



EN

THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX III

of the Commission Implementing Decision on the annual action plan in favour of Palestine¹ for 2022

Action Document for “Greening the Palestinian Economy”

ANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan/measure in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title OPSYS Basic Act	Greening the Palestinian Economy Annual action plan in favour of Palestine for 2022 OPSYS business reference: NDICI-GEO-NEAR/2022/ACT-60600 ABAC Commitment level 1 number: JAD.958876 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
2. Team Europe Initiative	Yes Outcome 1 contributes to the “green economy” component of TEI “Sustainable growths, jobs and resilience”
3. Zone benefiting from the action	The action shall be carried out in Palestine.
4. Programming document	European Joint Strategy in support of Palestine ² 2021-2024.
5. Link with relevant MIP(s) objectives/expected results	Pillar 5 - Sustainable Economic Development
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	240 Banking & Financial Services 311 Agriculture

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 C(2022) 8279 of 22/11/2022.

	321 Industry 410 General Environment Protection			
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 8 decent work and economic growth Other significant SDGs: SDG 1 no poverty SDG 2 zero hunger SDG 5 gender equality SDG 9: industry, innovation and infrastructure SDG 12 responsible consumption and production SDG 13 climate action			
8 a) DAC code(s)	32130 Small and medium-sized enterprises development (24%) 32161 Agro-industries (30%) 31193 Agricultural Financial services (41%) 41010 Environmental policy and administrative management (5%)			
8 b) Main Delivery Channel	41301 - FAO			
9. Targets	Spending target(s) this action is contributing to: <input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<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 type="checkbox"/>	<input checked="" type="checkbox"/>
11. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Tags	YES	NO	/
	digital connectivity	<input type="checkbox"/>	<input type="checkbox"/>	
	digital governance	<input type="checkbox"/>	<input type="checkbox"/>	
	digital entrepreneurship	<input type="checkbox"/>	<input type="checkbox"/>	
	digital skills/literacy	<input type="checkbox"/>	<input type="checkbox"/>	
	digital services	<input type="checkbox"/>	<input type="checkbox"/>	
	<u>Connectivity</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tags	YES	NO	/	
digital connectivity	<input type="checkbox"/>	<input type="checkbox"/>		
energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
transport	<input type="checkbox"/>	<input type="checkbox"/>		
health	<input type="checkbox"/>	<input type="checkbox"/>		
education and research	<input type="checkbox"/>	<input type="checkbox"/>		
Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
COVID-19	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

BUDGET INFORMATION

12. Amounts concerned	<p>Budget line(s) (article, item): 14.020110 Southern Neighbourhood</p> <p>Total estimated cost: EUR 47 000 000</p> <p>Total amount of EU budget contribution EUR 27 000 000</p> <p>This action is co-financed in joint co-financing by:</p> <p>Germany for an indicative amount of EUR 2 000 000 (Outcome 1)</p> <p>Denmark, Netherland, Spain, Switzerland for an indicative amount of EUR 18 000 000 (Outcome 2)</p> <p>It contributes to the “Green Economy” component of Team Europe Initiative “Sustainable growth, jobs and resilience”</p> <p>Respective indicative contributions³ of participating EU Member States and European Development Finance Institutions (EDFIs) to the Team Europe Initiative component “Green Economy”:</p> <ul style="list-style-type: none"> ➤ Grant-based programmes : Germany (EUR 32.2 million), EU (EUR 16.3 million), Italy (EUR 6.7 million), Sweden (EUR 7.25 million), Belgium (EUR 6 million).
------------------------------	---

³ Figures include ongoing and upcoming programs

	<p>➤ Blending instruments: EU (EUR 24.8 million⁴), AFD/Proparco (EUR 48.4 million), Italy/AICS (EUR 2.5 million), EIB (EUR 50 million), EBRD (EUR 44.07).</p> <p>The commitment of the EU’s contribution to this action will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners’ meaningful contribution as early as possible.</p> <p>In the event that the Team Europe Initiatives (TEI) and/or these contributions do not materialise, the EU action may continue outside a TEI framework.</p>
MANAGEMENT AND IMPLEMENTATION	
13. Implementation modalities (type of financing and management mode)	<p>Project Modality</p> <p>Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.1</p>

1.2. Summary of the Action

The action “Greening the Palestinian Economy” lies at the crossroad of two key European Commission’s priorities, namely the external dimension of the “European Green Deal”⁵ and the “Renewed partnership with the Southern Neighbourhood, A new Agenda for the Mediterranean”⁶, with the associated “Joint Staff Working Document”⁷. The action combines social stability, financial and environmental sustainability targets, promoting green growth and climate action, resource efficiency, while pursuing green finance and investment and ensuring a just transition, fight against pollution, biodiversity protection and sustainable food systems.

This action will further leverage opportunities stemming from joint programming. Concretely, it will provide the means to further develop and implement the “Green Economy” component of **Team Europe Initiative “Sustainable Growth, Jobs and Resilience”**, led by Germany.

This action recognises private sector development and job creation are the main lever to support green transition in Palestine. Palestine faces the urgent need to address some major environmental and climate challenges and at the same time respond to socio-economic development and food and nutrition needs. A robust and comprehensive green economy strategy is to be articulated and implemented, with private sector as the core actor of it.

