Support to productive and social investments in Palestine CRIS number: 2019/041-948 financed under the 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	European Joint Strategy in support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State	
4. Sustainable Development Goals (SDGs)	SDG 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture SDG 11 - Make cities and human settlements inclusive, safe, resilient and sustainable Also contributing to: SDG 1 - End poverty in all its forms everywhere, SDG 5 - Achieve gender equality and empower all women and girls, and SDG 10 - Reduce inequality within and among countries	
5. Sector of intervention/ thematic area	Pillar V - Sustainable Economic Development	DEV. Assistance: YES

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6. Amounts concerned	<p>Total estimated cost: EUR 41,829,907</p> <p>Total amount of European Union (EU) contribution is EUR 22,960,000.</p> <p>This action is co-financed in joint co-financing by:</p> <ul style="list-style-type: none"> - The World Bank for an estimated amount of EUR 17,869,907² (World Bank Trust Fund initial funding). - The Agencia Española de Co-operación Internacional para el Desarrollo (AECID) for an amount of EUR 1,000,000. 	
7. Aid modality(ies) and implementation modality(ies)	<p>Project Modality</p> <p>Component 1: Contribution to the Municipal Development Programme (MDP) 3rd phase in the Gaza Strip - Direct management through grant to the Municipal Development Fund</p> <p>Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza - Indirect management with the World Bank</p> <p>Component 3: Support to income generation in the agriculture sector in the Gaza Strip - Indirect management with AECID</p> <p>Component 4: Support to the business enabling environment - Indirect management with the World Bank</p>	
8 a) DAC code(s)	<p>Component 1: Contribution to the Municipal Development Programme (MDP) 3rd phase in the Gaza Strip 15112 - Decentralisation and support to subnational government (100%)</p> <p>Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza 25030 - Business development services (100%)</p> <p>Component 3: Support to income generation in the agriculture sector in the Gaza Strip 31120 - Agricultural development (100%)</p> <p>Component 4: Support to the business enabling environment 24010 - Financial policy and administrative management (17%) 25010 - Business policy and administration (83%)</p>	
b) Main Delivery Channel	<p>Component 1: Contribution to the Municipal Development Programme (MDP) 3rd phase in the Gaza Strip 1000 - Public Sector Institution</p>	

2. Originally, the estimated contribution is USD 20 million. The exchange rate used for calculating the total estimated cost of the action is the June 2019 InforEuro. This contribution represents the initial seed funding of the 'Innovative Private Sector Development' (IPSD), designed by the World Bank within the specific window "Private Sector Enhancement Facility" of the Trust Fund for Gaza and West Bank (TFGWB). The IPSD project includes additional interventions, which have not been taken into account given the EU specific interest in business environment, e-payments and Gaza.

	<p>Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza 44001 - World Bank</p> <p>Component 3: Support to income generation in the agriculture sector in the Gaza Strip 11004 - Other public entities in donor country</p> <p>Component 4: Support to the business enabling environment 44001 - World Bank</p>			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment		X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>	
10. Global Public Goods and Challenges (GPGC) thematic flagships	Investing in People			

SUMMARY

The proposed action contributes to the implementation of Pillar V 'Sustainable Economic Development' of the European Joint Strategy (EJS) in support of Palestine 2017-2020 'Towards a democratic and accountable Palestinian State', through four specific components with the bulk of support going to the Gaza Strip.

The EJS is closely aligned with the Palestinian National Policy Agenda (NPA) 2017-2022 and with the Sustainable Development Goals (SDGs). This action - through its components - intends to operationalise its objective of promoting inclusive, sustainable and private sector-led development and equitable access to natural resources. This is expected to contribute to enhancing the economic independence of Palestine, as well as employment and economic prospects for its citizens, especially for the youth.

The first three components are Gaza-focused:

Component 1 will support a multi-donor intervention (the Municipal Development Programme 3rd phase – MDP3) to enhance institutional capacity of Palestinian municipalities in service delivery, focusing the EU contribution on capital investments for municipal infrastructure in Gaza. MDP3 will also consolidate the successful performance-based approach to municipal development adopted by the Programme's previous phases. MDP3 is aligned with the Palestinian Authority (PA)'s long-term strategy to consolidate and strengthen service delivery in the local governance sector.

Component 2 will support IT outsourcing in Gaza as a way to promote the development of IT professionals, graduates, entrepreneurs, start-ups as well as selected incubators and accelerators.

Component 3 emphasises the potential of market-sensitive approaches in mitigating increasing risks for agriculture-based livelihood in Gaza. It aims to promote access of vulnerable groups to better opportunities along selected value chains, in line with the humanitarian-development nexus approach. It does so by supporting job creation, aggregating and developing small business initiatives and reinforcing management and technical skills.

Component 4 is horizontal and will benefit both the West Bank and Gaza. It will focus on the legal, regulatory and institutional framework for business, addressing both the central and municipal government levels and promote access to e-payment solutions for the private sector as a whole and in the West Bank and Gaza.

This action will be complemented by a blending action to be financed under the Neighbourhood Investment Facility of the External Investment Plan. The action foresees the set-up of an Agricultural Investment Company, leveraging private equity from Sharakat Investment Fund, a grant contribution from the EU and a loan from the EIB. The aim is to create a platform to increase investment capacity in agriculture, agribusiness and livestock investments projects, with lower profitability, higher risk but higher impact across selected value chains and livelihoods of residents in Area C.

1. CONTEXT ANALYSIS

1.1 Context Description

Palestine is home to 4.8 million people, of which 2.9 million in the West Bank (including East Jerusalem) and 1.9 million in the Gaza Strip. In addition, approximately 600,000 Israeli settlers live in the West Bank. 40% of Palestinians living in Palestine are refugees and this figure goes up to 70% in the Gaza Strip. 47% of the population is under 17 years old and 71% of the population is younger than 30. Palestine is a Lower Middle Income Country. It is ranked 119 out of 189 countries in the 2018 Human Development Index, a drop of three places compared with 2016.³

3. <http://hdr.undp.org/en/data>.

Palestine is marked by the ongoing Palestinian-Israeli conflict, as well as by the disruption of over fifty years of occupation and the progressive fragmentation of its territory, including the illegal annexation of East Jerusalem. There is no ongoing peace process and no realistic perspective of the resumption of peace talks. The Oslo Accords, under which the Palestinian Authority (PA) was created in 1994, were intended to lead to a final negotiated settlement between the parties. Twenty-five years later, the PA, which has operated as a transitional authority with limited jurisdiction since its creation, has administrative, judicial and security jurisdiction in only 18% of the West Bank, i.e. in Area A.

Palestinian economic development and its political relations with Israel are inherently linked, as Palestine operates under the framework of an uneven customs and monetary union with Israel. It has no control over its own borders and suffers from restrictions and controls on the movement of people and goods. Consequently, the PA has limited control over most of its revenues and experiences substantial losses under the current revenue sharing arrangements.

The fiscal situation of the PA remains very fragile, exacerbated by a further decline of donor support in 2018. Of particular note were the United States' decision to redirect funding away from the Palestinians and the entry into force of ATCA (Anti-Terrorism Classification Act), which led to the decision by the PA to banning all Palestinian entities from receiving United States funding. The approval in 2018 by the Knesset of a bill which may lead to the deduction of a considerable amount of funds from the clearance revenue (taxes owed to the Palestinian Authority but collected by Israel on its behalf) equivalent to the amount paid by the PA to prisoners and martyrs is further exacerbating the situation. In February, Israel began implementing this law, withholding from the clearance revenues the equivalent of the sums paid to Palestinians and the families of Palestinians convicted by Israel of involvement in 'terrorist activities; or other security-related offenses. In response, the PA decided not to accept any clearance revenue unless the full amount is transferred without any deduction. This has created an unprecedented fiscal challenge and the PA put in place emergency measures to cope with the loss of 65% of revenues.

The PA's wage bill (15% of the Gross Domestic Product) is among the highest in the world and Palestine's pension system remains unsustainable. In 2018, the unemployment rate in Palestine was 27%, the third highest in the world, according to the International Labour Organisation, with more women unemployed than men (40% and 24.4% respectively). Only 40% of those aged between 15 and 29 are active in the labour market, with dramatic differences in participation by gender (19% for women). In 2017, the poverty rate (those living on less than USD 4.60 per day) was 13.9% in the West Bank and 53% for the Gaza Strip, according to the Palestinian Central Bureau of Statistics. Purchasing power has been reduced by the decision of the PA to reduce level of salaries for its civil servants in the Strip and other measures.

Palestine faces growing governance challenges. The last general elections were held in January 2006 and the Gaza Strip came under the de facto control of Hamas in 2007. The movement restrictions imposed by Israel on the Gaza Strip since the early 1990s intensified in June 2007 with its closure and imposition of the land, air and sea blockade. Three armed conflict in seven years (2008/2009, 2012, 2014) caused large-scale destruction. The Great March of Return, which started on 30 March 2018, led to a high number of dead and injured Palestinians demonstrators in the Gaza strip. According to the Office for the Coordination of Humanitarian Affairs (OCHA), 295 Palestinians were killed and over 29,000 others were injured in 2018 by Israeli forces. 57 of the Palestinian fatalities and about 7,000 of the wounded were minors.

In 2012, the United Nations warned that unless ongoing trends were reversed, Gaza would become uninhabitable by 2020. Since then, all socioeconomic indicators have deteriorated and conditions in Gaza are now worse. The productive capacity of Gaza has been eviscerated by three major military operations and a crippling eleven-year air, sea and land closure, which has almost completely deindustrialised the Strip. The rapid decline in productive sectors was not replaced by growth in high value-added services that could lay the basis for the economy to integrate into regional and global markets. Exports virtually disappeared after the closure, and they continue to be a fraction of their pre-existing level. The internal Palestinian divide, which has fragmented institutions and systems across Palestine, has exacted a heavy toll on Gaza's economy as well.

Gaza's economic decline has had a severe impact on the living standards in the Strip, where real per capita incomes have significantly declined over the last two decades (from USD 2,659 in 1994 to USD 1,826 currently). The unemployment rate amongst Gazans is 44% and rising, with a particularly high youth unemployment rate (61% for those aged 15-29). Due to the lack of private sector employment opportunities, the public sector in Gaza has been the largest single employer (36%). A large share of the Gazan population lives below the national poverty line (39%): social assistance (mainly through the United Nations Relief and Work Agency for Palestine Refugees in the Near East (UNRWA)) has played a key role in maintaining the livelihood of 80% of Gazans, while transfers and cash remittances remained crucial in driving Gaza's economy.

Despite this, the private sector in Gaza has shown extraordinary resilience during the decade-long closure and the accompanying economic and political instability. According to the Palestine Economic Policy Research Institute (MAS), the Gazan private sector proved its dynamism and ability to adapt to changes, emerging from uncertain conditions with new survival strategies that have uplifted the whole economy. However, industry, agriculture, and services face major constraints on growth and competitiveness due to high production costs, stemming from the dual-use list, small economies of scale, high prices on imported material, and a double taxation system. Such costs are further compounded by complex crossing procedures, incurring repeated procedural expenses and delays. The competitiveness of the private sector in Gaza is also debilitated by poor access to affordable soft financing and loan guarantees, imports that are not subject to local inspection, weak support and guidance by public institutions, and a fragile context which discourages investment in agriculture.

Concerning the local government sector, the persistent economic contraction in Gaza, and the reductions in fiscal transfers and aid are severely compromising the ability of municipalities to continue servicing at the local level. Further deterioration of the already limited local service provision will expose the Gaza population to increased health and sanitation risks (due to mounting and decomposing solid waste in the very densely populated urban areas), safety risks (from unlit and damaged streets), and degradation of the environment. Gaza municipalities therefore urgently need financial assistance and sustained donor support to maintain critical local services.

1.2 Policy Framework (Global, EU)

The action contributes to several *Sustainable Development Goals* (SDGs), mainly SDGs 8, 2 and 11 but also SDGs 1, 5 and 10).

The action contributes to the aspiration set out in the *EU Global Strategy* to deepen partnerships with the private sector. As stated in the Strategy, the EU is 'committed to a global order based on international law, which ensures human rights, sustainable development and lasting access to the global commons.'

The action is in line with paragraph 49 of the 2017 *European Consensus on Development*, which states that 'the EU and its Member States will help to create a more business-friendly environment in developing countries, that respects international human rights standards and principles.'

The action is in line with the 2015 *Review of the European Neighbourhood Policy*, which states that 'actions to strengthen partnerships with the private sector should be promoted, and the use of innovative approaches such as blending grants and loans as an important way of leveraging additional resources and increasing the impact of EU aid should be boosted.'

The action will also contribute to the implementation of the *EU Gender Action Plan 2016-2020* and in particular contribute to the achievement of the following two thematic objectives: Objective 14: 'Access to decent work for women of all ages' and Objective 15: 'Equal access by women to financial services, productive resources including land, trade and entrepreneurship'.

The action is in line with the Review of EU engagement on the ground in that it promotes job creation, supports the productive economy in Gaza and invests in long-term sustainable development of the private sector.

Finally, the action contributes to the overall objective of Pillar V (Sustainable Economic Development) of the *European Joint Strategy in Support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State* (EJS) to promote inclusive, sustainable, and private sector-led development and equitable access to natural resources, paving the way to economic independence. It also contributes to the overall objective of Pillar I (sub-sector Local Government Reform).

With regards to the Gaza-supported activities, this is in line with Council Conclusions of 19 May 2017 on *Operationalising the Humanitarian-Development Nexus* and aims to enhance economic opportunities for most vulnerable groups in light of the situation of the Strip.

1.3 Public Policy Analysis of the partner country

The Palestinian Authority's *National Policy Agenda 2017-2022 Putting Citizens First* (NPA) contains three pillars describing the strategic direction of the government: path to independence; government reform; and sustainable development. On the basis of key national priorities, sector policies have been defined to improve the quality of life of the Palestinian people, while continuing efforts to attain Statehood.

The NPA, in its second pillar related to the government reform, is prioritising the goal of a citizen-centred government with two related national policies aiming at: (i) promoting responsive local government (NP 7) and (ii) improving services to citizens (NP 8), with a special focus on Area C. Furthermore, the Local Governance Sector Strategy 2017-2022 aims to consolidate and strengthen services delivery in the local government sector and to nurture financial sustainability of the Local Government Units (LGUs)⁴. The main challenges

4. Today, 434 LGUs exist in total, out of which 150 are classified as municipalities and 284 as Village Councils. In Gaza, only 25 municipalities exist. However, the Local Authority Law does not distinguish

identified in the Sector Strategy include: (i) optimising the use of scarce financial and natural resources while maintain services quality; (ii) creating enabling environment for local economic development; and (iii) enhancing LGUs' accountability through strengthened citizen participation.

The improvement of the business environment represents one of the priorities of the Ministry of National Economy (MoNE) in its *2017-2022 Sector Strategy*. The Ministry has embarked on a comprehensive and ambitious work programme that sets out an internal reform process and legislative changes, including the adoption of a new company law. This piece of legislation is currently at the level of the President for review (February 2019). Some further improvements were already attained, such as the adoption and implementation of the Secured Transactions Law, shortening of the timeline for business licensing and activation of Ministerial and Technical Committees to implement a Doing Business Action Plan.

1.4 Stakeholder analysis

Component 1: Contribution to Municipal Development Programme 3rd phase in the Gaza strip (MDP 3)

Local Government Units (LGUs) are critical for the delivery of key infrastructure and basic services, yet they struggle to meet their assigned functions due to: (i) sub-optimal revenue potential, (ii) weak budgetary practices, and (iii) administrative fragmentation. Out of the 27 functional responsibilities specified by the Local Authorities Law of 1997 for LGUs, 80% of municipalities are providing fewer than 12 of the prescribed services. In addition, expenditure on capital investment is not regular and remains relatively small, failing to address the critical needs for service extensions and economic development in rapidly growing municipalities. The financial and institutional capacity of municipalities especially in Gaza is rather low, limiting the potential to mobilise private capital for urban infrastructure. As the situation requires a rapid response to the needs of the population in the Strip, this component will contribute to the MDP 3 specifically for capital investments in Gaza.

The Municipal Development and Lending Fund (MDLF) is the implementation agency for the whole of MDP 3. The MDLF was established in October 2005 by a Ministerial Decree, with the legal mandate to provide direct development assistance to municipalities by providing them with transparent, rules-based and efficient financing, and implementing national policies in the local government sector. It has demonstrated its capacity to administer donor-funded projects since its establishment, including the multi-donor financed MDP 1 and MDP 2 and the EU social infrastructure projects in Area C.

Final beneficiaries are the population of the Gaza's municipalities where infrastructure sub-projects will be implemented. The number is estimated for around 200,000 people for the whole MDP 3. A specific estimation of the final beneficiaries of the EU-funded component will depend on the municipalities selected to be financed by the EU contribution.

Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza

The Palestinian digital and high-tech business ecosystem includes a few medium-sized organisations, either privately owned or donor-supported, mainly working as incubators or

between functional assignments and assigns the same set of task to municipalities and Village Councils (art. 1 of the Local Authorities Law of 1997).

accelerators, and a growing number of young graduates, choosing entrepreneurship as a career path and founding or joining start-up businesses. Many women are choosing the path of ICT entrepreneurship as well. There is a consensus on an overall lack of quality of entrepreneurs and start-ups, stemming from a low-quality output of university graduates. This is compounded by a support system of incubators and accelerators whose capacities and scope, except for a few outstanding examples, are limited as well. While many entrepreneurs and start-ups exist, a large majority is not yet able to meet investors' needs, either because constrained by limited availability of talented young IT professionals to hire or free lancers to contract, or because of lacking managerial and soft skills. Financing is available in the ecosystem through institutional (Venture Capital) or individual (Angels) investors, but it is not widespread. Gaza Gateway was created by UNRWA in 2013 as an in-house spin-off to outsource its IT local assignments and quickly became a platform able to: i) attract new clients through outsourcing contracts, ii) hire recent IT graduates working remotely, iii) subcontract projects and manpower to local companies. Since the end of 2015, it operates as an independent entity run by two female co-founders, promoting an innovative social enterprise business model and offering temporary employment and capacity building to fresh graduates. The Ministry of National Economy (MoNE) has recently set up the 'Digital Economy, Innovation and Entrepreneurship Thematic Group', with the aim of improving coordination and synergies amongst donors' interventions. As mandated institution to oversee the development of the private sector, it will establish an advisory committee to review progress, provide strategic guidance, coordinate relevant government agencies and facilitate public-private sector dialogue.

The final beneficiaries will be Gaza Gateway, IT professionals/graduates, individual entrepreneurs, start-ups, and MSMEs, selected incubators and accelerators, Venture Capital and Angel Investors, and the Ministry of National Economy.

Component 3: Support to income generation in the agriculture sector in the Gaza Strip

The Ministry of Agriculture (MoA) holds the main role in regulation and oversight of the sector as well as in service delivery. However, its presence in Gaza is weak due to the political situation. The MoA is unable to fulfil some of its duties as service provider for agriculture in Gaza, for example for extension services.

The Palestinian Water Authority (PWA) is involved in the development of the irrigation scheme for the North Gaza Wastewater Treatment Plant (NGEST), planned to reach with treated wastewater 1,500 ha of land in the Northern Governorate.

Another important player in the sector is the Job Creation Programme (JCP), an autonomous entity under the umbrella of the Palestinian Economic Council for Development and Reconstruction (PECDAR), working in Gaza since 2001. Even though formally independent from the PA, the JCP works under MoA's guidance and strategy, implementing projects to repair damages in the infrastructure and water assets in agriculture, among other sectors, within a general goal of alleviating poverty and creating jobs.

Civil society organisations (CSOs) working in agriculture and rural development in Gaza, like the Palestinian Agricultural Relief Committees (PARC) and the Rural Women Development Society (RWDS), partially fill the technical services and the role of extension agency normally played by the MoA. At the same time, CSOs are essential partners in strengthening resilience of vulnerable groups and their community-based organisations, mobilising capacities to control natural resources, and empowering women in socio-economic and political areas. Most of these institutions collaborate and themselves receive support from

international NGOs, improving methodologies and complementing local knowledge with other experiences on farmers' and women's co-operatives in crisis contexts, and progressively introducing market and value chain approaches for vulnerable groups.

Final beneficiaries are the vulnerable farmers and owners of small plots of land; long-term and young unemployed, including young graduates in agriculture-related sectors; vulnerable micro entrepreneurs, especially women, benefiting from previous livelihood/income generating activities projects; and potential agricultural entrepreneurs in general.

Component 4: Support to the business enabling environment

i) Palestine Business Environment programme

The main partner is the Ministry of National Economy (MoNE). The Ministry is committed to implement the reforms necessary to improve the business environment but remains weak in terms of its human resources and its leverage to implement inter-institutional reforms. The proposed programme will require close collaboration with selected ministries and regulatory agencies through an inter-institutional committee. Some of these regulatory agencies have already been identified (e.g. the Companies Registry), while others will be determined by more in-depth diagnostics and consultations depending on the sectors of interventions that will be determined in the inception phase. Engagement with the municipal authorities would also be necessary, since they are involved in specific aspects of business regulation (e.g. municipal licensing).

The private sector remains a key partner and the final beneficiary of these reforms but remains weakly organised and rarely vocal enough. Specific measures to support public/private dialogue and to involve the main business associations (including the Women Business Association) will be taken.

ii) E-payment programme

The Palestine Monetary Authority (PMA) plays a unique role in developing and promoting electronic payments in Palestine as a regulator, supervisor, policy maker and catalyst for change. The PMA identified the development of electronic payments capacities – in response to market needs – as a priority, and took steps for the establishment of a public/private team to move the agenda forward.

Due to the highly interlinked nature of the two economies, the PMA and the Bank of Israel (BoI) have a close relationship to ensure the stability of both financial systems. Correspondent banking relationships (CBR) between Palestinian and Israeli banks have faced some challenges in recent years, partially due to the excess accumulation of NIS cash in the Palestinian market. Several steps have been taken to mitigate the threats to correspondence services, including a commitment by the PMA to limit the use of cash, in favour of electronic payments and digital financial services. Given this interconnection, the Israeli Government and financial system supported and took steps to facilitate PMA's policies that reduce the reliance on cash.

The direct beneficiary of this action is the PMA. The final beneficiary is the private sector in general in the West Bank and Gaza, however home-based enterprises (often women-led) as well as start-ups and other businesses in Gaza are particularly targeted.

1.5 Problem analysis/priority areas for support

Component 1: Contribution to the Municipal Development Programme (MDP) 3rd phase in the Gaza Strip

In the local government sector, resources for capital investments, operation and maintenance for improved service delivery remain scarce. There is a need for consolidation in the sector to improve financial sustainability and basic service delivery. The PA's fiscal fragility continues to put pressure to use centrally collected local resources for national-level priorities. This deprives local authorities of much needed public financial resources and further limits fiscal space for investments.

The closure imposed by Israel since 2007, aggravated by the destructive war in 2014, created a reality of economic recession in addition to human loss, physical damage and limited access to poor public services (electricity, clean water and sanitation, health, etc). There is an urgent need to enable the PA to advance recovery operations following last conflicts, not only to ensure the provision of critical services to the population but - equally importantly - to restore authority and legitimacy over the process.