In line with the objectives agreed among European Development Partners (EDPs), namely “promoting sustainable private sector development” and “enhancing farmers resilience”, **the action is articulated along three broad areas:**

1. **Promoting the adoption of innovative green technologies** by the private sector;
2. **Enhancing access to green and inclusive finance by private investors;** and
3. **Developing a sound enabling framework** for environmental and economic policies.

The action comprises four interventions “Green Economy Hub” (Outcome 1), “Agri-food system transformation” (Outcome 2), “Rural Finance Inclusion in Palestine” (Outcome 3), “Climate and Environment action” (Outcome 4), respectively focused on **MSMEs green competitiveness, climate-smart agribusiness, rural finance inclusion and environmental policy.** The combined interplay is

⁴ EU contributions include grants, technical assistance, guarantees

⁵ COM(2019)640 final of 11.12.2019

⁶ JOIN(2021) 2 final of 09.02.2021

⁷ SWD(2021) 23 final of 09.02.2021

expected to promote achievement towards SDG 1 no poverty, SDG 2 zero hunger, SDG 5 gender equality, SDG 8 decent work and economic growth, SDG 9 industry, innovation and infrastructure, SDG 12 responsible consumption and production, and SDG 13 climate action.

This action will contribute to systematically enhance competitiveness through green investments, and move from individual experiments to a wider practice. Promoting countrywide green transition requires substantial private and public investments, based on long term informed decisions, an adequate investment climate built on a solid evidence-based policy and regulatory framework is still missing.

The action will promote that environment and climate change policy priorities will inform and drive private sector investments, providing both investors and financial institutions with the necessary market signals, facilitating prioritisation, contributing to a more efficient and effective allocation of resources.

The action may be complemented by one blending operation⁸ that will address in particular the uptake of green and sustainable investments, and access to finance / financial inclusion. It is indeed imperative to address the substantial funding gap that risks to jeopardise Palestinian ambitions by adequately crowding-in the private sector, while raising the awareness and capacities of local financial providers for developing tailored green financial services and sound risk management.

2. RATIONALE

2.1. Context

Palestine is a lower middle-income country with a small and resource poor economy suffering from high unemployment rates. In 2020⁹ GDP at current market prices was USD 15,53 billion (USD 17,13 billion in 2019), and income per capita dropped to USD 3,233 (USD 3,565 in 2019) as a result of the COVID-19 pandemic, with a growing difference between West Bank USD 4,647 and Gaza USD 1,344, and 82.3 % of the GDP generated in the West Bank (WB). Fundamental constraints to investment and trade generate a low-income and low-growth economy, resulting in high rates of unemployment (25.3% total: 14.6% in WB, 45.1% in Gaza;) and poverty (28.9%¹⁰ living below poverty line¹¹ : 13.9% in WB, 59.3% in Gaza).

The already high unemployment rate has increased due to the COVID-19 pandemic and strong economic decline. Palestine suffers from a structurally high unemployment rate, with wide regional divergence, affecting in particular women and youth¹². The impact of COVID-19 further hampered the situation for the private sector, which is reflected in a real-term decline of the economic growth by 11.5% in 2020¹³. While for 2021¹⁴ a modest bounce back with growth returning to around 3.5% is expected, rising unemployment and poverty rates have exacerbated vulnerabilities, eroding the resilience of Palestinians' livelihoods, constrained access credit, markets and inputs and ultimately driving high food insecurity rate.

The economy is driven by the service sector, and investments in green, innovative and tradable sectors are needed. In 2018, the services sector¹⁵ provided employment to around 80% of the workforce, contributing to 66.1% of GDP. The same year the agricultural sector contributed with 7.4% of GDP, providing jobs for

⁸ Complementing Blending Operations are part of a separate Commission Decision. For the sake of completeness, the overall approach including blended finance is displayed in this Action Document, notably with regards to Context, Problem Analysis and Lessons Learned.

⁹ Source Palestinian Central Bureau of Statistics

¹⁰ World Bank estimates, Economic monitoring report to the AHLC, November 2021

¹¹ USD 5,5 PPP per day

¹² Palestinian Central Bureau of Statistics; http://www.pcbs.gov.ps/Portals/_Rainbow/Documents/unemployment-2015-02e.htm, accessed October 2021

¹³ PCBS

¹⁴ The figure is based on estimates by PCBS, since final National Accounts statistic for 2021 are not yet available.

¹⁵ Service Sector sub-sectors contribution to GDP (2018): Construction 6,1%, Wholesale, retail trade, repair motor 22,2% , transportation and storage 1,8%; financial and insurance activities 4,2%, Information and communication 3,3%, Services 20%, Public Administration and defence 8,5%.

6.2% of the work force. The industrial sector¹⁶ contributed with 13.2% of GDP employing 13.8% of the workforce. According to the World Bank, investments in tradable sectors like sustainable agriculture and innovative manufacturing are needed to generate more employment.

Micro Small and Medium Enterprises (MSMEs) form the backbone of the Palestinian economy and are the main employer. However, due to a difficult environment and regulatory conditions they structurally lack competitiveness. Employing more than 60% of the Palestinians at working age, MSMEs suffer from a lack of conducive business environment, difficult access to finance and outdated production and commercial practices that are negatively impacting their competitiveness.

Agriculture provides livelihoods to 13.4% of the total labour force, and is key in preserving natural resources. The agriculture and agri-food sectors provide livelihoods to thousands of Palestinian families, critically contributing to the resilience of households and communities. Yet, the restrictions on movement and access to natural resources due to the occupation and limited access to foreign markets have led to the development of insular economies and increased poverty. Agriculture can play a major role in promoting inclusion of vulnerable groups, while safeguarding natural resources and addressing climate change challenges through the adoption of innovative climate resilient farming techniques. Last but not least, the COVID-19 and Russia's war of aggression against Ukraine put small farmers under an additional pressure linked to the inflation on input prices (energy, fertilizer, equipment, ...) potentially leading to bankruptcy, reduction of the local production, increase in food prices and food security risk.

Women face more obstacles due to practiced social norms and traditional division of labour¹⁷. Women own an exceptionally small proportion of enterprises in Palestine (2.4% of females are employers compared to 7.2% of men), partly due to the difficulty faced in obtaining credit and accessing business development services, and partly to sociocultural norms, including societal prejudices, male dominance, work and commitments at home, childcare. The informal sector employs more men than women as well (34.9% and 20.0 % respectively). Only 14% of 15-29-year olds have tried to set up their own income generating activities, of whom only 6% are female. Women still work mainly in traditional occupations. About half of them work as technicians and specialists. Most women work in the services sector (65.4%) and commerce activities sectors (12.0%). 21.5% of registered trade unions, 32.3% of registered engineers, 28.4% of registered journalists, and 3.8% of registered members of the agricultural, commerce and industry chambers are women.

Climate change represents a threat, yet green transition offers opportunities for the private sector. Significant climate and weather related risks are expected to negatively impact MSMEs across all economic sectors, with small farming households and rural enterprises in particular, expected to be less resilient due to lower adaptation capacity, limited access to adaptation technologies and services that can help under-write their risks¹⁸. UNEP 2020 assessment of the state of the environment in the Occupied Palestinian Territory found substantial evidence of environmental change and degradation. Scattered entrepreneurial experiences across Palestine indicate growing sensitivity by the private sector towards business opportunities from investing green, developing new markets, adopting circular business models, reducing costs.

Palestine is gradually developing a policy framework to fight climate change, yet the role of the private sector needs to be better defined.

- The updated *Nationally Determined Contributions*¹⁹ (NDCs) provide investment-ready implementation action plans (agriculture, energy, health, transport, waste and water), however an important funding gap (USD 2.74 billion for the period 2021-2040) risks jeopardising Palestinian ambitions if the private sector is not adequately crowded-in, by providing the market with clear signals (e.g. incentives, subsidies, credit

¹⁶ The Industrial Sector includes mining, manufacturing and utilities. Manufacturing includes: food-processing; apparel and leather goods; non-metallic mineral products; metal products (except machinery); plastic industry; and pharmaceutical.

¹⁷ Gender Country Profile for Palestine – Update and extension in the framework of the EU Joint Programming (2018)

¹⁸ Resilience to Climate Change in Palestine The Fine Balance between Floods and Droughts. IUCN.2013.

¹⁹ October 2021

facilities, taxes, regulations, standards...) and a strong evidence that low-carbon and climate resilient investments can translate into higher competitiveness and returns.

- A Sustainable Consumption and Production National Action Plan (SCP NAP)²⁰ focusing on promoting a green economy in selected sectors of the Palestinian economy (construction and housing, tourism, agriculture and food processing) has been developed. It underlines the importance of enhancing access of farmers and cooperatives to green financing and identified that at least 10% of agricultural financing should be earmarked to SCP. The priority areas (including agriculture and food) for mainstreaming sustainable consumption and production were identified with special focus on climate smart agriculture, resource efficient production process and protection of natural resources.
- *75 Sustainable Development Goal (SDGs) targets have been adopted and sustainable development principles have been incorporated into many strategic objectives under the National Policy Agenda (2017-2022).*
- *The National Food and Nutrition Security Policy in Palestine 2030 (NFNSP) and the National Investment Plan for Food and Nutrition Security and Sustainable Agriculture 2020-2022 (NIP²¹), address the dispersed, imbalanced and uncoordinated policy response of the sector. Their formulation and endorsement are evidence of a policy shift towards an SDG-based multi-sectoral approach to planning and implementation of interventions for the transformation of the food-system to be more inclusive, sustainable and resilient.*
- *The National Strategy for Financial Inclusion in Palestine (2018-2025) recognises the importance of access to finance in contributing to rapid economic growth and poverty reduction, while the fifth Strategic Objective of the National Agricultural Sector Strategy (2021-2023) recognises the role of increasing access to tailored financial products and services in rural areas (underserved geographical areas such as Area C and the Gaza Strip) and to the agriculture sector.*

The EU and Member States are responding to these challenges through a specific Team Europe Initiative²². The “Green Economy” component of Team Europe Initiative “Sustainable growth, jobs and resilience” recognises the fundamental role to be played by the private sector to promote a systemic green transition, operating within an investment climate responsive to environment and climate change policy priorities, built on a clear evidence of the business rationale of green practices and inclusiveness.

The establishment of the EU-Palestine Investment Platform²³ has provided additional drive to the roll out of the External Investment Plan, catalysing interest and participation, and further developing strategic and policy dialogue into two thematic areas, namely: MSMEs and Energy finance.

The EUREP provides technical support to the Ministry of National Economy to promote public-private dialogue and donors’ coordination. Four thematic groups (trade, business environment, digital economy and entrepreneurship, industry) are structured under the framework of the Local Aid Coordination Secretariat (LACS). These forums will provide EUREP and Member States (organised along the different components of Team Europe Initiative “Sustainable growth, jobs and resilience”) the official venue for strategic engagement through policy dialogue with ministerial counterparts and private sector.