This project is aligned with the PA's long-term strategy to consolidate and strengthen service delivery in the local government sector and to nurture financially sustainable LGUs. Furthermore, it is fully aligned with the Pillar's I sub-sector on Local Governance Reform of the EJS as citizens in Gaza will benefit from more responsive and more effective local governance, mainly in terms of services delivery. It also contributes to the Pillar V 'Sustainable Economic Development'.

Component 2: Support to Gateway Outsourcing Hub and ICT sector in Gaza

Entrepreneurship culture is growing in Palestine, with the start-up business ecosystem focused on information, communication and technology (ICT). Start-ups are supported through incubators and accelerators, although the capacity and scope of action of these institutions are limited. Many of these incubators and accelerators provide modest quality support to entrepreneurs and are unable to meaningfully support the ecosystem, likely because of a low quality services, capacity and network connections. The quality of human capital in the entrepreneurship ecosystem is low, including with regard to the skill sets of entrepreneurs and IT professionals playing key support roles. It is worth mentioning the lack of attempts to introduce women to non-traditional production, particularly IT⁵. Financing is available in the ecosystem but it is not widespread and the lack of early-stage financing contributes to a weak pipeline of deal flows. The lack of viable ideas and inability of entrepreneurs entering the ecosystem to survive to later stages of the firm lifecycle, led many Venture Capital/Angel investors to cease operations. Lack of coordination amongst potential investors and general information asymmetry with entrepreneurs compound the problem, making the supply of risk capital suboptimal, given the high risk and specialised business models. Gaza Gateway innovative business model, albeit promising, needs to broaden the scope of its outsourcing portfolio, exploring untapped B2B opportunities in the wider region, ensuring industry-recognised quality standards, while improving training of its own workforce.

Component 3: Support to income generation in the agriculture sector in the Gaza Strip

Private sector initiative is the only available economic engine for sustained growth in Gaza, but it remains hampered by multiple constraints. With respect to the agricultural sector in Gaza, areas categorised by Israel as 'buffer or border; contain approximately 40% of the available agricultural land, preventing farmers' access and safe investment in their lands. In general, the sector suffers from a poor service provision, hindering investment and weakening

5. Gender Country profile, Palestine, 2018.

competitiveness and profitability. Agriculture activities, already impacted by the persistent deterioration of conditions in Gaza, suffered extensive destruction of cultivated land, greenhouses, livestock and poultry farms, water wells, irrigation networks and other productive assets during the war in 2014. Furthermore, restrictions on importing products included in the dual-use list, e.g. basic agro-inputs like fertilisers and pesticides, substantially affect the margins to increase yields and move into labour-intensive alternatives. In a rural or peri-urban context, vulnerable groups including women and youth are especially at risk. Women's unemployment in Gaza is one of the highest in the world, with available work mainly concentrated in agriculture-related tasks and other informal employment, often branded in statistics as 'unpaid family members'. Regarding the youth, a general deprivation of basic needs, including poor access to social and cultural facilities, and the rigidity of the job market contribute to a growing sense of isolation and economic marginalisation.

Considering this analysis, the action will prioritise: 1) helping farmers to enhance resilience and sustain an active presence in their lands, promoting more sustainable agriculture livelihoods, while increasing productivity and competitiveness; and 2) promoting professional skills and sustainable jobs, contributing to expanding of decent work opportunities, especially for young people and women.

These actions are in line with the National Policy Agenda, the National Agriculture Sector Strategy and with the EJS Pillar V and the Strategic Approach to Resilience in the EU's external action (2017)⁶ objectives.

Component 4: Support to the business enabling environment

i) Palestine Business Environment programme

The Palestinian regulatory environment and legal framework for businesses is complicated and creates unnecessary obstacles for entrepreneurs. This includes an outdated company law, a convoluted business registration regime, burdensome licensing procedures and ineffective and unpredictable business inspections. The current company law is not conducive to firm entry and growth, does not provide sufficient flexibility and does not include appropriate corporate governance provisions for more complex company forms. Moreover, currently Palestine maintains a variety of registration systems.

The process of registering a business in Palestine is complicated, lengthy, and unclear. According to the World Bank Doing Business Report Starting a Business indicator (2019), it takes an average of 44 days and 10 procedures to register a business. The costs stand at 47% of income per capita, which is significantly higher than the regional average (22.6%) and the OECD average (3.1%). There is no automated business registration system and lawyers (that must be involved in the process) provide inconsistent information to entrepreneurs. In addition, there is no online registration option available. The business registry's data centre is dated and requires infrastructure, security and storage upgrades as well as a disaster recovery capability⁷. Many businesses operate informally, sometimes as home-based businesses, especially in the ICT sector. These entrepreneurs - many of whom are women who do not have the opportunity to work outside their home - encounter significant regulatory barriers to

6. JOIN(2017) A Strategic Approach to Resilience in the EU's external action.

7. The infrastructure needs will be addressed by another World Bank's complementary activity covered by the Trust Fund - New Automated Company Registration System (USD 2.45 million)

formalisation. Their inability to formalise transactions in turn limits their size and growth potential.

Businesses are subject to complex mandatory ex-ante approvals. The current licensing regime is not consistent with international good practice, lacks transparency and is prone to rent-seeking.

Finally, inspections in business premises are currently uncoordinated, not risk-based, carried out by several agencies with overlapping mandates and present a source of unpredictability and high compliance burden for businesses.

This component is aligned with the Ministry of National Economy Sector Strategy 2017-2022.

ii) E-payment programme

Advancing the e-payments agenda is of particular relevance to the West Bank and Gaza. In addition to having low rates of financial inclusion, access to finance, and formal savings, Palestine is primarily a cash-based economy, resulting in natural limitations to Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) controls and capabilities. With the excess accumulation of ILS liquidity currently experienced by Palestinian banks – especially those operating in Gaza – combined with the absence of a monetary policy (a unique challenge for Palestinian policymakers), the Palestinian Authority and the Government of Israel have both indicated that a reduction in the use of cash/checks would be among their key priorities over the coming years. Developing payment systems capacities of the PMA would be a necessary pre-requisite before the introduction of cash-alternative solutions to the market. Furthermore, with the Palestinian economy facing a severe slowdown across virtually all sectors, it is increasingly important to maintain a lifeline for the small but growing segment of tech entrepreneurship and e-commerce businesses. This is of key relevance to Gaza, where online businesses are less affected by movement restrictions. This is also of relevance for households businesses (often women-led).

This subcomponent is aligned with and supporting "The National Payment Development Strategic Plan in Palestine 2018-2023" with an emphasis on electronic payments.

2. RISKS AND ASSUMPTIONS

General risks linked to the intervention

Risks	Risk level (H/M/L)	Mitigating measures
Political instability/conflict	M	Seek enhanced EU dialogue with Israel, linking the effectiveness of EU cooperation in Palestine directly to Israeli actions (EU enhanced engagement); Refocus resources on activities with a higher success chance. This may require halting activities in specific geographical areas until the security situation improves.

Lack of capacity of implementing agencies	M	Foresee options for training on good practices, supplementary technical assistance and hands-on guidance on implementation.
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Component 1: Contribution to the Municipal Development Programme (MDP) 3rd phase in Gaza

Risks	Risk level (H/M/L)	Mitigating measures
The political situation and the imposed access restrictions to Gaza may affect the physical and financial progress of the programme and the verification of actual physical progress on the ground.	M/H	Ensure that the project implementation structure, based on the MDLF's office, remains sufficiently flexible and will collaborate with local technical consultants to supervise works contracts.
The Israeli Government does not facilitate movement of goods and persons.	H	Enhance dialogue with the Co-ordinator of Government Activities in the Territories.
Assumptions		
The two-state solution and intra-Palestinian reconciliation are the political paradigms of EU action. Movement of goods and people is not completely halted. All relevant stakeholders, mainly municipalities, remain committed to the action' objectives and results.		

Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza

Risks	Risk level (H/M/L)	Mitigating measures
Poor investment climate not supporting development of the private sector;	M	Focus on IT-based businesses mitigates restrictions on movements and access.
Complexity of the design of the project;	H	Adopt pilot initiatives to test design before scale up.
Limited engagement of all key stakeholders;	M	Set up of a co-ordination mechanism including MoNE, private sector and donors.
Assumptions		
Skills of technology graduates match the industry demand. Entrepreneurs' access to markets, networks, knowledge and early-stage finance increases economic opportunities for firms.		

Component 3: Support to income generation in the agriculture sector in the Gaza Strip

Risks	Risk level (H/M/L)	Mitigating measures
More restrictions on the use of crossings can provoke procurement delays and/or challenges to purchase necessary inputs.	M	Use of locally produced materials and services, when possible. Reinforced coordination with relevant Israeli/Palestinian crossing authorities.
Substantial fluctuations of international markets for food and agricultural inputs.	M	Continue to follow-up on the performance of the beneficiaries will be ensured throughout the implementation. Financial management capacities will be developed. Purchases will be made on the local market when available.
Increased shortage of cash flow into Gaza and market deterioration.	M	Continue to follow-up on the performance of beneficiaries will be ensured throughout the implementation. Financial management capacities will be developed.
Assumptions		
<p>The political, socio-economic and security situation in the Gaza Strip does not deteriorate to a level that makes project implementation impossible.</p> <p>Conditions for movement of inputs do not deteriorate sensibly.</p> <p>Local markets maintain purchasing capacity for safer and higher quality products.</p> <p>Climatic conditions do not provoke a significant reduction in the crops yields.</p> <p>The labour supply will remain very low while demand continues to increase.</p>		

Component 4 Support to the business enabling environment

i) Palestine Business Environment

Risks	Risk level (H/M/L)	Mitigating measures
Lack of high-level political leadership	M	Engage with concerned Ministries and the Prime Minister Office early on and make use of policy dialogue.
Lack of ownership/resistance to the reforms by the implementing agencies	M	Build consensus in the government through dialogue and leverage high-level political leadership when necessary. Mobilise the private sector as main beneficiary of the reforms.
Assumptions		
<p>An active inter-ministerial reform committee is established at a high political level.</p> <p>Government continues to be committed to the planned reforms.</p> <p>The Companies Law is enacted.</p> <p>The by-laws required to implement the Companies Law and business registry (to be developed by the program) are enacted.</p>		

ii) E-payment program

Risks	Risk level (H/M/L)	Mitigating measures
The magnitude of shadow/informal economy hinders the general transition from cash payments to electronic payments.	M	Facilitate the transition from cash to electronic payments by appropriate incentives to promote the uptake and use of electronic payments or as a last resort through direct regulatory action or intervention.
Assumptions		
Government continues to be committed to the planned reforms.		

3. LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

Component 1: Contribution to the Municipal Development Programme (MDP) 3rd phase in the Gaza Strip

Despite the many challenges faced by municipalities in the West Bank and Gaza, the support through the MDP over the past decade enabled significant gains in municipal financial management, investment planning and social accountability. This positive contribution was however not sufficient to revert the further deterioration of a context hampered by too many and too strong external constraints. The proposed MDP 3 will continue the performance-based approach to municipal development, building on the positive experience of the first 2 phases, intervening with the aim to counter the effects of further deterioration drivers. The performance system has been revised for simplification and transparency with more measurable Key Performance Indicators (KPIs) and more focus on financial sustainability and social accountability. Municipalities are also required to fulfil more advanced KPIs to reach higher level of performance than in MDP 2.

The Gaza Emergency Response Window (MDP 2nd phase, window 5), financed also by the EU, provided important lessons learnt, inter alia: (i) technical skills among municipalities in Gaza differs greatly, requiring a customised approach for each municipality, based on its capacity; (ii) importance of the environment and social specialist role to ensure that the mitigation measures proposed are carried out and to decrease the negative consequences on the public in the sub-projects area; (iii) not issuing the no-objection for tendering until the sub-project is approved by the 'GRM system' to avoid delays and problems.

Furthermore, the programme will consolidate and scale up past gains, helping to strengthen the enabling environment at the central level and municipal partnerships with the private sector, with the aim to improve the efficiency and sustainability of municipal services. The basic municipal capacity developed in financial management and budgeting will need to be taken to the next level of improving arrears management practices and own-source revenue performance so that municipalities are able to improve financial sustainability.

Component 2: Support to Gateway Outsourcing Hub and ICT sector in Gaza

The *Tech Start-up Ecosystem in West bank and Gaza (2018)* report, compiled by the World Bank, provides a description and measurement of the economy's tech start-up ecosystem and a comparison and gap analysis of four key descriptive components: skills, finance, entrepreneurial supporting infrastructure and community. The main findings confirm the early stage nature of the ecosystem, still maturing, with talented people, highly educated founders with connection to international networks of knowledge. However, founders tend to be young, with little to no previous managerial experience, resulting in limited business acumen. Similarly, the supporting infrastructure, composed of accelerators, mentors and incubators, is still maturing, mostly depends on external funding and is unable to generate quantity and quality. While substantial grant financing is available, accelerators have yet to establish an effective channel through which start-ups can absorb funding and deliver results. A general silos approach combined with a still immature community of entrepreneurs result in limited connectivity of like-minded individuals. In terms of implementation, previous World Bank's engagements with the MoNE as a direct implementer of private sector-focused interventions have shown the Ministry's limited institutional capacity, suggesting the need to outsource implementation tasks to a private sector company with an extensive expertise in private sector development.

Component 3: Support to income generation in the agriculture sector in the Gaza Strip

The Action's design is built upon a number of finalised and ongoing interventions in support of small farmers, rural populations, and vulnerable peri-urban and urban groups. Recommendations from those experiences include the need to concentrate further on the diffusion of new techniques and practices to reduce the use of water, while improving agriculture production capacity and the promotion of modern management systems to co-operatives, farmers' associations, and individual farmers. Likewise, an assessment of EU-funded private sector development projects, including an analysis of links with government policies and the European Joint Strategy, and covering areas like business environment, SME support schemes, professional skill development and job creation, green economy, and women's participation in the economy, reached the following key findings and recommendations for Gaza:

- 1) opportunities exist for agribusiness investment in food processing, meeting local demands while enhancing competitiveness with imported goods, if some of the factors are better addressed (e.g. high transaction costs, restrictions on raw material and equipment imports, inappropriate packaging, weak quality control, lack of business information services, etc.);
- 2) programmes dedicated to vocational training and skills upgrading of the labour force should focus on disadvantaged groups, youth, and women;
- 3) considering the increasing levels of unemployment and poverty, the development of social enterprises could better integrate technical improvements along the value chains with social impact and income generation for the poor.

Component 4: Support to the business enabling environment

i) Palestine Business Environment programme

While company registration is simplified by reducing its cost and the time it takes, most importantly, as a lesson learned, business registration reforms should aim at the creation of a sustainable, up-to-date, accurate business register available to all. The business register is the

main building block in the business environment framework: it can provide information to the financial industry (e.g. by providing a database to the collateral registry or to commercial banks), as well as help design policies based on accurate data. Additionally, business registration reforms should aim to provide the private sector with an adequate legal framework beyond incorporation, by strengthening and streamlining requirements on company/corporate reporting, corporate governance and protection of minority shareholders, among others.

On licensing reforms, recent experience demonstrated that applying a risk-based approach may be the most effective solution. Ex-ante approvals are not only assessed to the extent to which they are necessary, but also on the extent to which they are proportional to the risks presented by an activity. This allows for a more rigorous review and substitution of specific approvals with less burdensome regulatory instruments (e.g. notifications or ex-post controls). Moreover, some governments might be more prone to use regulatory instruments such as licensing to raise revenue - instead of regulating business. Therefore, licensing reviews in these environments should take into account the fiscal impact for governments and assess how these revenue sources can be substituted with more sustainable and broad-based sources (e.g. taxation).

ii) E-payment programme

One of the lessons learned from working with the PMA is that it faces particular challenges given the political environment in which it operates and that there is a need to develop strong dialogue with the private sector. Furthermore, experience showed that market intelligence and a thorough understanding of how the market operates are required, together with a close dialogue with all relevant stakeholders and bordering markets on appropriate actions, specific incentives and/or targeted regulatory interventions.

3.2 Complementarity, synergy and donor co-ordination

Component 1: Contribution to the Municipal Development Programme (MDP3)

Donor coordination institutionalised under the past MDPs was effective in aligning approaches within the local government sector, and will be continued under the third phase. Following MDP 1 and 2, development partners' approaches to municipal support have become more unified and standardised. For MDP2, this included joint financing reporting to all donors, single procurement, financial management and monitoring systems, and joint supervision missions. The unified approach was expanded further during the preparation of the Local Governance Services Improvement Programme (LGSIP), supported by essentially the same group of donors as the proposed MDP3. This lesson is used through the joint preparation of MDP3 by incorporating approaches from LGSIP.

The main financing partners involved in MDP 3 are: **the** World Bank, Denmark, France (through AFD), Germany (through KfW and GIZ), the Netherlands (through VNG) and Switzerland (through SDC).

Donor coordination takes various forms, including the Local Governance Sector Working Group and its 4 technical groups and the biannual supervision missions of the MDP in which all funding partners participate. Finally, coordination also takes place under the EJS Pillar 1, sub-sector Local Government Reform, with the leadership of Denmark.

Component 2: Support to Gateway Outsourcing Hub and ICT sector in Gaza

The proposed action has a clear vertical approach, addressing the broad entrepreneurship ecosystem of the digital economy, including human capital, finance, product markets, institutional support and connectivity. Such action would be the first of its kind for the EU in Palestine, but will build on non IT-specific interventions with some digital economy relevance, funded by the EU through programmes in support of incubators, namely the ongoing "Business Start-ups Incubator Support" and the upcoming "Gaza business incubation support programme". In addition, the Belgian Co-operation Agency (Enabel) will also soon start "Digitalisation4Development" promoting adoption of digitalisation technologies by start-ups supported by incubators, while the Netherlands has already been supporting the renowned accelerator Gaza Sky Geeks, founded by Mercy Corps. Sweden is also currently designing, in partnership with the Netherlands and Canada, a programme addressing technology and ecosystem, building on the learning curve and experience developed by Gaza Sky Geeks. GIZ has a project in support of private sector development with a subcomponent dedicated to digital economy (training programmes for freelancers, supporting women IT entrepreneurs, training and capacity building for IT companies, connecting the ICT sector with other private sectors to facilitate cross-sector product development, and facilitate access to German markets). All donors engaged in IT programmes have recently been brought together under the umbrella of a working group under the Local Aid Co-ordination structure, led by MoNE and the World Bank ("Digital Economy, Innovation and Entrepreneurship Thematic Group"), which enabled improved coordination.

Component 3: Support to income generation in the Agriculture sector

In rural development, agriculture, livestock breeding and agribusiness, donors and their strategic partners are joining forces to profit from the comparative advantages generated by years of experience and partnership. European Joint Programming is providing the final push to consolidate these initiatives, with progress being measured against a number of mutually agreed indicators. Two important institutional mechanisms for effective cooperation are the Agriculture Sector Working Group, chaired by the Ministry of Agriculture, and the European Heads of Cooperation bi-monthly meetings. The proposed action will also actively seek and generate complementarity and synergy with other projects/programmes in the same sector, such as:

- *Reform and Development of Markets, Value Chains and Producers' Organisations* and the Multi-Donor Agribusiness Programme (MAP), funded by several European donors, including the EU and the AECID, and implemented by the FAO;
- Private Sector Reconstruction Gaza – Agriculture (PSRG-A) programme, funded by the EU and implemented by the MoA; this programme is implemented by the duty bearer (MoA) through simplified business plans developed by farmers who suffered damages because of Israeli actions; the present component improves civil society initiatives on linking relief, rehabilitation and development (LRRD) around the promotion of smart technologies and local synergies for market integration;
- *Rolling Agricultural Water Management – Improvement of Water Measures in the Agricultural Sector in Gaza Strip; Support to sustainable income generation and productive capacities for small producers and women producers in Gaza; and Strengthening women's economic co-operative network in Gaza while improving the social, economic and autonomy capacities of women working in co-operatives in Gaza, Palestine*, all funded by the AECID;

- The agricultural value chain development programme funded by Swiss Development Cooperation and implemented by a consortium of NGOs led by OXFAM IT in Gaza Strip.

Component 4: Support to the business enabling environment

i) Palestine Business Environment programme

Pillar V of the European Joint Strategy targets various areas to promote inclusive, sustainable economic growth, with particular attention paid to improving participation of women in the economy. Improving the enabling business environment is a key element of the pillar. Due to the high technical aspects of the legal and regulatory reforms, few donors are present. Only GIZ has activities in the sector and coordination is taking place through information sharing and development of synergies.

ii) E-payment programme

The World Bank coordinates closely with the IMF's support programme to the PMA. This is particularly the case with regards to the current Technical Assistance programmes on Anti-Money Laundering and Countering Financing of Terrorism and the ongoing financial sector diagnostics. In addition, over recent years, the World Bank and GIZ have provided coordinated and complementary TA support to the PMA. Examples of this include GIZ's support to the National Financial Inclusion Strategy and the World Bank's support to the Microfinance Sector Strategy, which are separate activities whose success is mutually dependent.

Coordination is expected to continue during the design of the new GIZ project to support the fintech⁸ agenda in Palestine.

4. DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The overall objective (impact) of the action is to promote inclusive sustainable and private sector-led development in the West Bank and the Gaza Strip⁹.

The **specific objectives (outcomes)** are:

Component 1: Contribution to the Municipal Development Programme (MDP3)

Outcome 1: Gaza municipalities improve services delivery and accountability

Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza

Outcome 2: Improved performance of the ICT sector in Gaza.

Component 3: Support to income generation in the Agriculture sector in the Gaza Strip

Outcome 3: Targeted actors' transition from directly assisted to self-sustained and competitive production.

Component 4: Support to the business enabling environment

8. Financial Technology.

9. This is the long-term impact, the intermediate impacts would be increased resilience, productivity, employment and job creation.

i) Palestine Business Environment programme

Outcome 4.1: Improved government service delivery (in terms of business registration, business licensing, business inspection)

ii) E-payment programme

Outcome 4.2: Improved access to e-payment services and e-commerce transactions including for Gaza¹⁰ based businesses and women led businesses.

The **expected outputs** and **indicative activities** are:

Component 1: Contribution to the Municipal Development Programme (MDP) – 3rd phase in the Gaza strip

Output 1: Improved coverage of quality services;

Output 2: Strengthened municipal institutions.

This component will contribute to financing municipal infrastructure for improved service delivery in Gaza. The project's block grant will provide the basic funding for eligible municipalities for infrastructure development based on needs and equity, while the performance grants will provide an incentive for eligible municipalities to improve their performance. Half of the total would be allocated for the block grant and another half for the performance-based grant. The block grants will be allocated based on population (40 percent) and needs (60 percent).

Block grant eligibility. Municipalities must fulfil the basic eligibility criteria to receive the block grants. From the outset, municipalities are required to have an annual budget approved by the municipal council and submitted to the Palestinian Ministry of Local Government. Furthermore, a second eligibility criterion will be added, requiring a Strategic Development and Investment Plan (SDIP). The SDIP are prepared in a participatory manner by the citizens of the municipalities.

Performance grants. The performance-based grants will be provided to the block grant eligible municipalities that further fulfil minimum eligibility criteria for performance grants. Municipal performance is measured through 21 key performance indicators (KPIs) that are designed to cover three performances areas, namely: (i) financial performance and sustainability; (ii) institutional performance¹¹; and (iii) transparency, accountability and participation.