²⁰ Palestine’s SCP NAP 2016: <https://wedocs.unep.org/bitstream/handle/20.500.11822/33982/SCP NAP.pdf?sequence=1&isAllowed=y>

²¹ The NIP provides the first ever inventory in Palestine of public investments in SDG2, offering a programmatic, multi-sectorial and action-oriented results framework for identifying, prioritising, coordinating and promoting public and private interventions.

²² Team Europe Initiative “Sustainable growth, jobs and resilience” is designed along 5 main components (trade, green economy, entrepreneurship, resilience, digital economy), respectively led by EU, Germany, Belgium and Austria. The identification of a lead for the “digital economy” component is in progress. Leading role involves the responsibility to: 1) Coordinate the design process of the TEI component along its key elements (joint analysis, theory of change, intervention logic, result framework, medium term plan, division of labour); 2) Coordinate strategic discussions for the identification of common priorities in the sub-sector; 3) Relay agreed advocacy messages with relevant PA institutions in LACS working groups; 4) Coordinate and consolidate inputs for the ROF annual report at sub-sector level; 5) Produce Team Europe communication material.

²³ December 2020

The new EU “Integrated Approach on Climate Change and Security”²⁴ and the joint EU-UNEP work on “Climate Change and Security Partnership”²⁵ provide an additional relevant framework for the programme, potentially creating opportunities for synergies, both at regional and national level (e.g. treated waste water re-use interventions), for initiatives pursuing climate change & security approaches in the form of cross-border/peace/triangulations.

2.2. Problem Analysis

Short problem analysis

Private sector investments need to be informed by Environment and Climate Change policy priorities. Palestine lacks an adequate investment climate, built on a solid evidence-based policy and regulatory framework. Insufficient coordination and knowledge exchange among stakeholders²⁶ in the context of Green Economy further impede a coherent strategic approach in Palestine.²⁷ Promoting a systemic green transition requires substantial private and public investments, based on long term informed decisions. Sectoral alignment with SDGs and investment plans proposed under the NDCs need to be supported by a clear investment climate framework, providing both investors and financial institutions with the necessary market signals to facilitate prioritisation of investments and ultimately contributing to a more efficient and effective allocation of resources.

A fully fledged green economy strategy or framework is not in place. Private sector mostly operates in an environment lacking adequate permitting and licencing, and miss sufficient awareness and knowledge with regards to Green Economy. Yet relevant ministries are aware of the need to move towards this direction and various actors of the private sector are grasping the importance of resource efficiency, green entrepreneurship, and green business models. A shift towards green production and business practices is further impaired by difficulties in the procurement of modern green technologies, mostly caused by arbitrary restrictions on imports of technical equipment – a challenge that is even bigger for Gaza.

Unclear and overlapping environmental governance arrangements impede environmental management. Palestinian policymakers and professionals cannot employ best practice environment management solutions for several reasons, including governance arrangements (such as lack of inter-ministerial coordination, enforcement of standards, public-private dialogue), access restrictions, and finance. Policies and plans relating to the environment must be designed with a full understanding of the constraints specific to this context, as well as detailed knowledge of best-practice environmental solutions. In the absence of a combination of contextual knowledge and environmental analysis, there is an increased risk of delayed implementation, misplaced or poorly coordinated investment, and low effectiveness.

Palestine needs to urgently address some major environmental challenges, such as the depletion of ground water resources, inadequate solid waste disposal management, soil pollution due to the discharge of untreated wastewater and unregulated e-waste²⁸. A primary reason for this environmental hazard is industrial pollution in resource-intensive sectors such as stone and marble, food processing or leather and shoes, especially in the area of air pollution, untreated wastewater, and solid waste generation. There are no air quality standards and most industrial facilities lack pre-treatment systems for their wastewater, leading to untreated wastewater being often discharged into municipal sewers, with devastating effects on the existing wastewater treatment plants. A similar problem prevails in the area of solid waste which is mostly mixed with municipal waste and discharged without sufficient treatment or recycling options.

²⁴ “Concept for an Integrated Approach on Climate Change and Security”, EEAS(2021)770

²⁵ <https://data.consilium.europa.eu/doc/document/ST-12537-2021-INIT/en/pdf>

²⁶ Public institutions, representatives from the private and financial sectors, academia, civil society organisations, and development partners

²⁷ Eman Kamel Abu Rub, 2014: Towards Green Economy in Palestine: Pathways to Sustainable Development and Poverty Eradication through Investing in Natural Capital, Agriculture and Water. Retrieved April 17, 2021, from: [Towards Green Economy in Palestine: \(alquds.edu\)](http://alquds.edu).

²⁸ UNEP (2020) The state of the environment and outlook in Palestine.

Access to inclusive finance and green investments is limited. Demand- and supply-side constraints and inadequate regulatory frameworks negatively affect the potential development of rural finance²⁹. High interest rates, onerous collateral requirements, and complex lending criteria are ill-suited to the needs and profile of smallholders and contribute to the rural MSMEs' financing gap. . Additional constraints include insufficient awareness among MSMEs in terms of financing in general, and even more regarding green financing, and shortcomings in the bankability of their business models from the perspective of finance providers (local commercial banks, microfinance institutions, leasing companies, equity investors, etc.). Financial inclusion of small-scale farmers and rural MSMEs is still limited with women, youth, and landless poor households being particularly excluded.

Local financial providers lack awareness and capacities for developing new and needs-oriented green financial services and carrying out sound risk management, despite European Development Financial Institutions (EDFIs) have increasingly provided green financing and/or linked their general portfolio to compliance with environmental standards. This calls for a more pronounced role of the regulating bodies for the Palestinian financial sector, setting standards and providing incentives to financial intermediaries. Outreach in rural areas is primarily constrained by the mismatch between the supply of financial products/services and the demand. It results from a combined interplay of multiple factors, such as conservative policies with respect to loan guarantees; lack of innovation and customisation of financial products; low adoption of digital solutions; lack of agricultural insurance products; limited awareness and financial literacy; limited business skills; limited enforcement of consumer protection; lack of effective coordination between the financial sector and the agricultural sector institutions; and limited donor focus on the financial sector players and on rural/agricultural financial inclusion).

Most available projects for women economic empowerment focus on the traditional skills for women including food processing and agriculture³⁰. Women fall to lower levels in the value chain because of the type of production, the quantities they are able to produce and the quality of this production which is usually higher than the market price. Inability to move beyond limited local markets is a huge challenge for all women economic empowerment programmes. While the current Palestinian situation does not allow for large-scale, exportable products, more of the survival types of productions that can sustain women and their families are needed.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action.

Policy level

Ministry of National Economy (MoNE): in charge of private sector development and the improvement of the business environment. The main objective of the MoNE is to achieve economic independence, pursuing 4 national policies: 1) Building Palestine's future economy; 2) Creating job opportunities; 3) Improving Palestine's business environment; 4) Promoting Palestinian industry. The Ministry will be engaged in public-private dialogue, making sure that private sector's demand for policy and regulatory reforms in the domain of green economy is consistent with available evidence, including the one generated through donors' programs.

Ministry of Agriculture (MoA): the MoA leads the Sustainable Development Goal # 2 (Zero Hunger) group and has a direct responsibility on the sectoral policy, its planning and investment framework, and chairs the Board of Directors of key institutional stakeholders for insurance (*Palestinian Disaster Risk Reduction and Insurance Fund - PADRRIF*) and credit (*Palestinian Agricultural Credit Institution -PACI*). The MoA is also expected to play a significant role in implementation under Outcome 3, providing its expertise in agriculture development, outreach capacity in rural areas and its network in the field.

²⁹ Switchmed (2020): Progressing resource-efficient and competitive industries in Palestine, Retrieved April 17, 2021, from: [MED-TEST-III-Palestine_digital_2pager.pdf \(switchmed.eu\)](#)

³⁰ Gender Country Profile for Palestine – Update and extension in the framework of the EU Joint Programming (2018)

Environment Quality Authority (EOA): The EOA is the central authoritative body for all environmental issues in the Palestinian territories, implementing a cross-sectoral strategy and leading the government efforts regarding climate and biodiversity. It is the umbrella under which all environmental regulations, projects and strategies are created and implemented. EOA's primary concern is the conservation and sound use of the natural environment.

Palestine Monetary Authority (PMA): independent public institution responsible for the formulation and implementation of monetary and banking policies to maintain price stability and low inflation, foster financial stability and safeguard the banking sector and promote sustainable growth of the national economy. PMA supervises the 13 Palestinian and foreign banks and 8 Micro Finance Institutions (MFIs) operating in the West Bank and Gaza Strip.

Palestine Capital Market Authority (PCMA): established in 2004, its jurisdiction encompasses securities, insurance, financial mortgage, and financial leasing sectors, along with any other non-banking financial institutions. It supervises the Securities Exchange, ensuring the integrity of transaction and regulates, controls and supervises the activities of non-banking financial institutions including securities trading and non-banking financial services.

Main implementing partners

Ministry of Finance (MoF): The Ministry of Finance will be responsible to ensure smooth execution of the credit line portfolio through the Palestinian Fund for Employment and Social Protection (PFESP) leveraging the already established systems and procedures between the two institutions.

Palestinian Fund for Employment and Social Protection (PFESP): established in 2003 by the Ministry of Labour with the mandate to create employment opportunities. It is funded with donations and loans from international organisations, government funding, and its own earnings, with the latter covering about 35% of its budget. PFESP covers the whole country with its 32 staff and has around US\$ 70 million in available funds (as of end 2019) for loans for all economic sectors. PFESP will be strengthened with additional staff to coordinate their activities associated with the wholesale lending facility. In particular, PFESP will assess the submitted application proposals and recommend their funding to the steering committee and hence ensures that selected proposals, under lending wholesale facility, effectively target project beneficiaries.

Palestinian Agricultural Credit Institution (PACI): a new entity launched by the PA under the Ministry of Agriculture, PACI has started its activities in late 2019 with the mandate of promoting and regulating agriculture finance. PACI does not currently have a clear strategy on how to position itself in the agricultural financial market and needs significant capacity development to perform its functions, evolving into an apex organisation mobilising national and international resources for agricultural development.

Palestinian Disaster Risk Reduction and Insurance Fund (PADRRIF): established in 2014 for proactive management of agricultural risks through early warning, insurance and disaster aid for both natural and political risks. PADRRIF maintains a disaster compensation account, including for man-made damages done by the Israeli army and settlers.