Finally, based on the municipal performance assessment, the MDLF will announce allocations from block and performance grants. Based on the allocations, municipalities will select sub-projects to be funded by the grants from the list of sub-projects that were prioritised in their SDIPs.

Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza

10. Initiatives involving Gaza may be affected by events beyond the control of the PMA.

11. It covers financial accounting policies, executed budget statement for the previous financial year submitted to MoLG, fixed asset register in place and updated, unqualified audit opinion from annual external auditor, at least 70% budget execution, integrated financial management information system implemented and green spaces implemented.

- Output 1: GGateway is supported in order to develop and achieve a sustainable business model.
- Output 2: GGateway delivers improved digital curriculum trainings to prepare beneficiaries for private sector work.
- Output 3: Gaza ICT entrepreneurs' investment readiness is improved and new angel investor networks are established.
- Output 4: B2B links are established with resources available in the regional ecosystems.

Activities through the four sub-components include but are not limited to: trainings, technical assistance/capacity building, guidelines and tools' development, awareness and Business to Business (B2B) networking events, group/network building.

Component 3: Support to income generation in the Agriculture sector in the Gaza Strip

- Output 1: Conditions for vulnerable farmers to remain productive are improved;
- Output 2: Income generating activities are consolidated and aggregated;
- Output 3: market capacities for women groups and co-operatives are reinforced;
- Output 4: better quality and market access in selected value chains are ensured.

Activities include but are not limited to technical assistance, trainings, capacity building, and promotion of networking.

Component 4: Support to the business enabling environment

4.1 Palestine Business Environment programme

- Output 1: Support to the implementation and roll-out of a modernised and efficient Companies Law including a sound regulatory framework for home-based businesses and business entry procedures;
- Output 2: Reformed licensing package in selected sectors, including an e-informational licensing portal design;
- Output 3: Delivery of horizontal inspection reform tools¹² and roll-out of detailed inspection reform activities in two priority areas/sectors.

Activities include but are not limited to: drafting and approval of legal and regulatory frameworks, general and specific guidelines, set up of participative consultation processes, training and capacity building, organisation of awareness events, development of dedicated e-governance applications.

4.2 E-payment programme

- Output 4: the Implementation of the National Payment Development Strategic Plan in Palestine 2018-2023 is supported¹³.

Activities include but are not limited to: revision of the legal and regulatory framework, optimised use of the technical capabilities of payment systems and PMA's capacity building.

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- 12. Such as general guidelines (inspection checklists, risk models, enforcement management models, complaints management, guidance tools for businesses).
 - 13. In particular revision of the legal and regulatory framework, optimised use of the technical capabilities of payment systems and PMA's capacity building.

4.2 Intervention Logic

The intended impact in the long term is inclusive sustainable and private sector-led development, particularly in Gaza, achieved through a gradual and realistic increase in resilience, productivity, job creation and employment, outcomes to which all components contribute.

Component 1: Contribution to the Municipal Development Programme (MDP3)

Most of the municipalities in Gaza lack sufficient resources to meet their infrastructure needs (i.e. roads, sidewalks, public buildings, and solid waste infrastructure). They depend on limited, unpredictable and inadequate intragovernmental transfers for their capital investments. The MDP3 will finance municipal infrastructure and service delivery through the provision of basic block and performance-based grants and demand-driven capacity development support.

The key premise of this component is that through the investment in infrastructure sub-projects selected by the citizens in Gaza during the formulation of the Strategic Development and Investment Plans (SDIP), the access to municipal services will be enhanced to the benefit of the population's basic rights. Furthermore, maintaining or improving infrastructure can provide a greater economic advantage. Investing in infrastructure constitutes one of the main mechanisms to increase income, employment, productivity and consequently, competitiveness. This will, in turn, reduce the population's exposure to health, sanitation, environment and safety risks. Enhancing access to municipal services in Gaza, strengthening population's resilience and ameliorating the management capacity of municipalities including participatory measures will avoid that municipal assets would deteriorate and the local infrastructure gap would continue to increase.

Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza

The two key premises of the intervention are that by matching skills of engineering and technology graduates with industry-demanded skills, opportunities for employment and self-employment will improve; at the same time, improving entrepreneurs' access to markets, networks, knowledge and finance, increases economic opportunities for firms. The two assumptions will be operationalised on four main fronts, namely by 1) supporting GGateway to become an outsourcing hub for ICT businesses, further developing its business model; 2) strengthening GGateway training courses, increasing opportunities of graduates to be absorbed by the ICT private sector on a permanent and temporary basis; 3) increasing access of ICT entrepreneurs to early stage finance, by developing networks of investors focused on technology and digital economy and supporting existing incubators and accelerators to produce a quality pipeline of investment-ready start-ups; 4) developing entrepreneurship linkages through regional networks, with the purpose of creating B2B opportunities between Palestinian and regional firms.

Component 3: Support to income generation in the Agriculture sector in the Gaza Strip

The key premise is that, under the present context, sustaining (not necessarily expanding) agriculture-based livelihoods/business engaging vulnerable groups in Gaza can only be achieved by a progressive shift towards market sensitive approaches. This calls for a certain level of organisation and prior development of capacities, which can be built on previous and ongoing initiatives targeting vulnerable groups. Within the prudent assumption of no further deterioration of the access to resources and provision of services in Gaza, the action tries to

add a tailored market layer, while consolidating three complementary support paths: a) improving the targeting and quality of a job creation programme; b) aggregating individual income generating activities (IGAs) and promoting new start-ups; and c) reinforcing management and technical skills of women groups. The horizontal support for markets essentially introduces and monitors opportunities around 'validated' value chains in Gaza, and promotes synergies emerging from 'natural' links among actors. Indeed, the innovative value of this component relies on the aggregation and leveraging of ongoing programmes with similar challenges. This is expected to create a wide platform where matured operationalisations of the humanitarian-development nexus interact, eventually generating practical, replicable and scalable solutions in support of better quality jobs/employment for vulnerable groups in Gaza.

Component 4: Support to the business enabling environment

i) Palestine Business Environment programme

The key premises of the action are that the implementation of the company law, the business registry, licensing and inspection reforms together with a capacitated MoNE staff and adequate infrastructure⁷ will decrease burden on small businesses, lead to their increased competitiveness and incentivise formalisation. Furthermore, the support for household businesses along with the company law will improve the situation of women and youth businesses¹⁴, especially in vulnerable areas such as Area C and Gaza, allowing for a formalisation of their activities and job creation.

ii) E-payment programme

The key premises of the action are that the implementation of the e-payment strategy of the PMA, together with a capacitated PMA staff and adequate infrastructure, will allow for new non-bank players to enter the online payment services market. This, in turn, would increase access to alternative payment methods and provide the possibility for the private sector in general - but in particular Gazan small enterprises, start-ups and household businesses (often led by women) - to be paid for their services other than through a bank transfer, check or cash. The latter is in fact especially cumbersome for businesses based in Gaza and exporting goods and services. Furthermore, the programme will lead to a less cash-based economy which will, in turn, increase its stability.

4.3 Mainstreaming

Component 1: Contribution to the Municipal Development Programme (MDP3)

MDP3 will build on the achievements of MDP2 in embedding citizen engagement and social accountability into the performance incentives of municipal development. In this phase, the emphasis will also be put on evaluating, deepening and mainstreaming these advances in transparency and citizen engagement, focusing on how they contribute to improvement in municipal performance. More specifically, the performance system includes a number of key

14. Home-based entrepreneurs, especially women and youth, are unable to formalise their activities due to several restrictions imposing - among other requirements - the purchase or rental of a physical office space (non-residential) for the company. These restrictions prevent from opening a bank account, getting a loan, producing invoices, etc. This would be changed through simplification of the procedures and requirements for home-based businesses.

indicators (KPIs) related to social accountability and human rights, the achievement of which allows municipalities to move up the performance ladder.

Furthermore, the MDP3 programme will continue its explicit focus on gender in the framework of the "Strategic Development Investment Plan" planning process to better understand any existing gaps in service provision, problem identification, or response times.

The infrastructure sub-projects will be assessed by the MDLF and municipalities in the "Environment and Social Management Framework" (ESMF), through which auditing and monitoring of construction works will be conducted, and on-the-job training in environmental management for municipalities provided. Adding to that, social accountability (SA) has been considered one of the capacity development packages under MDP3, building on the successful implementation of SA in a number of municipalities under MDP2.

Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza

Notwithstanding the negative performance of all micro and macroeconomic indicators and the generalised de-development trajectory of Gaza's economy, digital economy stands as the exception and the most promising bet, given its potentially unlimited freedom from the physical constraints imposed by the blockade. Actions in support of individuals and firms along this line have potential to create large amounts of value, exporting intellectual capital, importing valuable foreign currency, contributing to improving the system's overall resilience by increasing available income and reducing unemployment of young graduates. Recognising the challenges faced by women in accessing entrepreneurship resources and economic opportunities and the large amount of unemployed female graduates, the action will go beyond mainstreaming gender-linked inputs, creating targeted interventions to combat constraints on economic opportunities for women and will measure outcomes through gender disaggregated indicators.

Component 3: Support to income generation in the agriculture sector in the Gaza Strip

The action has been designed from a gender perspective, in order to cope with some of the vulnerabilities that women in Gaza have to face. Women are more vulnerable and more affected by the lack of income. Income-generating activities and promotions of productive women's groups that are socially accepted would help to reduce those vulnerabilities and have a positive impact on the community. With one of the action's streams directly addressed to improve the situation of women in Gaza, the whole intervention is designed to mainstream gender and economic empowerment for women through the support of specific activities throughout the value chain.

The increase of production and productivity will be sought through more environmentally friendly agricultural practices. Practices to be promoted through technical assistance and investment support include strategic diversification of cropping patterns to consider resource use efficiency and market potential and adaptation to new seasons due to climate change; sustainable soil management; conservation of water resources by more efficient irrigation networks, reuse of waste water and rainwater harvesting; promotion of a reduced use of polluting inputs (mainly pesticides, chemical fertilizers, fossil fuel) through integrated pest management.

The intervention covers the Right to Work, as well as the global Right to Development which states that all people are 'entitled to participate in, contribute to, and enjoy economic, social,

cultural and political development, in which all human rights and fundamental freedoms can be fully realized'¹⁵. One of the activities also addresses the Right to Food.

Component 4: Support to the business enabling environment

i) Palestine Business Environment

The proposed intervention will take stock of regulatory constraints across several sectors, including those relating to environmental protection. The programme - which will not have any negative environmental impact, will on the contrary include strengthening of inspection procedures related to environmental protection.

It will be ensured that all social, gender and/or ethnic groups can have equal access to government services supported under this programme in line with the rights-based approach. Laws and regulations, as well as their implementation, will have to be non-discriminatory and will provide all entrepreneurs in Palestine with an equal opportunity to start and operate a business.

Moreover, the proposed programme aims to take stock of the specific obstacles women may face when starting and/or operating a business in Palestine. To that end, the lack of a clear framework for home-based businesses will be addressed. This is anticipated to provide more opportunities for women. Lastly, a gender-specific lens will be used when assessing the *de iure* and *de facto* regulatory framework to register and operate a business as a woman and addressing any gender-specific obstacles.

ii) E-payment programme

The work on facilitating e-payments will require broadening access to transaction accounts, which at present stands at 15.9% for women, against 25% for all adults (according to the 2017 Global Findex data). A favourable legal regime for the supply of mobile wallets by banks and other financial institutions in Palestine, and targeted financial education activities for women could significantly reduce the current gender bias.

4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 8 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all', SDG 2 'End hunger, achieve food security and improved nutrition and promote sustainable agriculture' and SDG 11 'Make cities and human settlements inclusive, safe, resilient and sustainable'. Furthermore, it contributes to SDG 1 'End poverty in all its forms everywhere', SDG 5 'Achieve gender equality and empower all women and girls' and SDG 10 'Reduce inequality within and among countries'.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

¹⁵ Declaration on the Right to Development, adopted by the United Nations General Assembly resolution 41/128 of 4 December 1986, art. 1.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 N/A

5.4 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁶.

5.4.1 Component 1: Contribution to the Municipal Development Programme (MDP3)- Grant to the Municipal Development and Lending Fund (MDLF) (direct management)

Grants (direct management)

(a) Purpose of the grant

The grant will contribute to improve Gaza municipalities' services delivery and accountability through a contribution to the Municipal Development Programme 3rd phase (Component 1 of the Action Document).

(b) Justification of a direct grant

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 country is in a crisis situation referred to in Article 2(21) FR at the date of the financing Decision.

The MDLF is the implementation agency for the whole MDP 3. The MDLF has demonstrated its capacity to administer donor-funded projects since its establishment in 2005, including the multi-donor financed MDP 1 and MDP 2. The proposed MDP 3 builds on the achievements of previous phases. Furthermore, the MDLF has successfully administered different projects financed by the World Bank and some Member States, as well as the social infrastructure component of the EU Development Programme in Area C (financed by the EU) and the Gaza Solid Waste Management Project (funded jointly by the World Bank, France and the EU). The MDLF has also implemented the Gaza Emergency Response Window, again financed by the EU.

The MDLF is equipped with all appropriate human resources required for project implementation. It will still ensure and provide guidance on the quality of sub-projects by: (i) ensuring that all works respect national technical norms and standards for each type of sub-project; (ii) enforcing these norms and standards through technical design and community-responsive, effective procurement procedures; (iii) ensuring the involvement of independently

16. www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

recruited Local Technical Consultants - Firms (LTCs) in the design and supervision of works and requiring their verification for the payments to contractors to be processed; (iv) developing capacity for appropriate municipal staff in relevant areas of quality enhancement; and (v) conducting technical audits, in addition to verifying technical soundness and compliance with safeguards.

5.4.2 Component 2: Support to Gateway Outsourcing Hub and ICT sector in Gaza

Indirect management with the World Bank

A part of this action may be implemented in indirect management with the World Bank. This implementation concerns the Component 2 of this Action. The envisaged entity has been selected using the following criteria:

- Longstanding experience of working with the private sector in Palestine;
- Innovative, unique approach for the ICT sector in Gaza.

The Component is part of the broader "Innovative Private Sector Development" (IPSD), designed by the World Bank within the specific window "Private Sector Enhancement Facility" of the Trust Fund for Gaza and West Bank (TFGWB).

The rules and procedures of the World Bank Trust Funds do not allow for specific earmarking of funds within a Trust Fund. However, in order to ensure that the interventions described in the Action Document under Component 2 will be financed by a contribution at least equivalent to the EU contribution, the World Bank indicated that it will provide the EU Delegation with a confirmation in writing of its acknowledgement of the EU intention to direct its contribution towards certain specific activities.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

5.4.3 Component 3: Support to income generation in the agriculture sector in the Gaza Strip

Indirect management with AECID

A part of this action may be implemented in indirect management with the Spanish Agency for International Development Co-operation (AECID). This implementation entails the activities corresponding to the Component 3 of this Action Document. The envisaged entity has been selected using the following criteria:

- Lead donor in the agricultural sector as Deputy Chair of the Sector Working Group;
- Long-proven experience in the agricultural and rural development sector in Palestine, especially in Gaza;
- Excellent knowledge and working relations with all relevant local and international actors, especially with relevant PA's bodies and CSOs;
- Use of funding tools, which promote and make use of the common interests and capacities of a very wide array of partners, thus emphasising proper management of resources, the use of the most apt organisation for the task, joint funding opportunities, and transparent financing mechanisms.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

5.4.4 Component 4 : Support to the business enabling environment

Indirect management with the World Bank

A part of this action may be implemented in indirect management with the World Bank. This implementation entails the Component 4 of this action. The envisaged entity has been selected using the following criteria:

- Longstanding experience of working with the private sector in Palestine;
- Proven track record and specific methodology in working on advising governments on business environment and financial regulation issues;
- Ongoing work with the Ministry of National Economy and the Palestinian Monetary Authority on the specific targeted topics of business environment and e-payments.

The Component is part of the broader "Innovative Private Sector Development" (IPSD), designed by the World Bank within the specific window "Private Sector Enhancement Facility" of the Trust Fund for Gaza and West Bank (TFGWB).

The rules and procedures of the World Bank Trust Funds do not allow for specific earmarking of funds within a Trust Fund. However, in order to ensure that the interventions described in the Action Document under Component 4 will be financed by a contribution at least equivalent to the EU contribution, the World Bank indicated it will provide the EU Delegation with a confirmation in writing of its acknowledgement of the EU intention to direct its contribution towards certain specific activities.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

5.4.5 Changes from indirect to direct management mode due to exceptional circumstances

Procurement will be the alternative implementation modality in direct management to replace the preferred implementation modalities described above under headings 5.4.2 "Support to GGateway Outsourcing Hub and ICT sector", 5.4.3 "Support to income generation in the agriculture sector" and 5.4.4 "Support to the business enabling environment" where the corresponding indirect management cannot be implemented due to circumstances outside of the Commission's control.

5.5 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 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.

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
Component 1 Contribution to the Municipal Development Programme (MDP3)	10,000,000	
- Grants (direct management) – section 5.4.1	10,000,000	
Component 2 Support to GGateway Outsourcing Hub and ICT sector in Gaza	3,000,000	
- Indirect management with the World Bank – section 5.4.2	3,000,000	Trust Fund Seed Funding represents USD 20 million for Components 2 and 4 ²
Component 3 Support to income generation in the agriculture sector in the Gaza Strip	3,000,000	
- Indirect management with the AECID – section 5.4.3	3,000,000	EUR 1 000 000
Component 4 Support to the business enabling environment:	6,000,000	
- Indirect management with the World Bank – section 5.4.4	6,000,000	Same as under Component 2
Performance and Results monitoring and reporting (cf. section 5.8)	400,000	N/A
Evaluation and Audit/ Expenditure verification (cf. section 5.9 and 5.10)	200,000	N/A
Communication and visibility ¹⁷ (cf. section 5.11)	360,000	N/A
Contingencies	0	N/A
Total	22,960,000	USD 20,000,000 and EUR 1,000,000

17. Communication and visibility are pooled together and cover also the needs relating to the AAP 2019 Action Document 'Access to self-sufficient water and energy services' and the AAP 2019 Action Document 'Support to human rights and institution building'.

5.7 Organisational set-up and responsibilities

Component 1

The MDLF is the implementing body of the Municipality Development Programme. Bi-annual joint supervision missions lead by the World Bank are foreseen, 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

Implementation responsibilities will be directly exercised by the World Bank and an advisory committee to be established by the Ministry of National Economy, which will include the Ministry of Finance and Planning, representatives from the private sector and the EU. The advisory committee will have the following responsibilities: i) reviewing periodically the progress of the "Innovative Private Sector Development" (IPSD) program, ii) providing strategic guidance and recommendation, iii) coordination and involvement of relevant government agencies; iv) facilitation of public-private dialogue.

Component 3

The AECID will establish a specific Management Unit for the Component, coordinating and promoting synergies among activities and implementing partners. The precise scope of responsibilities of this body, and the way it will be linked with the EU and its autonomous monitoring and evaluation framework, will be defined at a later stage.

Component 4

For the Business Environment project, the Ministry of National Economy will be the contact point and will ensure the inter-ministerial coordination mechanisms necessary for the implementation. An inter-ministerial leadership team (Steering Committee) will be set up, with a political clout to lead, coordinate and oversee the reform process. The Commission will be part of the Steering Committee. Representatives of private sector associations will be invited to be part of the Steering Committee.

For the e-payment project, the PMA will be the contact point and will ensure the coordination necessary for the implementation. An inter-ministerial leadership team (Steering Committee) will be set up, with a political clout to lead, co-ordinate and oversee the reform process. The Commission will be part of the Steering Committee. Representatives of private sector associations will be invited to be part of the Steering Committee.

5.8 Performance and Results monitoring and reporting

The Action as a whole (with a special focus on Gaza) foresees an autonomous Monitoring and Evaluation (M&E) Framework that will be procured through a service contract, helping to take into account changes on the ground, especially in Gaza, revising the intervention logics and theories of change whenever needed, in coordination with the regular activities of M&E carried out by implementing partners and the Contracting Authority under the respective components. Monitoring activities will be accompanied by ad hoc case studies of specific aspects of the intervention, with the aim of enriching the overall socio-economic understanding of ongoing dynamics. Outputs produced will inform the work of the components' Steering Committees.

Furthermore, under each component, the day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix (for project modality) or the partner's strategy, policy or reform action plan list (for budget support).

For Component 1, the MDLF will be responsible for monitoring of the achievements of the objectives and indicators, and physical, financial and procurement performance of the project. The MDLF will continue to use a web-based Programme Management Information System, as well as the Financial Management Information System (FMIS) to automate data aggregation, storage, and presentation as part of a results-based M&E system. In addition to the data collection exercise carried out directly by the MDLF for project reports, surveys will be conducted to measure progress towards the achievement of the objectives. Semi-annual and annual progress reports and quarterly Interim Financial Management Reports will be produced.

Component 2 and Component 4 will be carried out under the same Trust Fund. The activities to be supported by the fund will be subject to the World Bank's and IFC's standard supervision and progress reporting requirements for Bank-financed projects.

Component 3 will be subject to the AECID's standard supervision and progress reporting requirements, and the specific framework introduced by each implementing partner at contract level.

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).

5.9 Evaluation

Having regard to the importance of the action, a final and/or ex-post evaluations will be carried out for this action or its Components via independent consultants contracted by the Commission and also via implementing partners.

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 an innovative action in terms of outsourcing is taken under Component 2, a change in behaviour of the beneficiaries to become more market-oriented is sought under Component 3 and an e-payment uptake is to be promoted under Component 4.

The Commission shall inform the implementing partners at least 6 months 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.

Evaluation services may be contracted under a framework contract.

5.10 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.

It is foreseen that audit services may be contracted under framework contracts.

5.11 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.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), 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 Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, two or three contracts for visibility and communication activities might be concluded under a negotiated competitive procedure by the Delegation during the operational implementation period of this Action. Communication and visibility included in this Action Document will also cover the needs of the AAP 2019 Action Document 'Access to self-sufficient water and energy services' and the AAP 2019 Action Document 'Support to human rights and institution building' and communication needs of ongoing cooperation programmes as appropriate in terms of relevant timescales.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

Component 1: Contribution to the Municipal Development Programme (MDP3¹⁸)

	Results chain: Main expected results	Indicators	Sources of data	Assumptions
Impact (Overall Objective)	To promote inclusive sustainable and private sector-led development in the West Bank and the Gaza Strip	GDP per capita	Palestinian Central Bureau of Statistics, Ministry of Local Government Reports, Review 2030 for the National Policy Agenda	<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	Outcome 1 Gaza municipalities improve services delivery and accountability	1. Number of Municipalities that move up one rank in the performance assessment system Baseline: 0.00 End target: 100 (Gaza 15) YR3 50 (Gaza 8) YR5 100 (Gaza 15) 2. People provided with improved urban living conditions Baseline: 0.00 End target: 500,000 (Gaza 200,000) Female: 250,000 (Gaza 98,000) YR3 250,000 (Gaza 100,000) YR5 500,000 (Gaza 200,000) Female: YR3 125,000 (Gaza 49,000) – YR5 250,000 (Gaza 98,000)	Municipalities completion project reports, MDLF's bi-annual performance assessment reports, LTC's reports, Satisfaction surveys	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; Security and political situation remains sufficiently stable.