Local financial institutions: the group includes local commercial banks, as well as microfinance institutions and potentially non-bank financial institutions such as leasing companies. Key capacities to be developed include: capacities to develop pipeline and portfolio of eligible projects; institutional capacity to originate green investment opportunities; awareness of the cost-effectiveness and multiple benefits of investing in green technologies

Final beneficiaries

Intermediary Organisations: such as chambers of commerce, sector business organisations, women organisations, business advisory service providers, technology centres, universities. Depending on their

mandate, capacities and the specific goals of the programme, such entities may play the role of final or direct beneficiaries, or strategic partners in policy dialogue and reform processes.

*Micro Small and Medium Enterprises (MSMEs)*³¹: representing 96% of the Palestinian private sector (with only 25% of these businesses being owned by women), the majority of them operating in informal economy and suffering from limited competitiveness, access to international markets, capital, and technical skills. MSMEs will be final beneficiaries and will be supported to access finance, developing a demand for investments in green technologies/processes. They will contribute to demand-driven policy reform processes, aiming at strengthening and/or developing a coherent enabling framework for a green transition.

Smallholders and small-scale agribusinesses: There are 110 000 farm holders in the West Bank and 30 000 in the Gaza Strip. 85% of them are viewed as smallholders. The majority do not rely on farming as sole source of income and most have other income sources from remittances, the private and/or public sectors. Only 10% seek funding through microfinance institutions, while rural women suffer disproportionately from financial exclusion, with 88% of them relying on self-generated savings to fund agricultural processes.

2.3. Lessons Learned

Numerous years of experience with private sector development in Palestine, show that due to the complex framework conditions in Palestine, a **focus on the private sector as the main actor to trigger change and increase competitiveness is a promising strategy**. Especially in Gaza, where a collaboration with public actors is not possible due to the political situation, it has proven important to work with dedicated private sector stakeholders and intermediaries as agents of change.

It was found that Chambers and sector associations are important allies in this process, as they play a vital role to **inform the broader business community about success stories and good practices** in the sector and can act as an intermediary with other relevant stakeholders to support the creation of favourable enabling conditions for sustainable greener business practices. It is however important to thoroughly take capacities of intermediary institutions into account, and to focus on those that have sufficient capacities and knowledge to fulfil the above-mentioned role. Last, while companies do believe that there is a need to focus on greening their business practices, they have limited awareness and capacities to do so.

The past and ongoing joint programmes supported by the European Development Partners engaged in agriculture, confirm the **importance of having strong and functioning public institutions, clear governance mechanism, and evidence based investment plans, as conditions for a robust private sector engagement into sector wide investments**. Expanding the reach and size of private investments in the agri-food system is key to modernise the agricultural sector, using it as an engine of economic development focused on nature-based solutions and opportunities. To make this happen the public sector need to foster an enabling environment to unlock private investments and facilitates de-risking.

The impacts of climate change will fall disproportionately on smallholder farmers and marginalised rural poor people. Consequently, **well-designed climate resilient finance can help these borrowers to increase the resilience of their production and enterprises**, adapting to and mitigating climate risks, and better withstanding shocks through products and services specifically tailored to their needs. A comprehensive approach of provision of financial services at various complementary tiers of the financial system, provides borrowers with access to finance together with non-financial services and is far more effective and sustainable.

The increasing amounts of blended finance made available in Palestine through the EDFIs confirm the **relevance of the scope of the EU-Palestine Investment Platform**, with its stated mandate of fostering policy dialogue between the European Union and its Member States, the Palestinian Authority, European Financial Institutions, and other local and international stakeholders. The ultimate goal being identification,

³¹ The new definition of Palestinian Enterprises adopted in 2021, classifies productive entities according to number of employees and turnover as follows: Micro (1-4; < 100,000 USD), Very Small (5-9; < 200,000 USD); Small (10-19; < 500,000 USD); Medium (20-49; < 2,000,000 USD); Large (50+; >2,000,000 USD).

prioritisation, coordination, and promotion of investment opportunities offered by the EU External Investment Plan, discussion of policy and reform priorities, including business environment and financial sector regulation.

Experience in renewable energy through blending operations confirms the importance of continuous monitoring and **correct understanding of the different incentives informing investment decisions**, in order to better calibrate subsidisation of lending rates and grant intensity. The knowledge generated within the framework of the EU-Palestine Investment Platform needs to be reinforced through a better appreciation of private sector's performance and investment decision making. Such strategic input can in turn contribute to improve the quality of financial products and services, and inform demand-driven processes to aiming at **improving frameworks for a Green Economy**.

Recent environment assessments, responding to an increasing interest among key stakeholders and the political prioritisation given to climate and biodiversity crisis, stressed both the **urgency for action and the opportunity for a wide transformation in social-economic structures and processes**. It became clear though, that in order to adequately react to the urgency and fully seize the opportunities, it would be necessary to inform and support the decision mechanisms, promoting an evidence-based dialogue and a transparent planning framework. To consistently provide institutional and technical support and enhance local capacities, including regarding the regional context, additional resources and expertise must be available in Palestine. Several examples in the Region suggest that a well-placed and competent advisory service can effectively play a catalytic role in the system, promoting complementarities and synergies, improving confidence and facilitating networking.