18. Please note that the midterm target as well as the end targets might be subject to revision based on the MTR assessment which is anticipated to take place end of 2019.

<p>Outputs</p>	<p>Output 1: Improved coverage of quality services resulted from capital investment</p>	<p><u>Output indicators related to Output 1</u> Number of Municipalities completing sub projects within in cycle 2 Baseline: 0.00 End target: 140 Gaza (25) YR3 100 (Gaza 18) YR5 140 (Gaza 25)</p> <p>% of investment financed under the project in adequate technical and used as intended Baseline: 0.00 End target: 80% (Gaza 80%) YR3 60% (Gaza 60%) YR5 80% (Gaza 80%)</p> <p># of beneficiaries satisfied with municipal subprojects Baseline: 0.00 End target: 80% Gaza (80%) Female: (39%) Gaza (39%) YR3 70% (Gaza 70%) YR5 80% (Gaza 80%)</p> <p><u>Output indicators related to Output 2</u> Indication of municipalities' performance improvement in implementing sub-projects based on pre-post assessment conducted by the LTCs¹⁹</p>	<p>Municipalities completion project reports, MDLF's reports, LTCs assessment for municipalities' performance in capital investment sub-projects implementation.</p>	<p>Movement of goods and people is eased or does not deteriorate significantly; All relevant stakeholders, mainly the local authorities remain committed to the action' objectives and results.</p>
	<p>Output 2: Strengthened municipal institutions in the implementation of capital investment.</p>			

19. The LTC will conduct a pre-post institutional assessment of municipalities regarding the implementation of sub-projects. The assessment will be utilised to identify the gaps to be fulfilled by the LTCs at the municipal level technically. The assessment will be used for evaluation purposes to assess the improvement resulted from the on-job training.

Component 2: Support to GGateway Outsourcing Hub and ICT sector in Gaza

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	To promote inclusive, sustainable and private sector-led development in the West Bank and the Gaza Strip	GDP per capita** Employment**	Palestinian Central Bureau of Statistics, Palestine Monetary Authority	
Outcome(s) (Specific Objective(s))	Outcome 2 Improved performance of the ICT sector in Gaza	<ol style="list-style-type: none"> 1. Additional annual profit generated by GGateway (Baseline: USD 10,000 – Target (2022): USD 75,000) 2. Number of GGateway graduates employed in long term jobs or self-employed ** - data disaggregated by gender (Baseline: 0 – Target (2022): 300) 3. Amount of private investment raised by Gazan ICT firms** (Baseline: 0 – Target (2022) USD 600,000) 4. Number of Gaza ICT entrepreneurs that connect to regional investment/mentoring network, markets and human capital via B2B matching (Baseline: 0 – Target (2022): 20) 	Project reports, Surveys	<p>ICT Gaza outsourcing offer meets sector standards and market demand;</p> <p>Business environment regulation supports online transactions;</p> <p>ICT businesses in Gaza are not disproportionately affected by Israel's restrictive measures/military operations.</p>
Outputs	Output 1: GGateway is	<u>Output indicators related to Output 1</u>	Project	1. GGateway

	<p>supported to develop and achieve a sustainable business model.</p> <p>Output 2: GGateway delivers improved digital curriculum trainings to prepare beneficiaries for private sector work</p> <p>Output 3: Gaza ICT entrepreneurs' investment readiness is improved and new angel investor networks are established.</p> <p>Output 4: B2B links are established with resources available in the regional ecosystems.</p>	<p>Adoption and implementation of a new business model for outsourcing hub by GGateway</p> <p><u>Output indicators related to Output 2</u> Number of GGateway graduates successfully completing market-driven trainings - data disaggregated by gender</p> <p><u>Output indicators related to Output 3</u> Number of new firms identified as investment-ready/Number of new investment networks established</p> <p><u>Output indicators related to Output 4</u> Number of business opportunities identified for cooperative initiatives</p>	<p>reports, Surveys</p>	<p>outsourcing value proposition competitively meets market demand.</p> <ol style="list-style-type: none"> 2. Programme succeeds to develop and market improved capacities of Gaza ICT workforce. 3. Programme succeeds to bridge the gap between demand and supply of investment finance. 4. ICT Gaza entrepreneurs' value proposition competitively meets market demand.
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Component 3: Support to income generation in the Agriculture sector

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
Impact (Overall Objective)	To promote inclusive sustainable and private sector-led development in the West Bank and the Gaza Strip	(ROF III.1) Real annual GDP growth increase (Real Gross Domestic Product) (ROF III.2) GDP Per Capita (constant prices: 2004 is the base year)		<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	Outcome 3 Targeted actors transition from directly assisted to self-sustained and competitive production	<ol style="list-style-type: none"> 1. Number of right holders accessing improved infrastructure for income generation; 2. Number of right holders accessing decent work; 3. Number of right holders creating or improving their own businesses; 	Final Evaluation Ministry of Agriculture Ministry of Labour	<ul style="list-style-type: none"> •The political, as well as socio-economic and security situation in the Gaza Strip does not deteriorate to a point where the project's implementation is impossible. •Euro/shekel exchange rate remains stable or with little depreciation.
Outputs	Output 1: Conditions for vulnerable farmers to remain productive are improved	<i>Output indicators related to Output 1</i> *ROF Agriculture IOC3.1: Evolution of the total number of agricultural machines and equipment by type, in variation trends	ROF Agriculture IOC3.1 Ministry of Agriculture	•Input movement conditions do

	<p>Number of agricultural infrastructure improved or rehabilitated</p> <p>Number of right holders benefiting from the improved infrastructure for their livelihood;</p> <p>Percent of increase in income of the farms supported by the Action in variation trends</p> <p>*ROF Labour IOC2.1: Percentage of graduates who made a successful transition to the labour market in variation trends</p>	<p>Ministry of Agriculture</p> <p>Semi-annual Reports</p> <p>Baseline and semi-annual reports.</p> <p>PCBS, ILO, Baseline and semi-annual reports</p>	<p>not deteriorate.</p> <ul style="list-style-type: none"> •Climate conditions do not provoke a significant reduction in crop yields •Labour offer will remain very low while demand continues to increase. Local markets maintain their purchasing capacity for safer and higher quality products. •The social and legal status of women in Gaza will allow women's groups to continue improving their economic empowerment and public
<p>Output 2: Income generating activities (IGAs) are consolidated and aggregated</p>	<p><u>Output indicators related to Output 2</u></p> <p>Number of businesses supported by the action consolidates and active (disaggregated by the owner's sex)</p> <p>Number of jobs created by the businesses supported by the Action (disaggregated by sex)</p> <p>Percent of increase in the income of the businesses supported by the Action in variation trends</p>	<p>Baseline, Semi-annual reports</p>	
<p>Output 3: Market capacities for women groups and co-operatives are reinforced</p>	<p><u>Output indicators related to Output 3</u></p> <p>*ROF Labour IOC3.1: Number of employees in co-operatives</p> <p>*ROF Labour IOC3.2: Number. of co-operative members</p> <p>*ROF Agriculture IOC4.2: Percent of women-led enterprises and co-operatives</p>	<p>PCBS and the Ministry of Labour</p> <p>Baseline</p> <p>Semi-annual reports</p>	

		Percent of increase in income of the co-operatives supported by the Action in variation trends		activities.
	Output 4 Better quality and market access in selected value chains: are Ensured	<u>Output indicators related to Output 4</u> Number of market studies carried out; Number of value chain studies carried out. Number of links established between the action's various activities; Number of links established with external programmes in the same sector or with the EU or the AECID as donors.	Studies performed, Semi-annual reports	

Component 4: Support to the business enabling environment

<p>Impact (Overall Objective)</p>	<p>To promote inclusive sustainable and private sector-led development in the West Bank and the Gaza Strip²⁰</p>	<p><i>GDP per capita Doing Business distance to the frontier Number of electronic payments per capita</i></p>	<p>Data from the Palestinian Statistics Bureau, Palestine Monetary Authority and the World Bank</p>	<p><i>Not applicable</i></p>
<p><i>Palestine Business Environment</i></p>				
<p>Outcome(s) (Specific Objective(s))</p>	<p>Outcome 4.1 Improved government service delivery</p>	<p>1. # of businesses going through the reformed business registration process satisfied or very satisfied with transparency and ease of the process</p> <p>2. # of businesses going through the</p>	<p><u>Sources of data related to the company law Reform and Business Registry</u></p> <p>i) Baseline study and process map</p> <p>ii) Doing Business score on the Protecting Minority Investors indicator - annually</p> <p>iii) Baseline Survey - at launch of project and repeated survey post-implementation</p>	<p>The by-laws required to implement the Companies Law and business registry are enacted.</p>

20. Initiatives involving Gaza may be affected by events beyond the control of the stakeholders.

		<p>reformed licensing process reporting satisfied or very satisfied with the transparency and ease of the process</p> <p>3. # of businesses going through the reformed inspection process reporting satisfied or very satisfied with transparency and ease of the process</p>	<p>iv) Business Registry database</p> <p><i>Sources of data related to the Licensing reform</i></p> <p>i) Baseline Survey – at launch of project and repeated survey post-implementation</p>	
<p>Outputs</p>	<p>Output 1: Support to the implementation and roll-out of a modernised and efficient Companies Law including a sound regulatory framework for home-based businesses and business entry procedures</p> <p>Output 2: Reformed licensing package in selected sectors, including an e-informational licensing portal design</p>	<p><u>Output indicators related to Output 1</u></p> <p># of legal reform recommendations proposed and/or drafted by stakeholders participating in legal reform consultation sessions;</p> <p># of stakeholders</p>	<p>Sources of data related to the company law Reform and Business Registry</p>	<p>The Buy-in and coordination of all relevant stakeholders.</p> <p>The Company Law is enacted.</p> <p>.</p>

	<p>Output 3: Delivery of horizontal inspection reform tools²¹ and roll-out of detailed inspection reform activities in two priority areas/sectors</p>	<p>trained on implemented legal reform recommendations ; # of participants in knowledge sharing events on business registration reform.</p> <p><i><u>Output indicators related to Output 2</u></i> # of business licenses reformed; Average # of days to comply with the reformed licensing process; Average # of requirements to comply with the reformed licensing process;</p>		
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21. Such as general guidelines (inspection checklists, risk models, enforcement management models, complaints management, guidance tools for businesses).

		<p><i><u>Output indicators related to Output</u></i></p> <p><u>3</u></p> <p># of business activities mapped for inspection process reform;</p> <p># of reform recommendations proposed/drafted by stakeholders participating in business inspection reform consultation sessions;</p> <p># of stakeholders trained on streamlined and/or implemented business inspection process;</p> <p># of participants in knowledge sharing events on business inspection reform;</p>		
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<i>E-payments program</i>				
<p>Outcome(s) (Specific Objective(s))</p>	<p>Outcome 4.2 Improved access to e-payment services and e-commerce transactions including for Gaza-based businesses and women led businesses</p>	<p>1. # of e-payment access points, number of e-commerce transactions (disaggregated by area and gender where possible) 2. Market entry by non-banks by Q2 201)</p>	<p>Data from the Palestine Monetary Authority and the World Bank</p>	<p>Decision of operators are not impacted by external circumstances outside of the government's action.</p>
<p>Outputs</p>	<p>Output 4: Support to the Implementation of the National Payment Development Strategic Plan in Palestine 2018-2023</p>	<p><i>Output indicators related to Output 4</i> # of payment service providers # of electronic payments Increase in volume and usage of capabilities of the automated transfer system Targeted assistance to</p>	<p>Data from the Palestine Monetary Authority and the World Bank</p>	<p>The PMA continues to be committed to the planned reforms.</p>

		PMA through technical and policy guidance, best practices, workshops and studies		
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ANNEX 2

to the Commission Implementing Decision on the Annual Action Programme in favour of Palestine¹ for 2019

Action Document for ‘Access to self-sufficient water and energy services’

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Access to self-sufficient water and energy services CRIS number: ENI/2019/041-852 financed under the 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	European Joint Strategy in support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State	
4. Sustainable Development Goals (SDGs)	SDG6 - Improved access to water, sanitation and hygiene SDG7 - Improved access to energy for all, and increased energy efficiency and renewable energy generation Other significant SDGs: SDG 5 - Gender equality SDG 12 - Responsible consumption and production	
5. Sector of intervention/ thematic area	Pillar IV: Access to self-sufficient water and energy services	DEV. Assistance: YES ²
6. Amounts concerned	Total estimated cost: EUR 34,500,000 Total amount of European Union (EU) contribution: EUR 24,500,000	

1. 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.
2. Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective.

	This action is co-financed for component 1.2 in joint co-financing by Agence Française de Développement (AFD) for an amount of EUR 10,000,000.			
7. Aid modality(ies) and implementation modality(ies)	Project Modality Component 1.1 - Gaza Central Desalination Plant Associated Works - Al Montar connection point Indirect management with an entrusted entity Component 1.2 - Aboud connection point in the West Bank Indirect management with Agence Française de Développement (AFD) Component 2.1 - Technical Assistance in support of the Palestinian hydrocarbon sector's reform Direct management – procurement			
8 a) DAC code(s)	14021 - Water supply - large systems 23110 - Energy policy and administrative management			
b) Main Delivery Channel	Public Sector Institution – 10000 World Bank Group – 44001 Other – 5200 (AFD)			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input checked="" type="checkbox"/>	<input 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	Principal 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
10. Global Public Goods and Challenges (GPGC) thematic flagships	Environment and Climate Change Human Development/Health Sustainable Energy			

SUMMARY

The proposed Action contributes to the implementation of Pillar IV 'Access to Self-Sufficient Water and Energy Services' of the European Joint Strategy (EJS) in support of Palestine 2017-2020 'Towards a democratic and accountable Palestinian State'. The EJS is closely aligned with the Palestinian National Policy Agenda (NPA) 2017-2022 and the Sustainable Development Goals.

The EU's engagement in this crucial sector aims at improving sustainability and efficiency through a twin-track approach, focusing on both sector reforms and infrastructure investments. This action aims to improve availability and efficient management of water resources in the West Bank and Gaza through investing in infrastructure required to accommodate the additional quantity of water that will be purchased from Mekorot (the Israeli National Water Company) by the Palestinian Water Authority. Upon completion, the connections will be assets of the West Bank Water Department (WBWD) that will become the National Water Company as per the Water Reform Law. In Gaza, a mixing reservoir and a bulk water supply system will be built to put into operation the Al Montar connection point with Israel in the northern part of the Strip. The Al Montar connection point is a component of the Associated Works for the Gaza Central Desalination Plant programme and when completed, it will double the amount of water available to Gaza City. In the Middle Area of the West Bank, the action will provide adequate, reliable and safe bulk water supply with better storage capabilities to help overcome the deficit in the water supply that the Northwest Ramallah villages suffer due to undersized, old and deteriorated pipes. In addition to the water supply benefit, both components will contribute to the water reform agenda, as the future National Water Company will have ownership and operation responsibility for the new infrastructure.

In the energy sector, the action aims at helping the Palestinian Authority (PA) in restructuring the hydrocarbon sector. More broadly it aims at setting the right conditions for infrastructure development in both water and energy sectors , contributing to addressing the obstacles currently hampering investments in the sectors (including the Gas for Gaza project (G4G) and the Gaza Central Desalination Plant (GCDP)). In particular, this intervention will assist the reform of the subsector to contribute to the independence of the Palestinian energy sector, the security of energy supplies, the attraction of private investments and economic development. This support complements the planned EU Twinning initiative for the Palestinian energy sector, expected to start by mid-2020.

1. CONTEXT ANALYSIS

1.1. Context Description

Palestine is home to 4.8 million people of which 2.9 million live in the West Bank, including East Jerusalem, and 1.9 million in the Gaza Strip. In addition, approximately 600,000 Israeli settlers live in the West Bank. 40% of Palestinians living in Palestine are refugees and this figure goes up to 70% in the Gaza Strip. 47% of the population is under 17 years old and 71% of the population is younger than 30. Palestine is a Lower Middle Income Country. It is ranked 119 out of 189 countries in the 2018 Human Development Index, a drop of three places compared with 2016³.

Palestine is marked by the ongoing Palestinian-Israeli conflict, as well as by the disruption of over fifty years of occupation and the progressive fragmentation of its territory, including the illegal annexation of East Jerusalem. There is no ongoing peace process and no realistic perspective of the resumption of peace talks. The Oslo Accords, under which the Palestinian Authority (PA) was created in 1994, were intended to lead to a final negotiated settlement between the parties. Twenty-five years later, the PA, which has operated as a transitional

3. <http://hdr.undp.org/en/data>.

authority with limited jurisdiction since its creation, has administrative, judicial and security jurisdiction in only 18% of the West Bank, i.e. in Area A.

Palestinian economic development and its political relations with Israel are inherently linked, as Palestine operates under the framework of an uneven customs and monetary union with Israel. It has no control over its own borders and suffers from restrictions and controls on the movement of people and goods. Consequently, the PA has limited control over most of its revenues and experiences substantial losses under the current revenue sharing arrangements.

The fiscal situation of the PA remains very fragile, exacerbated by a further decline of donor support in 2018. Of particular note were the United States' decision to redirect funding away from the Palestinians, and the entry into force of ATCA (Anti-Terrorism Classification Act), which led to the decision by the PA to banning all Palestinian entities from receiving US funding. The approval in 2018 by the Knesset of a bill which may lead to the deduction of a considerable amount of funds from the clearance revenue (taxes owed to the Palestinian Authority but collected by Israel on its behalf) equivalent to the amount paid by the PA to prisoners and martyrs is further exacerbating the situation. In February, Israel began implementing this law withholding from the clearance revenues the equivalent of sums paid to Palestinians and the families of Palestinians convicted by Israel of involvement in 'terrorist activities' or other security-related offenses. In response, the PA decided not to accept any clearance revenue unless the full amount is transferred without any deduction. This created an unprecedented fiscal challenge and the PA put in place emergency measures to cope with the loss of 65% of revenues.

The PA's wage bill (15% of the Gross Domestic Product) is among the highest in the world and Palestine's pension system remains unsustainable. In 2018, the unemployment rate in Palestine was 27%, the third highest in the world, according to the International Labour Organisation, with more women unemployed than men (40% and 24.4% respectively). Only 40% of those aged between 15 and 29 are active in the labour market, with dramatic differences in participation by gender (19% for women). In 2017, the poverty rate (those living on less than USD 4.6 per day) was 13.9% in the West Bank and 53% for Gaza Strip, according to the Palestinian Central Bureau of Statistics. Purchasing power has been reduced by the decision of the PA to reduce level of salaries for its civil servants in the Strip and other measures.

Palestine faces growing governance challenges. The last general elections were held in January 2006 and the Gaza Strip came under the de facto control of Hamas in 2007. The movement restrictions imposed by Israel on the Gaza Strip since the early 1990s intensified in June 2007 with its closure and imposition of the land, air and sea blockade. Three armed conflict in seven years (2008/2009, 2012, 2014) caused large-scale destruction. The Great March of Return, which started on 30 March 2018, led to a high number of dead and injured Palestinians demonstrators in the Gaza strip. According to the Office for the Coordination Humanitarian Aid, 295 Palestinians were killed and over 29,000 others were injured in 2018 by Israeli forces. 57 of the Palestinian fatalities and about 7,000 of the wounded were minors.

Access and distribution of water in Palestine are among the most critical and sensitive issues. The management and use of water resources in Palestine is at the forefront of the political dispute. Groundwater and surface water resources in Palestine are shared between Israelis and Palestinians: whereas a specific quantity was temporarily allocated for the use of Palestinians by the Oslo Accords, the final definition of the parties' rights on water resources was left for final-status negotiations. While this interim arrangement is considered still in force, the Palestinian share is continuously declining, as resources are mostly located in Area C and

groundwater abstraction and the use of surface water are strictly controlled by Israel. The Palestinian water sector is therefore characterised by lack of control over available resources. Economic hardship as well as lack of sufficient infrastructure and effective water resource management have led to a severe water shortage both in the West Bank but in particular in Gaza, where water quality and per capita available quantity are worryingly below international standards and threatened by pollution from agriculture, solid waste and wastewater. The supply of fresh water to the population of Gaza at present depends overwhelmingly on the groundwater aquifer. The high level of abstraction, contamination and wastewater has caused in excess of 95% of Gaza water to be unfit for human consumption according to WHO standards. The abstraction for domestic use is around 94 million cubic meter (mcm) per year and further 105 mcm per year is estimated to be abstracted for agricultural use and industries. The level of groundwater use which would ensure its natural recharge is instead between 55 and 60mcm/year. As a result of this unbalance, seawater and surrounding saline aquifers intrude into the fresh water aquifer with an adverse effect on ground water quality. Most studies predict that, in the absence of a major shift, the underlying portion of the coastal aquifer will become permanently and entirely unfit for human consumption by 2020⁴.

Palestine depends for almost all energy import on neighbouring countries, first and foremost Israel. Palestinian main hydrocarbon resources are located in the West Bank (Rantis Oil and Gas field, with an estimated capacity of 30 to 180 million of oil barrels) and in the Gaza Strip (Gaza Marine I and II offshore fields with an estimated capacity of 1.4 trillion cubic feet) but remain currently untouched. The total quantity of diesel consumed in Palestine in 2017 was 604 million litres, while gasoline was 303 million litres and Liquefied Petroleum Gas (LPG) 189,000 tons. Petroleum derivatives are consumed in transport, heating, industrial processes, cooking, and as fuel in the Gaza Power Station (GPP).

The financial situation of the hydrocarbon sector represents a concern to the PA, as it financially subsidises the consumer sale price. This imposes a burden on the PA's budget in addition to the deductions to clearance revenues that Israel makes for unpaid electricity purchases (net lending). Energy prices are among the highest in the region and energy costs are for the vast majority deducted by Israel from clearance revenues. The occupation and the consequent financial and political constraints, the limited availability of local primary energy sources, the geographical segregation between the Gaza Strip and the West Bank, the restriction of the import of materials limiting technologies available are all factors further increasing the complexity of the Palestinian energy sector.

The legal framework of the hydrocarbon subsector is almost non-existent, with the only existing institution being the General Petroleum Corporation (GPC), under the responsibility of the Ministry of Finance and Planning (MoFP). GPC is in charge of issuing licenses for distribution stations, purchases petroleum products from Israel and sells them to the distribution chain in Palestine. The GPC also sets the tariffs at which the petroleum products are sold to consumers.

In December 2018, PENRA asked for EU support for the relaunch of the hydrocarbon sector reform.

4. Philips Robinson & Associates, The Comparative Study of Options for Additional Supply of Water for the Gaza Strip, 2011.

1.2. Policy Framework (Global, EU)

The action contributes to several *Sustainable Development Goals (SDGs)*: SDG6 (clean water and sanitation); SDG 7 (affordable and clean energy); SDG 5 (gender equality) and SDG12 (responsible consumption and production).

The action also contributes to the aspiration set out in the *EU Global Strategy* to 'support governments to devise sustainable responses to food production and the use of water and energy through development, diplomacy and scientific cooperation.' As stated in the Strategy, the EU is 'committed to a global order based on international law, which ensures human rights, sustainable development and lasting access to the global commons.'