Special attention needs to be paid to the spectrum of women in business and the different needs of the formal and informal sectors³². Value chain analysis with a gender lenses, should help recognise gender-related issues and problems. Interventions should facilitate the identification of women-led production clusters, their potential connection to larger companies so they can become indirect exporters, and tackle women's access to financial services and information.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to contribute towards inclusive and sustainable development by linking economic growth to environmental protection and mitigation/adaptation to Climate Change ³³

The Specific(s) Objective(s) (Outcomes) of this action are:

1. Outcome 1: To improve the Palestinian private sector competitiveness through green investments.
2. Outcome 2: To enhance competitiveness and resilience of the Palestinian agri-food system.
3. Outcome 3: To improve the economic conditions of smallholder farmers and rural enterprises.
4. Outcome 4: To adopt best practices in the design and implementation of Palestinian environment and climate priorities.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Contributing to Outcome 1:

³² Gender Country Profile for Palestine – Update and extension in the framework of the EU Joint Programming (2018)

³³ EU Results and Indicators for Development <https://europa.eu/capacity4dev/results-and-indicators>

- 1.1 SMEs and intermediary organisations are supported to enhance and implement Green Economy practices
- 1.2 SMEs and financial institutions are supported to improve access to green finance
- 1.3 Public-Private dialogue is supported to improve framework conditions for a Green Economy
- 1.4 “Green Hub” platform is established for coordination and knowledge generation purposes

Contributing to Outcome 2:

- 2.1 Agri-food system policy and investment environment enabled
- 2.2 Private sector engagement in the agri-food system is strengthened

Contributing to Outcome 3:

- 3.1 Enhanced efficiency in the use of financial services and improved financial management by smallholder farmers and rural enterprises
- 3.2 Improved uptake of affordable inclusive and green rural finance products by smallholder farmers and rural enterprises
- 3.3 Expanded range and quality of affordable financial services offered by apex institutions

Contributing to Outcome 4:

- 4.1 Science-based data, analysis and guidance is provided to inform environmental and green economy policy decisions and programme design
- 4.2 Cooperation among regional states and entities on transboundary environmental and climate-related issues is supported.

3.2. Indicative Activities

Outcome 1:

Activities related to Output 1.1:

- Awareness campaigns for SMEs on the benefits of Green Economy (GE);
- Development of business cases for GE and Green Finance (GF);
- Technical assistance and advisory services to SMEs/business organisations on GE;
- Capacity development of business support organisations to create a quality supply of green business support services.

Activities related to Output 1.2:

- Awareness raising and financial literacy training to SMEs on opportunities for green investments;
- Capacity development of financial institutions (new green financing products, internal risk management, compliance with new standards and regulations);
- Facilitation of matchmaking between financial products/services provided by local financial institutions benefiting from instruments deployed through the EU-Palestine EIP Platform and pipeline of bankable SMEs’ investment projects;
- Facilitation of linkages between public and private financial sector stakeholders.

Activities related to Output 1.3:

- Technical support in the implementation of existing green strategies and regulations
- Demand oriented capacity development for Green Economy policy stakeholders (ie business organisations, public sector);
- Support of policy dialogue processes with public and private stakeholders, in selected (green) sectors to improve the business environment;
- Development of a Green taxonomy with PMA; support PCBS to collect and monitor relevant data;

- Facilitation of regional knowledge exchange and peer-learning among regulating authorities.

Activities related to Output 1.4:

- Coordination of European Development Partners operating within the TEI³⁴;
- Coordination with development partners and Palestinian institutions;
- Sector, thematic and policy knowledge generation;
- Sector specific gender analysis.

Outcome 2:

Activities related to Output 2.1:

- Institutional and organisational support to Food and Nutrition sector actors (Ministry of Agriculture being in lead): formulation and implementation of adequate policy and investment plans, M&E, reporting and communication, facilitation of structured dialogue among stakeholders, including within the EU-Palestine EIP Platform;
- Knowledge generation and capacity building to inform agri-food systems transformation, evidence-based policy formulation, investment promotion and de-risking approaches (data collection, volume and food prices monitoring, studies, social impact assessment, trainings, etc.);
- Sector specific gender analysis.

Activities related to Output 2.2

- Green investment support to selected producers, associations, agri-food businesses, in selected value chains;
- support to public-run wholesale central markets (regulatory framework; institutional and organisational support; improvement of infrastructure and service provision facilities);
- Promotion of the inclusion of climate-smart agri-food innovations in the strategies and programmes of local business innovation, acceleration and incubation hubs.

Outcome 3:

Activities related to Output 3.1:

- Financial literacy and business development capacity support for planning and developing profitable and climate resilient productions and enterprises;
- Financial awareness raising campaigns including green financing for smallholder farmers and rural enterprises;
- Sector specific gender analysis.

Activities related to Output 3.2:

- Establishment of a challenge fund to support and incentivise the creation of innovative and/or expanding of existing inclusive and green financial products by the Financial Service Providers (FSPs);
- Establishment of a wholesale innovative lending facility to expand the access to inclusive and green financial services and leveraging additional financing.

Activities related to Output 3.3:

- Institutional capacity building and outreach support to quasi-public and public sector key financial institutions to support expansion of affordable, usable financial products and services;
- Policy engagement, advocacy, and knowledge generation to bring together the influential actors from governmental, non-governmental, and private sector to address inclusive and green finance

³⁴ Green Economy component of the Team Europe Initiative “Sustainable Growth, Jobs and Resilience”

agenda and to effectively advocate financial sector reforms in favour of the most vulnerable groups (mainly rural areas).

Outcome 4:

Activities related to Output 4.1

- Science-based analysis and communication to relevant stakeholders (e.g. Palestinian public and private entities, development partners, financial institutions, civil society organisations) on key environmental trends and opportunities;
- Support the design of environmental policy solutions and plans in the West Bank and Gaza Strip (e.g. climate mitigation and adaptation, integrated water management, green/circular economy).