The action is in line with paragraph 26 of the 2017 *European Consensus on Development*, which states '[t]he EU and its Member States will support sustainable and integrated water management as well as more efficient use of water and water recycling, including through a more strategic approach to regional development and integration.'

The action is in line with the 2015 *Review of the European Neighbourhood Policy*, which states that increased cooperation on energy efficiency, renewable energy sources, demand management and actions to mitigate and adapt to climate change will help to develop economies that are more efficient, competitive, resilient and stable, while increasing energy sovereignty and reducing emissions.

Finally, the action contributes to the overall objective for Pillar IV (Self-Sufficient Water and Energy Services) of The *European Joint Strategy in Support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State (EJS)* to ensure the provision of self-sufficient, equitable, affordable and sustainable access to energy, safe water and sanitation services for all.

1.3. Public Policy Analysis of the partner country/region

The Palestinian Authority's *National Policy Agenda 2017-2022 'Putting Citizens First'* (NPA) contains three pillars describing the strategic direction of the government: 1) path to independence, 2) government reform, and 3) sustainable development. On the basis of key national priorities, sector policies have been defined to improve the quality of life of the Palestinian people, while continuing efforts to attain statehood.

In addition to the NPA, the *National Water and Wastewater Policy and Strategy for Palestine 2012-2032* provides the planning and management framework necessary for the protection, conservation, sustainable management and development of water resources and for the improvement and sustainable management and provision of water supply and wastewater services and related standards in the Palestinian Territories. As such, and in order to address these key issues, the Palestinian Water Authority's (PWA) *Strategic Development Plan 2017-2022* was developed along the following five specific objectives: i) integrated management and sustainable development of water resources, ii) improving quality and reliability of water supply services and ensuring fair water distribution, iii) improving wastewater services and structures (collection, treatment and re-use of treated water and sludge), iv) development of water sector institutions to reinforce good governance and v) ensuring financial sustainability of water service providers.

Both the West Bank and Gaza, in particular, suffer from an alarming water deficit with litres per capita available to Palestinians being well below the WHO minimum of 100 litres/capita.

In order to accommodate the increasing demand for water and alleviate the deficit through short-term measures, additional quantities will be purchased by the Palestinian Water Authority (PWA) from Mekorot (the Israeli National Water Company). The purpose of the proposed action is to construct the main bulk water system components necessary to accommodate the aforementioned quantities and ultimately supply the population both in the West Bank and in the Strip with additional water. This shall result in an adequate, reliable and safe bulk water supply, with better storage and distribution capabilities, to help overcome the current and projected water supply deficits. Upon completion, the two water projects under the action will substantially contribute to SDG 6.

The *Comprehensive National Strategy for the Energy Sector in Palestine (2017-2022)* covers both the West Bank and the Gaza Strip, tackling various subsectors: hydrocarbons, electricity, renewables (RE) and energy efficiency (EE). The Strategy acknowledges that main challenges of the sector in Palestine are - among others - the diversification of energy sources and the increase of the share of indigenous sources; the solution to the net lending and the non-payment for electricity; the increase of the supply of electricity to Gaza to address the current severe shortages. Moreover, the Strategy recognises private sector investments as essential for future developments in terms of potential fiscal and efficiency benefits. Private investments are expected and encouraged in numerous areas, such as Renewable Energy (RE), electricity distribution, Energy Efficiency (EE), and in the hydrocarbon sector.

A breakthrough in the electricity sector reform depends on the finalisation of the Power Purchase Agreement (PPA) between PETL and IEC. Negotiations did not progress in 2018 and in the early part of 2019. The Gaza Strip suffers from further difficulties, linked to the blockade, the absence of intra-Palestinian reconciliation (and its effects on the energy market) and countless distortions in the sector, such as the inefficiency of the Gaza Power Plant and the tensions around its diesel (and potentially gas) needs.

Upon completion, the capacity building support provided through this Action to the hydrocarbon reform shall create an enabling environment required to undertake infrastructure investments towards the progress towards the SDG 7 and the SDG 12.

1.4. Stakeholder analysis

Water is essential for life and crucial for the development of vital sectors such as construction, agriculture and industry, as every sector depends on secure and sustainable access to water. Ensuring the availability and sustainable management of water and sanitation for all is an integral part of sustainable development in Palestine.

In the water sector, the Palestinian Water Authority (PWA) is the main stakeholder, both with regards to reforms and infrastructure investments. Past reserves preventing progress with regards to the water sector reform process have not been solved in their entirety. Commitment at the highest levels of the PWA needs to be ensured to allow for a successful process and for a parallel advancement on infrastructure projects that require a stronger institutional framework and Operation and Maintenance (O&M) capacity and resources.

With regards to Gaza, other main stakeholders include the Coastal Municipality Water Utility in Gaza (CMWU) - for its lead role on implementation and supervision - and the Government of Israel, in the absence of major policy changes with regards to its restrictions on access of material and people in and out of the Gaza strip.

The construction of the Al Montar reservoir in the north of Gaza, as part of the Associated Works to the Gaza Central Desalination Programme, will allow for the planned 5 million cubic meters per year (MCM) of water that will be delivered by Mekorot as part of the agreements being negotiated to be mixed with 5 MCM of ground water. This will double the quantity of water, while maintaining the WHO standard of quality. The direct beneficiaries will be the residents of Gaza City, an estimated population of 600,000.

In the West Bank, this action will improve the bulk water system in the Northwest villages of Ramallah, in order to supply 25,500 m³/day to PWA in line with the agreement between the PA and the Israeli Government. The flow will be supplied from the existing Mekorot water storage tank at Ofarim, located west of the Aboud village. This additional water will allow local service providers and the PWA to ensure a more adequate, reliable and safe water supply and thus presumably increase collection rates. The direct beneficiaries will be the residents of the villages northwest of Ramallah (estimated population: 105,000).

In the identification and formulation phases, the interventions were discussed with relevant civil society organisations (CSOs), addressing as main topics: the importance of sustainable use of water, role of CSO's in policy dialogue and implementation phases, the need for awareness campaigns and the principle of willingness to pay, especially among vulnerable populations. Further involvement of CSOs is foreseen through specific activities.

As to the energy sector, neither PENRA nor the Gas Petroleum Corporation (GPC) have yet been given a clear mandate for the planning in the hydrocarbon subsector. The Palestinian hydrocarbon sector is not yet regulated. The following stakeholders are or could be present, depending on the concept note for the restructuring of the hydrocarbon sector which is expected to be presented by PENRA's Chairman to the new PA's Cabinet in May 2019. In its absence, we refer to the EU-funded study for the restructuring of the hydrocarbon sector (2016).

The perspective policymaker for the hydrocarbon sector is PENRA, which was established in 1995 and is currently managing electricity and non-conventional energies, also endowed of a Gas and Oil Directorate with only one employee. The current Electricity Law (2009) defines PENRA as the policymaker and planner in the electricity sector, but de facto it has also undertaken planning in the hydrocarbon sector.

The regulator: depending on the preferred structure, either the Palestinian Electricity Regulatory Council (PERC), which is the regulator in charge of electricity and RE/EE, or a specific separate hydrocarbon regulator will be created to be in charge of the hydrocarbon sector. An option could be GPC, which is currently in charge of limited regulatory functions for the hydrocarbon sector, like setting of tariffs for fuel. The GPC was established in 1995 as an independent entity and later put under the Ministry of Finance and Planning (MoFP) due to the fiscal importance of petroleum products. Currently, the GPC operates as a Directorate of the MoFP and is the only official entity operating in the hydrocarbon sector.

The upstream segment is made of state-owned companies which would manage exclusive rights for exploration and exploitation of hydrocarbons. At present, this role is partially covered by the Palestinian Investment Fund (PIF) that launched in 2015 first Palestinian tenders for the exploration and exploitation of the Rantis gas and oil field in the West Bank.

The midstream segment deals with the transport of petroleum and natural gas to terminals and the strategic storage; this role – performed mainly through the outsourcing of the service to

private companies, is currently performed by the GPC in the West Bank and by the Gaza Power Plant (in cooperation with donors and PENRA) in the Gaza Strip.

The downstream segment is still to be developed; a separate and independent technical agency for the hydrocarbons would be responsible for implementing technical activities and providing advice to the institutions in the sector.

Last but not least, the main *perspective private sector operators* in the hydrocarbon sector in Palestine today are the Jenin Independent Power Producer (IPP), the Gaza IPP and the Gaza Electricity Distribution Company (GEDCO).

1.5. Problem analysis/priority areas for support

With regards to the water sector:

The EU's engagement in this crucial and complicated sector aims at meeting access to water rights, improving sustainability and efficiency in meeting these needs through a twin-track approach, focusing on both sector reforms and infrastructure investments. Access and distribution of water in Palestine are among the most critical and sensitive issues as the sector is characterised by lack of control over available water resources. Furthermore, economic hardship, lack of sufficient infrastructure and of effective water resource management has led to a severe water shortage both in the West Bank but in particular in Gaza.

Many Palestinians survive with less than the World Health Organisation's recommended water consumption of 120 litres per day per person. The average Palestinian connected to the water network consumes around 78 litres a day. In some areas in the West Bank, the consumption can be as low as 38 litres per day (in the case of Jenin Governorate) and as low as 20 litres a day, for Palestinian communities in Area C.

The PWA priority interventions in the West Bank and Gaza for 2018-2022 include boosting water supply through increasing water imports from Mekorot with 48 MCM per year allocated to the West Bank and 30 MCM per year to Gaza. Increased water quantity of 32 MCM from Mekorot is planned under the terms of the RSDS agreement. The allocation of this additional quantity is set at 22 MCM for the West Bank and 10 MCM for Gaza. These quantities are to be absorbed through the existing connection points between the Israeli and the Palestinian networks; however, the Palestinian network needs immediate and important upgrades in both the West Bank and Gaza, in order to become ready for the additional quantities. The majority of the Palestinian bulk water system is in poor condition, undersized and old. This action aims at completing and upgrading a substantial portion of such infrastructure, in coordination with other donors. The connections upon completion will be assets of the West Bank Water Department (WBWD) that will become the National Water Company as per the Water Reform Law. Furthermore, the upgraded system will allow for more reliable services to the end users, contributing to an increase in collection rates and thus sustainability.

With regards to the energy sector:

The reform process of the Palestinian energy sector started in the 90's and, assisted by the donor community, has brought the energy sector from a fragmented municipally-based system to a more efficient single-buyer model in 2014, with the creation of the Palestinian Electricity Transmission Company (PETL).

Since then, the PA's interest to reform the hydrocarbon sector came on top of the agenda, reaching a peak in December 2016, when the draft of a sustainable energy law prepared with EU financial assistance, also including the new hydrocarbon law, was submitted to the PA's Cabinet but finally not adopted. In 2018, the PA took the decision to separate GPC from the MoFP, giving to a temporary Board of Directors (chaired by the Minister of Finance and Planning) the mandate to prepare a full proposal for the sector reform. The EU was formally requested to support such effort through the provision of technical assistance in December 2018.

At present, lack of transparency, weak governance, poor sector performance and political interferences are key drivers of inefficiency. The non-payment for electricity services remains a crucial problem for the bankability of future sector developments, as is the very irregular and unpredictable (if at all existent) transfer of electricity revenues from Gaza to the PA.

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Unpredictable deterioration of political/security situation	M	The project will use decentralised implementation, using interventions at local level where possible.
Reduced engagement of project stakeholders in the water sector reform	M	Engage decision makers, ensuring parallel progress of institutional and infrastructural commitments
Unpredictable Israeli policies and actions e.g. further restrictions regarding the movement of goods and people	H	Coordination channels with the Coordinator of Government Activities in the Territories (COGAT) are maintained and dedicated GCDP project's mechanisms are developed.
Non availability of the financing sources to support the newly established entities/newly recruited staff,for the length of time required for the hydrocarbon sector to become financially self-reliant.	H	To include a design of a sustainability plan in each and every study/business plan of the entities assisted, under three different assumptions (business as usual, optimistic, pessimistic)
Elite capture of the processes of the hydrocarbon sector restructuring in view of influencing the hydrocarbon developments in the pipeline, affects the EU visibility, causing reputational damage.	M	PENRA to establish an Inter-Ministerial Steering Committee and Project Management Committee (PMC) to guide implementation, including major donors in the sector and relevant civil society stakeholders. Explore cooperation with the World Bank programme for Transparency in the HC sector and/or mainstreaming Transparency

	International's best practices.
Assumptions	
<ol style="list-style-type: none"> 1. Commercial Agreements for the supply of water are signed between PWA and Mekorot. 2. There is progress of water reforms, including creation of the National Water Company and adoption of necessary by-laws. 3. The implementation plan for Hydrocarbon sector is endorsed by the PA's Cabinet. 4. The Hydrocarbon Law is ratified by the PA's President. 	

3. LESSONS LEARNT AND COMPLEMENTARITY

3.1. Lessons learnt

The main lessons learnt from previous *water* projects in Gaza and the West Bank include the following: (i) the lack of progress in the water reform sector has created ambiguous consensus on the role of different water bodies, especially in Gaza; (ii) economic hardship and lack of effective water resource management combined with the lack of progress on the water reform emphasised the critical importance of integration of the O&M requirements into current and future projects; (iii) PWA/the PA shall be encouraged to find sustainable solutions to the O&M issue, in particular in Gaza, where PWA is lacking capacities to deliver on its responsibilities; (iv) importance of the water-energy nexus in Palestine and a need to factor in the energy dimension early on in the planning of water projects, especially in Gaza.

In the *energy* sector, lessons learnt include the following: (i) important investments are still required to enhance capacities of sector operators and institutions; (ii) knowledge about grid capacity and stability is scattered and *ad hoc* assessments are required for new investments; (iii) the complex and uncertain political environment has a significant impact in terms of delays in infrastructure projects; (iv) PA negotiations for bulk commercial agreements are key to the take-off of the related markets and need strong political leverage; (v) considering Palestine's lack of access to its hydrocarbon resources, tapping into the large potential of this sector should be given closer attention for its future energy mix.

3.2. Complementarity, synergy and donor co-ordination

Water is a focal sector of EU support to Palestine under Pillar IV of the EJS. Donors' interventions are coordinated by the Water and Sanitation Sector Working Group under the Local Aid Coordination Structure (LACS) and aligned with the PWA's Strategic Development Plan. The EU's/EU Member States' approach is also coordinated through a dedicated informal working group.

The European Joint Strategy (EJS) 2017-2020 provides a framework through which European support is coordinated with Palestinian partners, in line with the Palestinian National Policy Agenda. The Water Sector Working Group is chaired by the PWA and co-chaired by the Netherlands (which took over from Germany in 2018 and has reactivated the group's quarterly meetings). In December 2018, the group met with the participation of the PWA's Minister to discuss the progress in the sector and in particular the Water Sector Reform. Furthermore, bi-monthly meetings and *ad hoc* side consultations were carried out in 2018 in order to share information, coordinate annual actions plans and aid and discuss priorities and strategies of relevant PA's institutions in the sector.

In Gaza, the supply of the additional 30 MCM of water, including 10 MCM from the RSDS Agreement, will be delivered at two main connection points: the Southern Connection Point

(Financed by Kuwait) and the Northern Connection Point (Al Montar), to be financed under this Action. The Project aims to upgrade the infrastructure at the entry point through building a mixing reservoir and a bulk water supply system. The project design and tender documents were completed by the World Bank. This is one of the seven components of the Associated Works of the Gaza Central Desalination Plant and Associated Works Program.

In the Middle Area of the West Bank, a supply of the additional 48 MCM of water, including 22 MCM from the RSDS Agreement, will be delivered at three main connection points: Jenin in the north, Ramallah (Aboud) in the center, and Dair Sha'ar in the south. The upgrade of the Dair Sha'ar connection point has been completed and is operational. The design and tender documents for the North West Ramallah Connection Point (Aboud) were completed in 2018 by USAID. Following a close cooperation and regular information sharing, the EU and the AFD successfully coordinated to support the required infrastructure construction.

Both above mentioned projects will contribute to the sector holistically through supporting the Water Reform. The infrastructure built by these projects will be part of the National Water Company, envisioned under the water reform law of 2014, with the EU assisting in its creation under Annual Action Programme (AAP) 2018. The creation of these bulk water supply systems will facilitate a fair and reliable supply to service providers and end consumers and reduce water loss and percentage of non-revenue water. This will contribute to increasing collection rates and ensuring viability of the water sector.

Energy is also a focal sector under Pillar IV of the EJS. The proposed TA support is a follow-up to a previous intervention funded by the EU in 2014 - *'TA to the Palestinian Authority to restructure the Palestinian Hydrocarbon Sector'*. The main funded study delivered a gap analysis of the whole energy sector, a SWOT analysis by subsectors, the review of roles and responsibilities of each actor, the review of the legal framework, the presentation of relevant international best practices and a draft Sustainable Energy Law which was developed and subject to a number of consultations, to be finally handed over to the PENRA in its 9th version in March 2016, both in English and Arabic. The deliverables of the previous support will be complemented by the current phase.

The EU's and EU Member States' approach is coordinated through a dedicated informal working group led by France (the AFD), the European lead donor in the sector. Quarterly meetings are organised to share information, coordinate the review of the EU Result-Oriented Framework and discuss PENRA's priorities and strategies in the sector. High-level coordination among donors and the Palestinian Authority is carried out through the Energy Sector Working Group of the LACS, chaired by the PENRA and co-chaired by Norway. The Office of the Quartet also plays a relevant role, especially on gas-related matters, due to its facilitation of the Gas for Gaza (G4G) Task Force, in which the EU takes part.

4. DESCRIPTION OF THE ACTION

4.1. Overall objective, specific objective(s), expected outputs and indicative activities

Overall objective (impact):

The overall objective is to ensure the provision of self-sufficient, equitable, affordable and sustainable access to energy and safe water services for all.

The **Specific Objectives (expected outcomes)** are:

1. Increased access to water in Gaza and the West Bank

- 1.1 Improved availability and reliability of piped water supply services in Gaza;
- 1.2 Improved availability and reliability of piped water supply services in the West Bank.

2. Improved transparency, effectiveness and efficiency of the hydrocarbon sector

- 2.1 Technical Assistance in support of the Palestinian hydrocarbon sector's reform .

The **Expected Outputs** are:

- Output 1.1: Increase adequate, reliable and safe bulk water supply with better storage capabilities to northern Gaza;
- Output 1.2: Increase adequate, reliable and safe bulk water supply with better storage capabilities to villages northwest of Ramallah;
- Output 2.1: Improved hydrocarbon legal and regulatory framework;
- Output 2.2: Increased competence of the Palestinian Authority in the area of hydrocarbon transactions.

Main activities

I. Increased access to Water in Gaza and the West Bank

I.1. Al Montar connection point improvement

- Output 1.1: Increase adequate, reliable and safe bulk water supply with better storage capabilities to northern Gaza.

The water shortage in Gaza City will be addressed through the provision of an equitable and sustainable distribution system in terms of water quantity and water quality to around 600,000 inhabitants (around 85% of population in Gaza City); a per-capita water demand equivalent to 70 litres per day for domestic use of fresh water in Gaza City will be met. At this stage and through this intervention the available resources in Gaza would not allow for the supply to citizens to reach 115 liters per capita per day, as per the availability requirements of the National Water and Wastewater Strategy for Palestine. The best use of available water resources will be made by blending the additional water with the water coming from existing underground water wells to achieve a chloride concentration less than 400 mg/l, suitable for drinking use. This would assist the improvement of the condition of Gaza Coastal Aquifer (GCA) by reducing the exploitation of groundwater from the water wells. Last but not least, a decrease in running costs will be realised in the distribution system by serving to the maximum extent possible the end customers by gravity. The project will further assist in decreasing O&M costs by replacing the old and deteriorated system with a new efficient one while at the same time substantially increasing supply.

The connection point of the Mekorot supply line to Gaza City is located at Nachal-Oz, from where the Israeli water company currently delivers to the Gaza municipality 5 MCM/year. According to ongoing negotiations between the authorities, additional 5 MCM/year are to be supplied through this connection point. Currently, the water is conveyed to a reservoir with a capacity of 5,000 cubic meters. EU support in this phase will provide for the extension of the water supply and distribution infrastructure needed in the Gaza municipality in order to receive the increased amount of water which Mekorot intends to supply.

The following extensions are planned:

- Construction of a main transmission supply pipeline;
- Construction of a reservoir in Gaza, having a capacity of about 28,000 m³;
- Main feeder lines from the proposed reservoir to the existing water distribution system.

The system is supposed to work by gravity and no pumping stations are foreseen.

The indicative budget for the intervention is EUR 9 million.

I.2. Aboud connection point improvement

- Output 1.2: Increase adequate, reliable and safe bulk water supply with better storage capabilities to Northwest Ramallah Villages

The majority of the bulk water for the Northwest Ramallah Villages is provided by Mekorot, at the existing Israeli Ofarim water tank, located to the west of Aboud village. The water tank currently provides 3,400 cubic meters of water per day. The majority of the existing bulk water system for the Northwest Ramallah Villages is undersized, which limits water supply from one geographical area within the system to another. Water supplied from Ofarim is currently supplied to the above villages intermittently, with some villages receiving water once every seven to ten days. In response, some households and businesses purchase water from water tankers at high unit costs, ranging from 10 to 25 shekels per cubic meter, substantially higher than the 5 shekels per cubic meter cost of water from the existing Northwest Ramallah Villages system.

The villages currently suffer from inadequate water supplies, with an estimated per capita allocation of 51 litres per day. The situation is compounded by the growing population in the region. Given the above and in order to build a more efficient and flexible bulk water system, it is essential to connect the system with the main supply to provide the necessary capacity and upgrade the existing system through additional pipelines, storage facilities, and booster pump stations. Furthermore, the new system will assist in decreasing O&M costs primarily through replacing an old, deteriorated and undersized system with a new efficient system while at the same time substantially increasing supply. The new system will depend mostly on gravity and energy efficient pumps, which will reduce the demand for electricity as booster pump usage will be minimized.

By 2025 the aim for this project is to achieve 95 liters per capita per day, while the long-term objective is by 2040 to reach or exceed 115 liters per capita per day, as per the National Water and Wastewater Strategy for Palestine, availability requirements. Fresh water supplied by Mekorot at the Ofarim Storage Tank / Aboud Connection point to villages northwest of Ramallah will increase by 9 MCM/year.

The Northwest Ramallah Villages Bulk Water System Project is located primarily in Ramallah and Al Bireh Governorate, and extends into Salfit and Nablus Governorates. The proposed Action would construct the main bulk water system components to supply the Northwest Ramallah Villages with additional quantities of water that will be provided by Mekorot at the Ofarim water tank. The project is designed to have sufficient hydraulic capacity, storage capacity, and transient protection against unplanned water system surges to serve distribution customers and municipalities through 2040.

The Scope of Work for Northwest Ramallah Villages Bulk Water System Project will cover the works related to Phase I only and will include the following activities:

- Construction of main transmission supply and distribution pipelines;

- Construction of a Balancing Tanks;
- Construction of a regional reservoir;
- Construction of Booster Pump Stations.

The Aboud Connection point is designed to establish safe and efficient infrastructure requiring minimum maintenance. Booster stations are designed and will be constructed to accommodate the full target capacity.

The connection and bulk water supply system will greatly enhance the delivery mechanism of bulk water, thus decreasing non-revenue water, while stimulating better collection and willingness to pay for better water quality, quantity and availability services.

The tentative budget for this intervention is EUR 13 million.

II. Improved transparency, effectiveness and efficiency of the hydrocarbon sector

- Output 2.1: Improved hydrocarbon legal and regulatory framework;
- Output 2.2: Increased competence in the area of hydrocarbon transactions.

According to PENRA's letter sent to the EUREP in December 2018, requesting support in carrying out the technical, legal and institutional reforms as required, a temporary GPC's Board of Directors was set up to devise the key features of the future hydrocarbon sector in a form of a concept note.

In March 2019, PENRA confirmed that it would be the policymaker for all components of the energy sector in Palestine; a new entity will be established to be responsible for the commercial activities of the mid-stream of the HC sector; it is not yet confirmed if PERC's responsibilities will be expanded to include the HC sector or a new gas regulator will be created. According to PENRA's Chairman, the EU TA will pave the way towards new opportunities in the HC sector, including the establishment of new generation capacity.

The concept note - which is expected to address the fundamental features of the sector - is currently under PENRA's revision for its submission to the new PA's Cabinet.

The TA will support the development of the energy sector in Palestine, particularly of the gas and power sectors. Activities will most likely include but will not be limited to:

- business plan, set-up and operationalisation of the Palestinian hydrocarbon regulator;
- long- and short-term experts' support, providing advisory services on project packaging and contract negotiations (legal, technical and economic due diligence and commercial and financial engineering, reservoir engineering, marketing, shipping and trading);
- activities for skills development, as well as data collection and management for more informed decision-making, to enable monetisation of the gas discoveries, management of the necessary interaction with the gas suppliers and large and complex projects implementers.

The indicative budget for energy activities is EUR 2 million.

4.2. Intervention Logic

Water is an indispensable pre-condition for life, a vital public good, an economic cornerstone and a finite resource. The United Nations recognised access to water as both a fundamental

human right in itself as well as an integral component for the realisation of all other human rights, including the right to a healthy environment and the right to development⁵.

The right to water requires that water supplies should be sufficient, safe, acceptable for consumption, physically accessible and affordable⁶.

Access and distribution of water in Palestine are among the most critical and sensitive issues in the Israeli-Palestinian conflict, as respective water consumptions reflect stark inequalities. Due to the allocations of trans-boundary water resources agreed upon under Oslo II, Israel currently controls approximately 80% of water resources in the West Bank. Water shortages are common in the West Bank and Gaza, with the latter experiencing a dramatic situation in terms of both quantity and quality of available resources, well below international standards. Current short-term measures to alleviate water shortage, as set by the PWA's priority interventions for 2018-2022, include increasing water imports from the Israeli water company Mekorot.

The activities upon completion will have in place the main bulk water system components necessary to supply an adequate, reliable and safe water supply with better storage capabilities to help overcome the water deficit in the area.

With the proposed investments, the deficit of water will be relieved and the quantity and quality of water will substantially improve. This will also have a positive effect on water prices, reducing the population's reliance on highly expensive water distributed by tankers, which are now compensating for the missing and irregular piped supply. Households' allocation of resources will thereby improve as will, in turn, the standard of living. Specifically for Gaza, the increased supply will also decrease the current burden on the Gaza's coastal aquifer, reducing its depletion pace.

Palestine remains highly dependent on Israeli power supply and its national energy security balance sheet is still very negative. For the PA to have a better negotiating power vis-à-vis the neighbouring countries and Israel in particular, experts agree that the PA should work to increase its in-house generation capacity or have a sector budget solid enough to sustain the competing demand for assignment of revenues, which investors identify as the highest risk of investing in Palestine.

Some progress had in fact initially been achieved with the creation of a one buyer market in the electricity sector in 2014, as a follow-up of the endorsement by the PA's President of the Electricity Law in 2009. Despite important efforts towards diminishing the net lending through donors-supported revenue protection programmes and the continuous attempt PETL to conclude the high voltage PPA being negotiated since 2016, the suppressed demand of households and businesses call for stronger, more sustainable and longer term answers. In particular, experts highlight that the presence of local generation capacity would not only guarantee sustainability of investments, but give the PA a higher leverage in any negotiation with neighbouring countries.

Support the PA's hydrocarbon sector is necessary to manage efficiently the whole chain of activities from upstream to downstream and to perform transparently concerned operations. This would contribute to ensuring potential development of the gas and petroleum market to

5. United Nations General Assembly Res. 64/292: "...the right to safe and clean drinking water and sanitation as a human right that is essential for the full enjoyment of life and all human rights."; Human Rights Council, Fortieth session. 25 February–22 March 2019 Agenda item 7.

6. http://www.un.org/waterforlifedecade/human_right_to_water.shtml.

the benefit of Palestinian energy independence and sustainability, economic development and consumers' welfare and right to development (through the limitation of energy shortages - especially in Gaza - and lower prices). A functional system would have an immediate impact on the viability and sustainability of donors' and private sector's investments in the sector.

4.3. Mainstreaming

Rights-Based Approach: the action assists in ensuring basic rights for an adequate standard of living, such as access to water and essential services. With regards to access and affordability, the provision of additional water quantities will relieve the deficit and have a positive effect on the price of services, reducing the dependence on tankered water.

Gender equality: the EU Gender Action Plan II (2016-2020) mentions specifically the need to ensure 'equal access and control over (...), water, energy, (...) and equitable engagement in their management, enjoyed by girls and women'. The design of the project's sub-components is gender-sensitive and indicators defined to monitor them are disaggregated to the maximum extent possible. Gender will also be mainstreamed through dedicated awareness campaigns and integrating recommendations and results into the implementation of the Action.

Civil Society: CSOs active in the sector in both the West Bank and Gaza have been identified and consultations on the proposed actions are ongoing. Accompanying measures for involvement of civil society in project implementation will be taken into account at the design stage.

Environment and climate change: environmental sustainability and protection are addressed together with health risk mitigation, as the action aims to reduce risks from the supply of unmonitored water unfit for human consumption and, in Gaza, to enable the protection of the aquifer. The works on the water network will assist the optimal use of available resources in a highly constrained water context. The establishment of a gravity system in Gaza will reduce the dependence on electricity to operate wells and pumping stations and the use of fossil fuels. With regard to energy, it is expected that TA will contribute to the PA's restructuring efforts, promoting a more environmentally and socially sound energy planning and policy-making context.

Good governance principles: the use of local systems and empowerment of local stakeholders are embedded in the design of the activities. The capacity of the water and energy service providers will be strengthened through the action.

4.4. Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 6 (improved access to water, sanitation and hygiene) and SDG 7 (improved access to energy for all, and increased energy efficiency and renewable energy generation), while also contributing to SDG 5 (gender equality) and SDG 12 (responsible consumption and production).

5. IMPLEMENTATION

5.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2. Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁷.

5.3.1. Procurement (direct management)

A part of this action may be implemented through procurement in direct management. This implementation refers to Output 2.1: Improved hydrocarbon legal and regulatory framework and Output 2.2: Increased competence in the area of hydrocarbon transactions.

5.3.2. Indirect management with an entrusted entity

5.3.2.1. Indirect management with the Agence Française de Développement (AFD)

A part of this action may be implemented in indirect management with the Agence Française de Développement (AFD). This implementation refers to Output I.2: About Connection Point Improvement.

The envisaged entity has been selected using the following criteria: previous/current experience of managing and implementing water sector projects of a similar nature and magnitude, in particular in the West Bank; previous/current experience working and coordinating with the EU in the water/energy sector; role in the overall project (co-funder).

More specifically, a detailed assessment of appropriateness of working with an international organization was completed for the selection of AFD; based on the following main considerations:

- Working with AFD represents an added value to the improvement of EU-Member States cooperation and facilitation of EU like-minded joint work, in line with the European Joint Strategy in support of Palestine. Furthermore, cooperating efficiently allows for co-financing of larger projects. In the case of this intervention AFD is participation with a co-financing of Euro 10 Million.
- AFD has substantial experience in implementing water projects in Palestine and specifically in the West Bank, together with experience in the water/energy efficiency sector.

7. www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- The proposed action is within AFD core mandate as the latter is a major donor in the Water and Energy Sector under Pillar IV of the EJS with current ongoing projects in cooperation with EU

Based on the aforementioned criteria, this implementation modality is justified in light of the close cooperation between the EU and AFD in the water and energy sector in general and in particular in Tubas and Hebron over last years.

It shall be noted that design and tender documents for this project were completed by USAID. AFD signed a Memorandum of Understanding with USAID, whereby the complete design and tender documents were handed over to AFD and USAID committed to finalise the permit procedures with the Government of Israel. However, in executing the related tendering, contracting and implementation of the envisaged activities, AFD will ensure the respect of its own procurement principles as per the pillar assessment validated by the European Commission.

This implementation modality also further strengthens EU Member States' cooperation in the sector, in line with the European Joint Strategy in support of Palestine.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria.

5.3.2.2. Indirect management with the World Bank Group (WBG)

A part of this action may be implemented in indirect management with the World Bank Group. This implementation refers to the supervision and project management services for the *Al Montar Connection Point Improvement (Output I.1)*.

The envisaged entity has been selected using the following criteria: previous/current experience of managing and implementing water sector projects of a similar nature and magnitude, in particular in the Gaza Strip and in relation to the overall Gaza Central Desalination Plant Programme; previous/current experience working and coordinating with the EU in the water sector; role in the overall project (co-funder).

Given the complexity of the Gaza Central Desalination Plant Programme and the involvement of many donors, a Trust Funds' architecture was designed to co-ordinate administration and disbursement of funds and ensure a smooth implementation of the Programme, whilst ensuring transparency, good governance and supporting capacity building for the water sector in Palestine. The Trust Funds' structure is as follows:

- The European Investment Bank would supervise the construction of the Desalination Plant and its power supply and would manage the Trust Fund relating to this Programme component.
- The World Bank would supervise the construction of the Associated Works and manage the Trust Fund relating to this Programme component.
- The Islamic Development Bank would manage an upper Fund holding the financial contributions from the Gulf Donors.

The World Bank is the manager of the Palestinian Partnership for Infrastructure Development Multi-Donor Trust Fund (PID-MDTF), under which the activities related to the Associated Works component are financed and to which Arab donors and EU Member States involved in the Associated Works already contribute. As the Al Montar Connection Point Improvement works fall under the Associated Works component of the Gaza Central Desalination Plant Programme, the design and tender documents for its construction were completed through the activities financed under this Fund. Furthermore, implementing the supervision and overall

management of the infrastructure interventions through contribution to the World Bank Trust Fund, instead of through indirect management with the PA, would ensure coherence and aid effectiveness and increase the Palestinian Authority's ownership. This implementation modality would further strengthen EU Member States' involvement in the Associated Works part of the Gaza Central Desalination Plant Programme, thus providing the EU with an additional leverage in the coordination of this component and in particular of its water sector reform-related aspects.

The majority of the activities under the Multi-donor Trust Fund (MDTF) would be executed by the recipient under the World Bank's overall supervision, in the form of co-financing, technical assistance, capacity building and project preparation. The contractual arrangements with the Palestinian Authority (the Palestinian Water Authority) will be made by the World Bank.

In line with article 155 (5) FR and the EU Framework with the World Bank, the AOR will be verifying that the expenditures related to the components intended to be financed are at least equivalent to the EU contribution and they respond to all the terms and eligibility criteria set forth in the Framework Agreement signed with the World Bank.

If negotiations with the abovementioned entrusted entity fail, the action may be implemented in indirect management with the Palestinian Authority on the basis of its experience with the management of the preparation and implementation of the Associated Works components through the MDTF.

In case the envisaged entity and the replacement entity mentioned above would need to be replaced, the Commission's services may select another replacement entity using the same criteria.

5.3.3. *Indirect management with the partner country*

A part of this action with the objective of construction works for the *Al Montar Connection Point Improvement (Output I.1)* may be implemented in indirect management with the Palestinian Authority according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex- ante all the procurement and grant procedures.

Payments are executed by the Commission.

The partner country shall apply the Commission's rules on procurement and grants. These rules will be laid down in the financing agreement to be concluded with the partner country.

In case the envisaged entity mentioned above would need to be replaced, the Commission's services may select another replacement entity using the same criteria.

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 on the basis of urgency or of unavailability of products and services in the markets of the

countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5. Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (amount in EUR)
Output 1.1 - Increase adequate, reliable and safe bulk water supply with better storage capabilities to northern Gaza , composed of:	9,000,000	N.A.
Indirect management with the Palestinian Authority - section 5.3.3 – construction works	8,000,000	N.A.
Indirect management with the World Bank Group (contribution to the WB Trust Fund) – section 5.3.2.2 – supervision and project management	1,000,000	N.A.
Output 1.2 - Increase adequate, reliable and safe bulk water supply with better storage capabilities to Northwest Ramallah Villages , composed of:	13,000,000	10,000,000
Indirect management with Agence Française de Développement (AFD) – section 5.3.2.1	13,000,000	10,000,000
Output 2 Improved transparency, effectiveness and efficiency of the hydrocarbon sector, composed of:	2,000,000	N.A.
Procurement (direct management) – cf. section 5.3.1	2,000,000	N.A.
Procurement – total envelope under section 5.3.1.	2,000,000	N.A.
Evaluation (cf. section 5.8) Audit/Expenditure verification (cf. section 5.9)	150,000	N.A.
Contingencies	350,000	N.A.
Total	24,500,000	10,000,000

5.6. Organisational set-up and responsibilities

Gaza Desalination Plant Associated Works - Al Montar connection: a Steering Committee will be set-up with relevant stakeholders with the main objective to oversee the implementation and intervene on key issues arising at policy level. For a transparent and effective implementation, a Project Management Committee (PMC) will also be established. Its main mandate is to ensure the respect of technical standards, provide technical inputs and review project progress.

About Connection: AFD will sign a financial agreement with the MoFP and an agreement with the EU. The PWA will lead the project through a Steering Committee (SC), composed of all relevant actors, and will be the Implementing Agency for the project. The PWA has a national Project Management Unit that is currently managing a number of similar projects and

demonstrated having necessary capacities and personnel to implement the project. Furthermore, the PWA will hire an engineering consulting firm to monitor and supervise implementation of the works.

Stakeholders will coordinate to ensure streamlined supervision, reporting, and evaluation of project activities through joint supervision missions at least every six months. The supervision missions will be documented by joint "aide memoires" that summarise commonly agreed issues and actions.

Improved transparency, effectiveness and efficiency of the hydrocarbon sector: an Inter Ministerial Steering Committee (InMSC) will be set up with relevant stakeholders with the objective to oversee implementation, intervene on key issues arising at policy level and synergise with Task Forces set for relevant projects. For a transparent and effective implementation, a Project Management Committee (PMC) will also be established. Its main mandate is to ensure the respect of technical standards, provide technical inputs and review of project progress.

5.7. Performance and Results monitoring and reporting

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

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.

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

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, different evaluations will be carried out for this action or its components via independent consultants contracted by the Commission and via the implementing partners.

A mid-term evaluation and final evaluations may be carried out for the different components of the action, contracted by the Commission.

They will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the specificity of the action components.

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.

Evaluation services may be contracted under a framework contract or a competitive negotiated procedure in the middle and at the end of the operational implementation.

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.

It is foreseen that audit services may be contracted during the operational implementation period or the closure phase of this action.

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.

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 Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

It is foreseen that communication and visibility services may be contracted under a framework contract or a competitive negotiated procedure during the operational implementation period. Indicatively, one or two contracts for visibility and communication activities might be concluded under negotiated competitive procedure during the operational implementation period of this action. The related budget is included under the Visibility and Communication budget line of the "Support to productive and social investment in Palestine" Action Document – ENI/2019/041-948 (pooling of AAP 2019 visibility and communication resources).

6. N/A

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[APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)]

	Results chain: Main expected results	Indicators	Sources of data	Assumptions
Impact (Overall Objective)	Ensure self-sufficient, equitable, affordable and sustainable access to energy and safe water for all (SDG 6, SDG 7 and ROF I.1)	Percentage of population (segregated by sex) receiving safely managed drinking water and energy services (EU RF 2.8)	Palestinian Central Bureau of Statistics (PCBS) / Palestinian Energy and Natural Resources Authority (PENRA)	<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	Intermediate outcome 1.1 Improved availability and reliability of piped water supply services in Gaza Intermediate outcome 1.2 Improved availability and reliability of piped water supply services in the West Bank (ROF OC 1)	1.1. Safe Water available for Gaza City residents Target: equal or exceeding 70 litres per capita per day by 2025 1.2. Safe Water available for Villages northwest of Ramallah Target: equal or exceeding 95 litres per capita per day by 2025	1.1 and 1.2 PCBS quarterly indicators data PWA's specific studies data	The Action will build a bulk water supply system and relevant bodies including PWA and service providers will ensure water supply to the

	<p>Intermediate Outcome 2 Improved transparency, effectiveness and efficiency of the hydrocarbon sector</p>	<p>2.1 Commercial agreements signed in the gas or oil sector</p>	<p>2.1 Ministry of Finance and Planning (MoFP) / Palestinian Energy and Natural Resources Authority (PENRA)</p>	<p>end users. The PA accepts the role of a guarantor of bankability of the prioritised hydrocarbon infrastructure investments or agrees to assign utilities revenues. The assignment of revenues must be backed up by the endorsement of the Israeli Electricity Company.</p>
<p>Outputs</p>	<p>Output 1.1: Increase adequate, reliable and safe bulk water supply with better storage capabilities to Northern Gaza Output 1.2: Increase adequate, reliable and safe bulk water supply with better storage capabilities to villages northwest of Ramallah</p>	<p>1.1 Quantity of water in northern Gaza Target: increased by 5 MCM/y by 2025 1.2 Quantity of water in villages northwest of Ramallah Target: increased by 9 MCM/y by 2025</p>	<p>Project reports</p>	<p>Commercial Agreements for the supply of water are signed between PWA and Mekorot.</p>

				<p>The Hydrocarbon Law is ratified by the PA's President.</p> <p>The implementation plan for the Hydrocarbon sector is endorsed by the PA's Cabinet.</p>
	<p>Output 2.1 (in line with ROF IO1): Improved hydrocarbon legal and regulatory framework</p> <p>Output 2.2: Increased competence in the area of hydrocarbon transactions</p>	<p>2.1 Operationalisation of the implementation plan of the Hydrocarbon sector</p> <p>2.2 Institutionalisation of the planning and of the budgeting processes within the targeted entities and with regard to the required areas of competence</p>		



ANNEX 3

to the Commission Implementing Decision on the Annual Action Programme in favour of Palestine¹ for 2019

Action Document for ‘Support to enhance Governance and Human Rights’

ANNUAL PROGRAMME/MEASURE

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Support to enhance Governance and Human Rights CRIS number: ENI/2019/042-028 Financed under the 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	European Joint Strategy in support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State	
4. Sustainable Development Goals (SDGs)	SDG 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels; SDG 10 - Reduce inequality within and among countries. Also contributing to: SDG 17- Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development; SDG 5 - Achieve gender equality and empower all women and girls.	
5. Sector of intervention/ thematic area	Complementary measures: Civil society, capacity development and institution building	DEV. Assistance: YES
6. Amounts concerned	Total estimated cost: EUR 6,275,000 Total amount of European Union (EU) contribution: EUR 5,900,000	

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.

	This action is co-financed for Component 2 in joint co-financing by the United Nations Office of High Commissioner of Human Rights (OHCHR) for an indicative amount of EUR 375,000.			
7. Aid modality(ies) and implementation modality(ies)	Project Modality Component 1: Support to the legislative process - Indirect management with the Organisation for Economic Co-Operation and Development (OECD) Component 2: Supporting the implementation of core Human Rights Treaty obligations - Indirect management with the United Nations Office of High Commissioner of Human Rights (UNOHCHR) Component 3: Support to Human Rights Organisations - Indirect management with an Entrusted Entity			
8 a) DAC code(s)	15110 - Public sector policy and administrative management 15130 - Legal and judicial development 15150 - Democratic participation and civil society 15160 - Human rights			
b) Main Delivery Channel	Component 1: 47080 - OECD Component 2: 41313 - UNOHCHR Component 3: 2000 - Entrusted Entity			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<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	Principal 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"/>	
10. Global Public Goods and Challenges (GPGC) thematic flagships	Investing in People / Human Development			
SUMMARY				

The proposed action includes complementary measures in support of civil society, capacity development and institution building as part of EU support under the European Joint Strategy (EJS) in support of Palestine 2017-2020 'Towards a democratic and accountable Palestinian State'. As such, it contributes to the achievement of the policy priorities of the Palestinian National Policy Agenda (NPA) 2017-2022, with which the EJS is closely aligned. It contributes, in particular, to the policy priorities that aim to achieve national unity, an effective government, social justice and the rule of law through, among others, interventions that focus on: (i) consolidating and modernising Palestine's body of law, ensuring consistency with international obligations; (ii) strengthening transparency in government, including the approval and implementation of access to information legislation; and (iii) strengthening and implementing international Human Rights treaties to which Palestine has acceded. Both the EJS and the NPA are framed to achieve the Sustainable Development Goals (SDGs), in particular SDGs 16, 10, 17 and 5.

The action contributes to development and implementation of a normative framework for Palestine's legislative process and strengthening the implementation of Human Rights treaty obligations through technical assistance to relevant Palestinian institutions, combined with enhancing civil society's key role in holding the government accountable. The expected impact is that a) Palestinian institutions are based on the rule of law, accountable and accessible, and b) individual rights and freedoms benefit from adequate legal protection. To this end, the action aims to achieve three expected outcomes: (i) legislation is produced through an enhanced, effective, transparent and participatory process set in a normative framework; (ii) Human Rights treaty obligations are embedded and implemented in permanent government structures, processes, laws and policies; and (iii) civil society's role and capacity to hold duty-bearers accountable on their human rights obligations are enhanced. This action will also contribute, as an induced output, to the alignment of the legal framework with international treaties, particularly on human rights and gender equality, but also as regards the environment.

1 CONTEXT ANALYSIS

1.1 Context Description

Palestine is home to 4.8 million people, of which 2.9 million in the West Bank (including East Jerusalem) and 1.9 million in the Gaza Strip. In addition, approximately 600,000 Israeli settlers live in the West Bank. 40% of Palestinians living in Palestine are refugees. This figure goes up to 70% in the Gaza Strip. 47% of the population is under 17 years old and 71% of the population is younger than 30. Palestine is a Lower Middle Income Country. It is ranked 119 out of 189 countries in the 2018 Human Development Index, a drop of three places compared with 2016².

Palestine is marked by the ongoing Palestinian-Israeli conflict, as well as by the disruption of over fifty years of occupation and the progressive fragmentation of its territory, including the

2. <http://hdr.undp.org/en/data>.

illegal annexation of East Jerusalem. There is no ongoing peace process and no realistic perspective of the resumption of peace talks.

The Oslo Accords, under which the Palestinian Authority (PA) was created in 1994, were intended to lead to a final negotiated settlement between the parties.

Twenty-five years later, the PA, which has operated as a transitional authority with limited jurisdiction since its creation, has administrative, judicial and security jurisdiction in only 18% of the West Bank, i.e. in Area A. The remaining of the West Bank experiences diverse and unpredictable legal arrangements and simultaneously a rule of law vacuum: in Area C, Israel exercises full control under military law but the Palestinian law, for instance family law, also applies, although the PA is unable to enforce judicial decisions. Limited enforcement ability of judicial decisions also applies to Area B, where 41% of Palestinians live. Palestinians living in annexed East Jerusalem have to resort to Israeli jurisdiction on all matters. The movement restrictions imposed by Israel on the Gaza Strip since the early 1990s intensified in June 2007, with its closure and imposition of the land, air and sea blockade. Three armed conflict in 7 years (2008/2009, 2012, 2014) caused large-scale destruction.

Palestine faces growing governance challenges, also due to the internal political, administrative, legislative and judicial division between the West Bank and Gaza that followed the last general elections of January 2006, the fall of the Gaza Strip under *de facto* control of Hamas in 2007, and the consequent suspension of the Palestinian Legislative Council (PLC). Since then, no new legislative measures were adopted by the PLC, with legal acts being promulgated instead through presidential decrees that are applied only in the West Bank. In the Gaza Strip, Hamas has been enacting laws by convening a PLC through a proxy system. The absence of parliamentary oversight has severely hindered crucial legislative reforms, particularly in regards to the clarification of roles and mandates between executive and judiciary institutions. In 2014, Palestine became party to an additional 33 international legal instruments, including seven core Human Rights conventions³, accepting the ensuing legal obligations without any reservations. Palestine has also acceded to the Optional Protocol to the UN Convention against Torture (OPCAT) and in November 2018 the President adopted the reference document for the establishment of the National Preventive Mechanism for Torture. Implementing legislation is still awaited. In total, Palestine has to date acceded to 54 international treaties, still to be published in the Official Gazette.

Since 2015, there has been a marked deterioration of democratic governance, with the consolidation of the executive at the expense of transparent administrative and legislative processes, judicial independence as well as individual and societal fundamental freedoms. In the West Bank, local civil society reports malpractices in senior judicial appointments and dismissals, and has protested against enacting of several decree laws that were approved without an open and transparent procedure, including consultations with civil society.

3. The seven core Human Rights conventions are: International Covenant on Civil and Political Rights (ICCPR); International Covenant on Economic, Social and Cultural Rights (ICESCR); International Convention on the Elimination of All Forms of Racial Discrimination (ICERD); Convention on the Elimination of All Forms of Discrimination against Women (CEDAW); Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment (CAT); Convention on the Rights of the Child (CRC); Convention on the Protection of the Rights of Persons with Disabilities (CRPD). All entered into force in 2014.

Civil society⁴ has been subject to controls by the different duty-bearers and the Independent Commission for Human Rights (ICHR)⁵ has reported violations of personal freedoms and the right to fair trial as well as use of torture. There has also been a marked increase in violations towards Palestinian human rights defenders. Furthermore, human rights organizations and analysts have noticed a negative development particularly in Gaza regarding personal freedoms of the population⁶, notably in terms of imposing and enforcing conservative codes of conduct, and imposing separation of sexes in public.

The dissolution of the Palestinian Legislative Council – the only elected legislative body – in December 2018 through a decision of the Constitutional Court represents a further sign of the decline of democratic institutions. The jurisdiction of the Constitutional Court over the matter raises doubts. There is as well the lack of legitimacy, and possibly legality, surrounding the establishment of the Constitutional Court in April 2016. Since its establishment, the Constitutional Court has issued decisions without a formally established procedure and on matters not always clearly linked to its jurisdiction.

1.2 Policy Framework (Global, EU)

The action contributes to several *Sustainable Development Goals*: (i) SDG 16 'Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels'; (ii) SDG 10 'Reduce inequality within and among countries'; (iii) SDG 17 'Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development', with a particular reference to systemic issues such as policy and institutional coherence; and (iv) the SDG 5 'Achieve gender equality and empower all women and girls'.

The action also contributes to the aspiration set out in the *EU Global Strategy* to promote reformed global governance that can meet the challenges of the 21st century. As stated in the Strategy, the EU is committed to a global order based on international law, which ensures human rights, sustainable development and lasting access to the global commons.

The action is in line with paragraph 61 of the *European Consensus on Development* (2017), which states '[t]he EU and its Member States will promote the universal values of democracy, good governance, the rule of law and human rights for all, because they are preconditions for sustainable development and stability, across the full range of partnerships and instruments in all situations and in all countries, including through development action.'

The action is in line the 2015 *Review of the European Neighbourhood Policy*, which states that the EU 'will continue to work with partner governments, civil society and citizens on human rights and democracy related issues as laid down in the Treaty on European Union and the *EU's Action Plan on Human Rights and Democracy*, the *Human Rights and Democracy Country Strategy* and *local Human Rights Defenders' Strategy*.' At the local level, the action is

4. NGOs registered as Non-Profit Companies have been affected by a Cabinet decision from 2015 resulting in new levels of controls relating to funding and expenditure. Moreover, in September 2018 draft- amendments to the Law on Charitable Associations and Community Organisations were leaked, which – if adopted – would further tighten control over CSOs.

5. ICHR is the official Palestinian institution established in 1993 "to protect basic liberties and freedoms as prescribed in Palestinian Basic Law and international law".

6. <https://www.un.org/unispal/document/situation-of-and-assistance-to-palestinian-women-report-of-the-secretary-general-to-csw/>

aligned with the overall objective for Pillar II of the *European Joint Strategy in Support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State* (EJS) to strengthen the justice and security sectors in Palestine in line with the principle of rule of law and international human rights standards.

The action also contributes to the achievement of the overall objective of the agreed EU-PA Results-Oriented Framework 2018-2020 under the EJS that Palestinian institutions are based on the rule of law, accountable and accessible, and that individual rights and freedoms benefit from adequate legal protection as well as its specific objectives that: (i) legislation is produced through an effective, transparent and participatory process set in a normative framework; (ii) integrated institutions and unified legislation adhere to international obligations; (iii) Independence, impartiality, integrity and accountability of the justice system is enhanced; and (iv) justice is better accessed and increasingly administered in line with fair trial standards.

Finally, this action addresses a key reform that donors active in the justice sector in Palestine have collectively and formally prioritised. A donor priority list including the institutionalisation of policy and law-making processes was shared with the Prime Minister in 2018 in the framework of the LACS justice sector policy dialogue.

1.3 Public Policy Analysis of the partner country/region

The Palestinian Authority's *National Policy Agenda 2017-2022 Putting Citizens First* (NPA) contains three pillars describing the strategic direction of the government: path to independence; government reform; and sustainable development. Within these pillars, the NPA has defined key policy priorities and sector policies to improve the quality of life of the Palestinian people, while continuing efforts to attain Statehood.

Among the policy priorities, relevant for this action are those that aim to achieve national unity, an effective government and social justice and the rule of law through, among others, interventions that focus on: (i) consolidating and modernising Palestine's body of law, ensuring consistency with international obligations; (ii) strengthening transparency in government, including the approval and implementation of access to information legislation; and (iii) strengthening and implementing human rights legislation.

The *2017-2022 Justice Sector Strategy* has identified priorities for reforms. The development of a legislative normative framework is foreseen as expected outcome under strategic objective II⁷. In 2017, the Council of Ministers approved *Guidelines on Public Consultation* and on *Legislative Drafting*. They are not binding and remain largely unimplemented.

In 2014, following the accession to the seven core Human Rights treaties the PA released its '*Guidance Document on Integrating Human Rights in the Palestinian Development Plan*', with a view to integrate human rights in all sectors of the NPA by promoting a rights-based development.

7. Objective 2: Capacities, regulatory, and institutional structures of the justice sector institutions are consistent and complementary to each other. Expected outcome 2: Legislative process consistent with standard, institutionalised and transparent procedures and steps, marked by support and participation.

1.4 Stakeholder analysis

Components 1 "*Support to the legislative process*" and 2 "*Supporting the implementation of core Human Rights Treaty obligations*" are very much inter-linked and involve a large number of institutional stakeholders as well as civil society.

Institutional stakeholders, duty-bearers, include: the President's Legal Adviser and the General Administration for Legal Affairs; the Prime Minister's Office; the General Secretariat of the Council of Ministers; the Ministry of Foreign Affairs; the Ministry of Justice; selected line ministries, including Interior and, Finance and Planning; the General Secretariat of the High Judicial Council; the Attorney-General Office; the Bureau for Legal Opinion and Legislation (Diwan al fatwa wa' tashri); the General Council for Personnel Affairs (Diwan al Mua'zzafin) and the Independent Commission of Human Rights (ICHR).

These institutional stakeholders have a specific role to play in both the legislative procedure and the implementation of international Human Rights treaty obligations, individually and collectively through intra and inter-ministerial consultations. Therefore, all these stakeholders will be direct beneficiaries of the action, which will target each of them to different extents and in different types of activities depending on their role.

Several ministries at both political and technical level have expressed interest in improving legislative capacities both in terms of skills and number of dedicated staff. The Prime Minister in his role as also the Minister of Interior has set up a Permanent Legal Committee for the Security Sector, comprising the heads of the legal departments, legal advisors or other representatives of all security forces and services (with the Ministry of Interior as rapporteur) with the task to 'prepare and study draft laws, by-laws and regulations pertaining to the security establishment'. Political interest in improving the overall procedure is nonetheless uneven as this would limit opportunities to put forward individual institutional interests.

In the absence of the PLC, public consultations with civil society are crucial but inadequate. On legislative reforms, civil society is a key stakeholder and driver for accountability and reforms not only through its function as watchdog but also as service provider. A Civil Coalition of NGOs and the Independent Commission for Human Rights (ICHR) monitor the legislative procedure, laws and their implementation. In the absence of an official electronic legislation database, the Birzeit University runs the only electronic legislation database that is publicly accessible. However, this depends largely on donor funding. In recent years, with EU funding and through UNDP, the Birzeit University has developed analytical tools to prepare for the harmonisation of legislation between the West Bank and Gaza in alignment with international human rights treaties. The University also developed Manuals on Legislative Review and on impact assessments.

Under *Component 3 "Support to Human Rights Organisations"*, the main representatives of rights-holders will be local and international human rights organisations with technical and operational capacity to monitor human rights violations at all levels and hold duty-bearers to their international legal commitments. It concerns organisations that apply Human Rights-based as well as International Humanitarian Law (IHL) based approaches in their activities. The main rights-holders of the action is the whole population, including women, girls, children, youth and persons living in vulnerable situation such as persons with disabilities, minorities etc. CSOs will represent these rights-holder groups.

The action will encourage networking among HR/IHL CSOs and facilitate a dialogue between human rights' actors and the Palestinian Authority.

1.5 Problem analysis/priority areas for support

Under **Component 1** "*Support to the legislative process*", assistance will be provided for developing and implementing an effective, transparent and participatory process set in a normative framework. Laws are currently often drafted upon an individual initiative and action without following an established procedure with clear roles, institutional steps and internal and external consultations. Decree laws produced in this way are characterised by a poor quality in both content and form as they do not clearly cater for societal needs nor comply with international obligations and standards.

Neither the Basic Law nor other laws establish the process through which policies are formulated and laws are prepared within the government and sent for approval either through the regular procedure or the extraordinary one. Thus, laws tend to be drafted without a specific guiding policy and in the context of institutional competition. In the absence of a set legislative procedure within the government, regulatory impact assessments are not conducted, legislative policy memoranda are scarce, while inter-institutional consultations are inadequate and are not part of a general development vision regulated through annual legislative plans.

The inadequate legislative process cannot be exclusively attributed to the suspension and now absence of the PLC, although it has been aggravated by it. There were attempts to regulate and institutionalise a policy and law-making process within the government in 2007 and 2012, with the establishment of respectively a High National Committee for the Government Legislative Plan and a Ministerial Committee on Legislative Policy with some complementary and overlapping functions, including the definition of governmental and legislative priorities, the adoption of a yearly government legislative plan. The Ministerial Committee also had a role to examine all draft laws, which overlapped with the role of the Diwan. Neither committee is currently functioning. As a result, ad hoc committees are regularly set up to work on legislation, whether focusing on specific laws (e.g. committees for the amendments of the Judicial Authority Law and the cyber-crime law) or on the harmonisation with international human rights treaties.

The EU CSDP mission EUPOL COPPS⁸ conducted an assessment of the legislative process in 2017, highlighting several gaps on legislation preparation within the government and providing recommendations for reforms. Problematic findings included: ambiguity in roles, functions and procedures in the government's policy- and law-making processes; uneven presence of a specific underlying policy for legislation before the drafting starts; an inadequate number and preparation of human resources dedicated to legislation drafting; absence of formal public consultations; difficult public access to e-legislation; lack of mechanisms to monitor implementation of legislation. The current recourse to the extraordinary procedure through Presidential decrees has exacerbated these gaps.

On the basis of EUPOL COPPS' assessment, the action would focus on providing technical assistance in areas such as policy- and law-making, inter- and intra-ministerial coordination, training of dedicated ministerial staff on policy development, impact analysis, internal and external consultations, use of recently adopted uniform legislative drafting techniques, mechanisms for public consultations and for enhanced public access to legislation. This action

8. The EUPOL COPPS Mission is to contribute to the establishment of sustainable and effective policing arrangements and to advise Palestinian counterparts on criminal justice and Rule of law -related aspects.

would build on and expand EUPOL COPPS' current plans to promote the development of a normative framework for law-making with some assistance on what this normative framework should entail.

Component 2 "*Supporting the implementation of core Human Rights Treaty obligations*" follows Palestine's accession to seven of the nine core Human Rights treaties and three optional protocols without reservations. This has created a new dynamic for a responsive and accountable government that respects, protects and fulfils citizens' rights through effective actions and reforms. The EU has already provided support to the PA's efforts in this respect through the ongoing project "*Implementing Palestine's Human Rights Treaty Obligations – Capacity building for implementation and accountability*", which runs from September 2017 to August 2019 and is implemented by the United Nations Office of the High Commissioner for Human Rights (UNOHCHR). However, the desired transformative outputs still require a longer timeframe given that the work undertaken remains highly relevant and needed. In consideration of the late start of institutional reporting to the Geneva-based Treaty Bodies⁹ and because of the need for a longer timespan of support, a Results-Oriented Monitoring (ROM) review carried out in October 2018 recommended a second phase of this project.

The first treaty body review and concluding observations, undertaken by the Committee on the Elimination of Discrimination against Women (CEDAW) in July 2018, will be the only recommendations available by the end of the current project. Whilst the government is to focus on implementation of these recommendations, it will also engage in further treaty body reviews, starting with the Convention on the Elimination of all forms of Racial Discrimination (CERD) in August 2019 and the Convention on the Rights of the Child (CRC) in January 2020. The bulk of the treaty recommendations will only become available following the conclusion of the current project, which reinforces the need for a new phase of the current EU project to close the gap between reporting and implementation. The immediate task ahead of the government is to ensure that the Treaty Bodies' Concluding Observations will be implemented in a timely and comprehensively fashion and that ownership at all governmental levels is guaranteed.

The work on human rights indicators is also of central importance not only to ensure better quality of the State party reports, but also as a monitoring and evaluation framework (accountability). The aim is for the PA to develop human rights indicators beyond the few key rights on which work is currently undertaken in cooperation with the Prime Minister's Office as to align the monitoring and evaluation (M&E) frameworks under the SDGs and the NPA with the human rights indicators framework. The current project activities will be completed, including making available a database as a tool for both tracking implementation and producing higher quality reports. Further technical assistance will be required to maximise the use and potential of such mechanism and tools by unpacking the treaty priorities instead of a 'pick and choose' approach to implementing human rights treaty provisions.

There is also a need for more awareness raising and public dialogue on Palestine's obligations under the international Human Rights treaties that it has adhered to. Civil society organisations have actively participated in the CEDAW review cycle and submitted high quality shadow reports. However, the high level of knowledge and awareness among CSOs is limited to the CEDAW and women's rights and is not observed with regards to the other human rights treaties. Beyond the traditional human rights NGOs, many service-oriented civil

9. To date, the Government has submitted its initial report under CEDAW, CERD and CRC.

society organisations do not apply a rights-based approach to their work, which limits their ability both to engage with the international human rights mechanisms and effectively hold the Palestinian Government accountable for human rights treaty implementation.

The need for support under **Component 3** "*Support to Human Rights Organisations*" stems from the escalation of attacks by the different duty-bearers on CSOs, mainly human rights organisations in the West Bank (including East Jerusalem) and the Gaza Strip. These organisations are increasingly and systematically exposed to aggressive political and media campaigns aiming to delegitimise their work or further restrict their operational space.

A possible joint approach with the European Development Partners, like-minded countries or other entrusted entities would allow the development of a strategic and coordinated response to key challenges of increased violations of human rights by different duty-bearers and better protection for civil society and human right organisations. This is in line with the *European Joint Strategy 2017-2020 (EJS)* that encourages joint programming by European Development Partners. It is also in line with the *EU Human Rights and Democracy Country Strategy* and the *2011 Local Strategy on Human Rights Defenders*. Moreover, it corresponds to the recommendations from the *External Review of the EIDHR-CBSS 2011-2015 Programme*¹⁰, the *2015 Civil Society Mapping Update* and the *EU Roadmap for Engagement with Society 2018-2020*, which call for a considerable increase in support to CSOs and human rights defenders.

The envisaged joint strategic approach will respond to this call and reinforce the capacities of CSOs and Human Rights Defenders to play their legitimate role as watchdogs and hold duty-bearers accountable for their obligations and human rights violations. The defined priorities for this support include promotion of the fundamental freedoms of association and expression¹¹ as well as the fight against all forms of hate speeches and incitement based on intolerance.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Palestine remains committed to reform the legislative procedure and harmonise and implement Human Rights treaties.	H	Engage the government politically to promote and maintain its commitment to adopt and implement a legislative procedure; Support the government to establish permanent structures to anchor treaty implementation and reporting in the wider government processes;

10. https://eeas.europa.eu/delegations/palestine-occupied-palestinian-territory-west-bank-and-gaza-strip/29059/review-effectiveness-eidhr-programme-palestine-2011-%E2%80%93-2015_en.
 11. Charter of Fundamental Rights of the European Union 2012/C 326/02 and Council of the European Union Guidelines on Freedom of Expression Online of 12 May 2014.

		Encourage civil society, representing different groups of rights-holders, to play an active role in supporting the implementation of Human Rights treaties and in holding the government accountable to its commitments. Creation of a meaningful participatory mechanism for the civil society and community representatives representing different groups of rights-holders.
Decrease in country national budget and donor funding could limit the government's ability to implement its Human Rights and gender equality obligations.	H	Contingency planning to allow beneficiaries/the Government to adapt to the changing environment and 'progressively realise' the rights in the treaties 'within the limits of available resources'.
In the absence of national legislative elections and the PLC, the role of the legislative body of Palestine could be transferred to the PNC.	H	The EU will consider the official position of the overall external relations and official line to take concerning domestic political processes.
Intra-Palestinian reconciliation does not advance. The Palestinian-Israeli conflict or the broader regional situation may deteriorate or further escalate.	M	Cooperate with CSOs to enhance the equal enjoyment of fundamental human rights in Gaza. In case of an escalation of the Israeli-Palestinian conflict, the action will strategically adjust its activity level on the basis of the realities on the ground. Do-no-harm principle will be carefully applied.
Human rights and gender equality work remains a highly politicised and sensitive issue, subject to pressure and attempts to delegitimise human rights actors and Civil Society is exposed to further challenges and restrictive measures affecting its mandate and work.	M	EU policy dialogue with relevant authorities and duty-bearers to address fundamental freedoms as an essential precondition for cooperation. EU mandate remains anchored with a rights-based approach in line with its international commitments and human rights standards as a means of avoiding accusations of bias and politicisation.
The new normative framework for legislative drafting process (currently being developed with the support of the EUPOL COPPS) is not in place by the start of the activity.	H	The activity will support the development of the new normative framework (at the level of the Government or individual ministries) and – until it is established – will focus on actions that can be implemented in its absence (e.g. supporting the development of pilot initiatives according to the good international

		practices, trainings).
Assumptions		
Support to the two-state solution and to Palestinian state-building is reaffirmed.		
The PA maintains its commitment to statehood agenda and international commitments, democracy and rule of law.		
Relevant stakeholders are open and committed to the action's objectives and results and make the necessary resources available.		

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

Over the past years, lessons have been learnt from various legislative initiatives that were developed without open and transparent procedures and resulted in very contested laws, including for instance the Decree-Law on Cybercrime, the Decree-Law on the High Criminal Court, the initial drafts of the Family Protection bill, the amendments to the Judicial Authority Law (JAL), and most recently the Social Security Law. Assistance provided over the past years on legislative drafting has shown limited impact in the absence of a normative framework that regulates the legislative procedure. Manuals for public consultations and legislative drafting are not binding and remain unimplemented.

In October 2018, a ROM review was conducted to assess the progress made with implementation of the project "*Implementing Palestine's' Human Rights Treaty Obligation - Capacity Building for Implementation and Accountability*" managed by OHCHR. The implementation of these Treaty obligations has been severely challenged by critical institutional deficits and multiple contextual limitations. The ROM review was very positive about the work undertaken so far within this project and stressed the relevance of the intervention logic for the needs of the Palestinian Authority, the Independent Commission for Human Rights (ICHR) and CSOs, arising from the entry into force of seven core Human Rights Treaties in 2014. Most importantly, the ROM review underlined the need for a continuation of this intervention and recommended a second phase based on a longer timeframe given that the implementation of Human Rights treaties is a long-term process.

Furthermore, dedicated reviews¹² have called for an increase of the budget for interventions addressing sensitive human rights priorities implemented by CSOs and Human Rights Organisations. Over the past fourteen years, joint donor approaches, led by SDC, have proven to be an effective tool for addressing Human Rights and IHL violations in Palestine through support to CSOs. Through their capacity building support, these joint donor approaches have facilitated the policy dialogue with duty-bearers and other stakeholders, and have further enhanced networking, complementarity, synergy and joint advocacy efforts. The mandate of the previous joint interventions was to ensure an effective management of funds for the promotion of HR and IHL in Palestine, a strengthened CSO environment and participation in democratic processes. These interventions have contributed to policy development and an effective monitoring of the implementation of laws and policies.

12. External Review of EIDHR-CBSS Programme 2011-2015 and Civil Society Mapping Update 2015.

3.2 Complementarity, synergy and donor co-ordination

This action is aligned with the European Joint Strategy in Support of Palestine 2017-2020 and its Results-Oriented Framework for Justice as well with the key priorities for reform on the rule of law and justice that donors active in the sector, including the EU, have collectively identified and the progress of which, or lack thereof, they are jointly monitoring. Under the ROF, the first two outcomes for mutual accountability foresee that: (i) legislation is produced through an effective, transparent and participatory process set in a normative framework; and (ii) integrated institutions and unified legislation adhere to international obligations.

As regards the objective that aims to contribute to the production of legislation through an effective, transparent and participatory process set in a normative framework, EUPOL COPPS has already been engaged in this area of work, by conducting an assessment of the legislative process and now plans to promote the development of a normative framework. To this end, EUPOL COPPS aims to provide advice on what such a framework entails and support the PA's adoption of a procedure. The EU action builds on this assistance and aims to ensure that a legislative procedure is actually institutionalised and implemented.

Until recently, the US Bureau of International Narcotics and Law Enforcement Affairs (INL) has also been providing assistance to the Bureau for Legal Opinion and Legislation on Research and Legal writing and Capacity Building, Legislative Drafting, Strategic Planning, the Official Gazette, Legal Library, IT and Public Relations. This assistance has been discontinued at the end of January 2019.

Following Palestine's ratification of seven core Human Rights treaties, OHCHR has provided assistance to the Government of Palestine on reporting on its treaty obligations. OHCHR serves as the secretariat to the Human Rights treaty bodies and other related mechanisms and promotes a worldwide rights-based approach. In so doing, OHCHR acts as a custodian of the international Human Rights standards contained in these treaties and acts as the central reference point for knowledge on the content and application of international human rights law, as well as for the comprehensive and detailed guidance that has been produced by independent expert mechanisms in this regard (treaty bodies, special procedures, Universal Periodic Reviews, etc.). This unique mandate enables OHCHR to engage in public and informal advocacy on shortcomings in Human Rights treaty implementation, while offering a helping hand through technical assistance.

There is a number of other international actors that have provided assistance to the PA on specific Human Rights treaty implementation issues in accordance with their mandates, e.g. UN WOMEN on implementation of CEDAW and UNDP/SAWASYA on rule of law issues. While the OHCHR has a comparative advantage in this respect, the need to continue coordination with other international partners remains valid. The important work on legal harmonisation is a case in point. The entry point for OHCHR is to support Palestine in its efforts to ensure that existing and new laws are compatible with its international Human Rights obligations through sharing its analysis, technical advice, and training against the backdrop of the Human Rights treaties, whereas UNDP/SAWASYA covers issues such as ensuring that Palestine has the required institutional set-up to undertake harmonisation (e.g. help in building a legislative advice bureau) and that its laws are in accordance with other international standards beyond Human Rights (e.g. general training for judges, building forensic expertise etc.).

Since 2005 a group of European Development Partners in Palestine (Belgium, Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and Switzerland) has pooled funding for

support to Palestinian and Israeli Human Rights CSOs. This pooling of funds has allowed for core funding of Human Rights Organisations and as such could be considered complementary to the activity-based funding provided through the European Instrument for Democracy and Human Rights (EIDHR). Over the past fourteen years, the pool fund has gone through three phases with three different management arrangements. The last phase ended at the beginning of 2018.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The Overall objective of the action is that Palestinian institutions are based on the Rule of Law, accountable and accessible and individual/citizens' rights and freedoms benefit from adequate protection.

The **Specific Objectives** are:

SO1: Legislation is produced through an effective, transparent and participatory process set in a normative framework;

SO2: Human Rights treaty obligations are embedded and implemented in permanent government structures, processes, laws and policies;

SO3: Civil society space is further protected and its capacity to hold duty-bearers accountable with regards to their human rights, including gender equality obligations is enhanced.

Expected outcomes under Component 1 "Support to the legislative process" (established and implemented policy and legislative process within the government):

Outcome 1.1: Improved planning of legislative commitments and enhanced regulatory and operational guidance framework for harmonised policy and law making;

Outcome 1.2: Improved human resources' skills on policy- and law-making as well as quality control on the basis of the new regulatory and operational guidance framework;

Outcome 1.3: Improved public consultations and enhanced public access to legislation.

Main **indicative activities** are:

Output 1.1: Technical assistance for the development of legislative plans, regulations on policy- and law-making supported by relevant guidelines and templates for policy- and law-making;

Output 1.2: Capacity building (through pilots and trainings) of dedicated Cabinet Secretariat's and ministerial staff on policy development, impact analysis, internal and external consultations, use of recently adopted uniform legislative drafting techniques and quality assurance;

Output 1.3: Technical and logistical support to mechanisms for public consultations and enhanced public access to legislation.

Expected outcomes under Component 2 "Supporting the implementation of core Human Rights Treaty obligations":

Outcome 2.1: Institutionalised Human Rights treaty reporting and follow-up to ensure accountability for human rights treaty implementation;

Outcome 2.2: Enhanced skills in monitoring Palestine's human rights treaty implementation and further gender sensitive human rights indicators developed;

Outcome 2.3: Enhanced human rights protection related to arbitrary detention, torture and ill-treatment.

Main **indicative activities** include:

Output 2.1: Technical assistance to line ministries to integrate Human Rights treaty obligations and recommendations from UN Human Rights mechanisms and apply a Gender-Responsive Rights-Based Approach (RBA) in policies and programmes;

Output 2.2: Development of a national Human Rights action plan and further human rights indicators for implementation of treaty bodies' recommendations (thereby prioritising CEDAW, CERD and CRC);

Output 2.3: Capacity building of line ministries, ICHR and selected civil society organisations on regular monitoring of implementation of Palestine's Human Rights treaty obligations;

Output 2.4: Technical assistance to security sector actors, including law enforcement officials and civil society organisations to apply human rights standards related to arrest, detention, and investigation;

Output 2.5: Providing legal advice on the compatibility of legislation with international Human Rights law.

Expected Outcomes under Component 3 "Support to Human Rights Organisations":

Outcome 3.1: Strengthened capacity for Civil Society Organisations to hold duty-bearers accountable on human rights and IHL violations;

Outcome 3.2: Enhanced protection of the space for Civil Society Organisations and Human Rights Defenders, including women's organisations, to operate.

Main **indicative activities** include:

Output 3.1: Project/programme support to Human Rights CSOs for holding duty-bearers accountable on human rights and IHL violations;

Output 3.2: Promotion of the fundamental freedoms of association and expression;

Output 3.3: Networking among HR/IHL CSOs in order to ensure complementarity of activities, strengthen the ability of partner organisations to work efficiently, participate more effectively in democratic processes and enable them to speak with one voice when necessary;

Output 3.4: Facilitation of policy dialogue between human rights actors and the PA.

4.2 Intervention Logic

The action aims to support the development and implementation of a normative framework for an effective, transparent and participatory legislative procedure, and to contribute to strengthening the implementation of Palestine's Human Rights treaty obligations through

technical assistance to institutional decision-makers, combined with strengthening civil society's key role in holding the government accountable in this respect.

The intervention logic follows a three-tiered approach:

1. if policies and laws are produced on the basis of clearly identified social needs, supported by impact assessments, produced through an established, transparent and participatory procedure and are publicly accessible;
2. if laws incorporate Human Rights provisions, as contained in the International Treaties that Palestine has acceded to;
3. if mechanisms are in place that allow for protection of human rights and accountability of duty-bearers with respect to human rights laws;

then Palestinian institutions will have the normative and institutional framework that allows them to operate on the basis of the rule of law and in an accountable and accessible manner, while individuals and citizens will benefit from adequate protection of their rights and freedoms.

More specifically, each component will follow this intervention logic:

1. The action will support the Government in: (i) improving the regulatory and operational guidance framework for harmonised policy- and law-making across all government; (ii) building the capacity of the cabinet secretariat's and ministerial staff around policy- and law-making on the basis of the new regulatory and operational guidance framework; (iii) establishing and formalising public consultations on legislation under development; and (iv) enhancing public access to legislation. This will lead to sound and legitimate legislation that is produced through an effective, transparent and participatory process set in a clear normative framework. Transparency of the legislative process and enhanced access to legislation will also improve governmental accountability around policy- and law-making and legal certainty among citizens.
2. The action will support the Government and civil society in improving Palestine's Human Rights treaty implementation and accountability through technical assistance to the Government, ICHR and CSOs on Human Rights treaty monitoring, reporting and follow-up on implementation of Treaty Bodies' recommendations. Such support will increase the protection of human rights specifically related to civil society space, arbitrary arrest/detention, and torture and ill-treatment. The action will also contribute to the compliance of relevant legislation and policies in the security and justice sectors with international standards. Similarly, treaty body reviews offer a much valued platform for Palestinian CSOs to engage with the PA on human rights issues of concern in Palestine.
3. The action will support the promotion and protection of the HR/IHL in Palestine by promoting civil society space, freedom of association and freedom of expression. These rights serve as a vehicle for the exercise of many other civil, cultural, economic, political and social rights. Targeted interventions aim to support Human Rights CSOs in holding the Government accountable for its efforts to ensure that relevant legislation and policies safeguard civil society's role and operating space. The action will also assist right-holders in claiming their rights and contribute to bringing about justice and societal change.

4.3 Mainstreaming

This action targets the rule of law and human rights as primary objective and aims to ensure that human rights are mainstreamed across all government policies and laws in line with obligations under international Human Rights treaties Palestine has acceded to. Gender and environmental aspects will be part of the analytical and operational tools that will be developed for policy- and law-making (checklists, impact assessment, etc.).

Good governance principles: A participatory approach will inform the design of all components of the action, in coordination with the respective stakeholder groups. Whereas *Components 1 and 2* are directly addressing good governance issues, Component 3 aims at operationalising good governance in a more contested area.

Human rights are the very essence of proposed *Components 2 and 3* and will be the main focus of support under both Components. A Right-based approach will be enforced in the implementation of the treaties and in the specific support to guarantee compliance with relevant international standards and norms related to HR/IHL laws. Through this support, the projects strive to nurture peace building in Palestine, by supporting UN agencies and local and international CSOs which monitor, document, defend and implement human rights, good governance and international humanitarian law.

Gender equality, rights of persons living in vulnerable situations and youth engagement throughout the action will be targeted by raising awareness and advancing discussions among the ,women, elderly, and youth, and persons living in vulnerable situations such as persons with disabilities, minority groups etc. The action will develop accurate sex and age-disaggregated data. The action will also make use of the 2018 Gender Country profile for the European Joint Strategy and will try to align as much as possible with the GAP II indicators. Gender responsiveness will be ensured by using specific Gender Evaluation Criteria. The action will seek to empower women, men and children not only to claim their rights before the concerned principal duty-bearers but also to engage in activities aiming at bringing about societal change in line with international standards.

4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDGs 16: "*Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels*" and 10: "*Reduce inequality within and among countries*".

It also contributes in a significant manner to SDGs 17 "*Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development*" and 5: "*Achieve gender equality and empower all women and girls*".

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of where a financing agreement is concluded.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities for an action under project modality

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹³.

5.3.1 Indirect management with entrusted entities

5.3.1.1 Component 1 - Indirect Management with the Organisation for Economic Co-Operation and Development (OECD)

A part of this action, **Component 1** "*Support to the legislative process in Palestine*", may be implemented in indirect management with the Organisation for Economic Co-Operation and Development (OECD). This implementation refers to Outputs 1.1-1.3.

The envisaged entity has been selected using the following criteria: i) thematic expertise and experience in supporting the development of regulatory reforms in the Middle East and North Africa, including assistance to the Palestinian Authority; ii) ability to quickly mobilise specialised good quality experts on this topic.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

5.3.1.2 Component 2 - Indirect Management with United Nations Office of High Commissioner of Human Rights (UNOHCHR)

A part of this action, **Component 2** "*Supporting the implementation of core Human Rights obligations*", may be implemented in indirect management with the United Nations Office of High Commissioner of Human Rights (UNOHCHR). This implementation refers to Outputs 2.1-2.5.

The envisaged entity has been selected using the following criteria: i) specific expertise and experience in supporting the implementation of international Human Rights treaty obligations in Palestine; and ii) mandate to promote and protect human rights and provide assistance to governments in the form of expertise and technical training to help implement human rights standards, treaties and conventions. The entrusted entity would accompany the PA in the process of treaty reporting, monitoring and implementation through technical assistance to institutional decision-makers combined with strengthening ICHR's and civil society's key role in holding the government accountable on implementation of human rights obligations.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

13. www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.3.1.3 Component 3 - Indirect Management with an Entrusted Entity (Member States Organisation or third donor country or International Organization)

A part of this action, Component 3 "Support to Human Rights Organisations", may be implemented in indirect management with an entity which will be selected by the Commission's services using the following criteria: i) specific expertise and experience in coordinating donor support to Human Rights Organisations in Palestine; and ii) willingness to fulfil a lead role in the policy dialogue on Human Rights.

The implementation by this entity entails that *civil society space is further protected and its capacity to hold duty-bearers accountable with regards to their human rights obligations is enhanced with the aim to achieving the stated outcomes of Component 3: Outcome 3.1: Strengthened capacity for Civil Society Organisations to hold duty-bearers accountable on human rights and IHL violations; and Outcome 3.2: Enhanced protection of the space for Civil Society Organisations and Human Rights Defenders to operate.*

5.3.1.4 Changes from indirect to direct management mode due to exceptional circumstances

If *Component 3 – Indirect Management with Entrusted Entity* cannot be implemented in indirect management due to circumstances outside of the Commission's control, that part of the action may be implemented in direct management through a grant.

(a) Purpose of the grant(s)

The purpose of the grant(s) would be to achieve the main Objective of Component 3: *Civil society space is further protected and its capacity to hold duty-bearers accountable with regards to their human rights obligations is enhanced.*

Expected Outcomes and Main Activities of the grant(s) are listed under paragraph 4.1 above.

In accordance with the rights-based approach, the action will take into account the Human Rights Policy framework, including the EU Guidelines on the Promotion and Protection of the Rights of the Child (2017), the EU Human Rights Guidelines on Freedom of Expression Online and Offline (2014), the EU Human Rights Guidelines on Children and armed conflict (2008) and/or the Promotion and Protection of the Rights of the Child (2008), the EU Guidelines on promoting compliance with International Humanitarian Law (IHL), the EU Guidelines on Human Rights Defenders (2008) and the EU Guidelines on Violence against women and girls and combating all forms of discrimination against them (2008).

Particular attention will be paid to prevent that EU-supported activities contribute to incitement of hatred and/or violence. Implementation of this action will be in line with the EU Framework Decision on racism and xenophobia.

(b) Type of applicants targeted

To be eligible for a grant, the applicant must be a legal person/entity; be non-profit-making; be a specific type of organisation (such as CSOs, private sector non-profit agencies, institutions and organisations and networks at local, national, regional and international level); be established in EU Member States or Palestine 5 years before the awarding time, and not be acting as an intermediary. The applicant *must act* with co-applicant(s) - local and/or international civil society human rights organisations possessing technical and operational expertise and capacity to monitor record and advocate on human rights violations at national, regional and international fora. Partnership is an important element for this action. The

essential award criteria will be based on relevance of the proposed action for the objectives of Component 3, design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(c) Justification of a direct grant

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 Palestine is acknowledged to be in "crisis situation" as referred to in Article 2 (21) of the Financing Regulation, allowing for the use of flexible procedures in accordance with applicable provisions.

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 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (amount in EUR)
5.3.1. – Support to enhance Governance and Human Rights		
Component 1 Indirect management with OECD	2,500,000	N.A.
Component 2: Indirect management with OHCHR	1,800,000	375,000.
Component 3: Indirect management with Entrusted Entity	1,500,000	
Evaluation (cf. section 5.9)	100,000	N.A.
Audit/ Expenditure verification (cf. section 5.10)		
Communication and visibility (cf. section 5.11)	N.A.	N.A.
Contingencies	0	N.A.
Total	5,900,000	375,000

5.6 Organisational set-up and responsibilities

A *Steering Committee* (SC) will be set up for Component 1, which will involve the Prime Minister's Office, the General Secretariat of the Council of Ministers, representatives of

Ministries concerned and other PA institutions, the Delegation and EUPOL COPPS as observer. The Steering Committee will provide strategic guidance to the project, review and facilitate its progress and ensure coordination and complementarity with other donor actions.

A *Steering Committee* (SC) will be set up for Component 2, which will involve the Ministry of Foreign Affairs, the Ministry of Justice, the Ministry of Interior, UNOHCHR, ICHR, CSOs and the EU Delegation. The Steering Committee will provide strategic guidance to the project, review and facilitate its progress ensure coordination of project implementation and complementarity with other donor actions.

Another *Steering Committee* (SC) will be established for Component 3, which will be chaired by SDC and involve other European Development Partners and representatives from Human Rights CSOs. The Steering Committee will oversee project's support to Human Rights organisations, encourage networking among HR/IHL CSOs and ensure complementarity of work among partner organisations. Fostering constructive policy dialogue on issues of concern will be also aspects tackled by the SC.

Attention will be given gender equality, human rights and rights-based approach during the implementation of the Action.

5.7 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of these actions will be a continuous process and part of the implementing partners' responsibilities. To this aim, the implementing partners 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 log frame matrix.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

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

5.8 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this is an innovative action that will involve a large number of stakeholders.

The Commission shall inform the implementing partners at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partners 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 partners 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.

Evaluation services may be contracted under a framework contract.

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.

It is foreseen that audit services may be contracted under a framework contract.

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.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), 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 Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

It is foreseen that communication and visibility services may be contracted under framework contract or competitive negotiated procedure during the operational implementation period. Indicatively, one or two contracts for visibility and communication activities might be concluded under negotiated competitive procedure during the operational implementation period of this action. The related budget is included under the Visibility and Communication budget line of the "Support to productive and social investment in Palestine" Action Document – ENI/2019/041-948 (pooling of AAP 2019 visibility and communication resources).

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APPENDIX - INDICATIVE LOGFRAME MATRIX

	Results chain: Main expected results	Indicators	Sources of data	Assumptions
Impact (Overall Objective)	Palestinian institutions are based on the rule of law and individual/citizens' rights and freedoms benefit from adequate legal protection.	<ul style="list-style-type: none"> - Extent to which Palestinians have confidence in and abide by the rules of society; (Confidence rate will be disaggregated by sex); - Proportion of Human Rights treaty body recommendations implemented and integrated in policies and programmes by the responsible Government entities; 	<ul style="list-style-type: none"> - The Treaty Bodies' Concluding Observations; - Palestine's State party reports; - Civil society and ICHR shadow reports; - Palestinian Public Surveys; 	<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	<p>SO1: Legislation is produced through an enhanced, effective, transparent and participatory process set in a normative framework.</p> <p>SO2: Human Rights treaty obligations are embedded and implemented in permanent government structures, processes, laws and policies.</p> <p>SO3: Protection of civil society space and capacity are enhanced.</p>	<p>1. Percentage of primary and secondary legislation issued, following a clearly regulated, effective, transparent and participatory legislation process;</p> <p>2.1 Number of human rights violations reported by human rights monitoring bodies and civil society, and followed through by the responsible institution.</p> <p>2.2 Number of concluding observations with gender sensitive human rights indicators identified/developed by ministries, ICHR and CSOs.</p> <p>3.1 Proportion of population which believes decision-making is inclusive and responsive</p> <p>3.2 Decrease in attacks on Human Rights Defenders.</p>	Official Gazette; PA Reports; periodic and follow-up country party reports, ICHR's Reports; CSOs Reports submitted to treaty bodies; Strategic Social and Environmental Assessments; media	Political willingness to reform the legislative procedure

<p>Outputs</p>	<p>Component 1:</p> <p><u>Output 1.1:</u> Technical assistance for the development of legislative plans, regulations on policy- and law-making supported by relevant guidelines and templates for policy and law making;</p> <p><u>Output 1.2:</u> Capacity building of dedicated Cabinet Secretariat and ministerial staff on policy development, impact analysis, internal and external consultations, use of recently adopted uniform legislative drafting techniques and quality assurance;</p> <p><u>Output 1.3:</u> Technical and logistical support to mechanisms for public consultations and enhanced public</p>	<p>1.1: Number of formally adopted guidelines and templates;</p> <p>1.2: Number of trained staff (disaggregated by sex) who are engaged and in charge of policy and legislative drafting;</p> <p>1.3: Number of policies and laws that are produced following the established procedure;</p> <p>1.3.1: Number of internal and public consultations on new policies and laws;</p> <p>1.3.2: Number of policies and laws that are published on the PA's website.</p>	<ul style="list-style-type: none"> •PA's reports, ICHR's reports, CSOs' reports to treaty bodies •Laws published in the official gazette and policies; •Public surveys; • Donor's reports; •Laws and policies adopted by 2023 (following public consultations) 	<p>Political willingness of duty-bearers to:</p> <p>1) Adopt and implement the new regulatory framework for legislative procedure; 2) Follow transparent processes through consultation and publications; 3) Institutionalise implementation of Human Rights treaties.</p> <p>Availability of adequate number and prepared human resources to train in the legislative</p>

	<p>access to legislation.</p> <p>Component 2:</p> <p><u>Output 2.1:</u> Technical assistance to line ministries to integrate Human Rights treaty obligations and recommendations from UN Human Rights mechanisms and apply a Rights-Based Approach (RBA) in policies and programmes;</p> <p><u>Output 2.2:</u> Development of a national Human Rights action plan and further human rights indicators for implementation of treaty bodies' recommendations;</p> <p><u>Output 2.3:</u> Capacity building of line ministries, ICHR and selected civil society organisations on regular monitoring of implementation of Palestine's Human Rights treaty obligations;</p> <p><u>Output 2.4:</u> Technical assistance to security sector actors, including law enforcement officials and civil society organisations to apply human rights standards related to arrest, detention, and investigation;</p> <p><u>Output 2.5:</u> Providing legal advice on the compatibility of legislation with international Human Rights law.</p> <p>Component 3:</p>	<p>2.1.1: Proportion of recommendations from UN human rights mechanisms integrated in policies/programmes;</p> <p>2.1.2: Number of human rights action plans and policies to integrate treaty obligations;</p> <p>2.2.1: Proportion of targeted Government entities having received technical assistance in applying human rights-based approach (RBA);</p> <p>2.2.2: Well-defined national human rights indicators integrated into monitoring frameworks for selected sector strategies and the NPA;</p> <p>2.3: Number of laws/policies/programmes reviewed in alignment with international standards and in place for increased protection and promotion of civil society's space, protection against arbitrary arrest and detention, and torture and ill-treatment;</p> <p>2.4: Number of trainings/workshops provided to National Preventive Mechanism's (NPM) staff on applying</p>		<p>procedure;</p> <p>Willingness of duty-bearers to comply with international Human Rights treaties;</p> <p>Willingness of duty-bearers to engage with CSOs/HRDs.</p>
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	<p><u>Output 3.1:</u> Project/programme support to Human Rights CSOs for holding duty-bearers accountable on human rights and IHL violations;</p> <p><u>Output 3.2:</u> Promotion of the fundamental freedoms of association and expression;</p> <p><u>Output 3.3:</u> Networking among HR/IHL CSOs in order to ensure complementarity of activities, strengthen the ability of partner organisations to work efficiently, participate more effectively in democratic processes and enable them to speak with one voice when necessary;</p> <p><u>Output 3.4:</u> Facilitation of policy dialogue between human rights' actors and the PA.</p>	<p>human rights standards, participants disaggregated by sex.</p> <p>3.1.1: Number of grants provided to CSOs/HRDs for holding duty-bearers accountable on HR and IHL violations;</p> <p>3.1.2: Number of reports on HR/IHL violations;</p> <p>3.2: Number of advocacy campaigns on the freedoms of association and expression;</p> <p>3.3: Number of joint meetings and collaborative efforts among CSO/HRDs;</p> <p>3.4: Number of CSO/HRD policy dialogue meetings with the PA;</p>		
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