Activities related to Output 4.2

- Technical advice to the regional environmental governance, focused on supporting the existing initiatives and opportunities for cross-border investments, exploring synergies and building confidence for a more effective cooperation;
- Support the design and investment promotion for new regional climate change resilience initiatives (e.g. nature-based, low-infrastructure adaptive solutions, sustainable resource use, promoting a faster and wider transition to a green, circular and low-carbon economy).

3.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

Outcomes of the Strategic Environmental Assessment (SEA) screening

The SEA screening concluded that no further action was required.

Outcomes of the Environmental Impact Assessment (EIA) screening

The EIA screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

Outcome of the Climate Risk Assessment (CRA) screening.

The CRA screening concluded that this action is no or low risk (no need for further assessment).

Protecting the environment and curbing climate change are constitutive elements of the proposed action. Promoting a Green Economy for Palestine implies mitigating the negative impact of industrial pollution, especially from resource intensive sectors and the adoption of climate-smart technologies in agriculture. The planned interventions explicitly work towards the replacement of the environmentally harmful production methods that severely contribute to air, soil, water pollution and/or overexploitation. Promoting more resource efficient and sustainable production practices will contribute to an overall improvement of the environmental conditions in Palestine. Similarly, the availability of science-based data, analysis and guidance will inform public-private, national and international dialogue, to develop policies, legal and regulatory frameworks and programmes better aligned with the objective of promoting mitigation and adaptation measures to climate change. Therefore, all climate risks will be included in each projects' design with adaptation and/or mitigation measures to ensure that the projects' investments are climate sensitive and sustainable.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality is a significant objective as it is considered relevant to promote a green transition in Palestine. Strengthening economic and social rights and empowering girls and women, remain at the heart of EU development policy³⁵: women and men in all their diversity should have equal opportunities, equal access to employment, decent work, equal pay for equal work in order to be economically independent.

By its very definition, the concept of Green Economy incorporates the social dimension of sustainability, following the conviction that only by ensuring a balanced participation of all genders will the transition be viable. Yet without specific measures Green Economy practices tend to exacerbate existing gender inequities.³⁶ Against this background the proposed action will implement across the different outcomes, activities with a specific focus on gender, through targeted support interventions, ensuring that the central contribution of women to economic processes will be reflected in the choice of partners and beneficiaries. Indicators adopted will be sex-disaggregated.

Programs contributing to Outcome 1, 2 and 3 will conduct a sector-specific gender analysis during inception phase, within the broad areas of SMEs entrepreneurship, agribusiness and rural finance, with the aim of updating and expanding the work of the Gender Country Profile for Palestine conducted in 2018. The analysis will address in their respective area, gender roles and practices, impact of discriminatory social norms, regulatory framework, and capacity gap analysis.

Human Rights

In line with the principle “Leave No One Behind”, the action focuses on broad-based economic development, increased livelihoods and resilience of the Palestinian population including the most vulnerable regions, such as the Gaza strip and Area C in order to counteract the prevailing lack of jobs and prospects there and to reduce regional inequalities. The action is based on international standards for the protection of human rights and strengthens economic capacity and rights of the Palestinian population. It also supports duty bearers to increase their capacities to protect human rights, by supporting them in formalising specific sectors in a green and inclusive way, promoting decent jobs and a just transition. The Action contributes to strengthening the rights to work (Article 23) and to political participation (Article 21 of the Universal Declaration of Human Rights), particularly in the area of public-private dialogues. The project supports equal rights for women in the labour market and ensures the implementation of the International Labour Organisation (ILO) core labour standards and the UN Convention on Human Rights of people with disabilities.

Conflict sensitivity, peace and resilience

The action proposed is expected to contribute to different dimensions of resilience, namely: *people and societal* (eg strengthened capacities of communities, civil society, women and youth to engage and advocate in economic development processes); *political* (eg. strengthened institutional capacities to provide more equitable, inclusive, accountable and sustainable services); *economic* (eg. strengthened private sector capacity to ensure access to financing, to diversify markets and to meet trade standards inclusive of social, environmental, labour rights and human rights, aspects); *environmental* (eg. Strengthened capacities to prevent and address environmental degradation, pollution and the effects of climate change). Finally it should not be underestimated the potential contribution to the *security* dimension of resilience, by way of working on conflict prevention through initiatives pursuing climate change & security approaches in the form of cross-border/peace/triangulations. Similarly the *partnership and integrated approaches* dimension of resilience, is expected to benefit from the action. Firstly, by bringing European Development Partners working on resilience, livelihoods and agriculture under the European Joint Strategy, closer and better placed to understand and test the effectiveness of interventions in support to the Humanitarian-Development-Peace Nexus. Secondly, by offering to all European Development Partners working in agriculture and private sector

³⁵ JOIN(2020) 17 final of 25.11.2020

³⁶ ITUC (International Trade Union Confederation). 2009. [Green Jobs and Women Workers: Employment, Equity, Equality](#). Report prepared by Candice Stevens for the International Labour Foundation for Sustainable Development (SustainLabour), ITUC.

development, a single reference framework defined by the Team Europe Initiative, with the opportunity to benefit from a broad thematic policy dialogue and coordination mechanism on green transition.

Disaster Risk Reduction

DRR will be mainstreamed in all interventions as relevant to the specific context, with a particular attention to implications resulting from climate adaptation both at policy and project design level and the nature of the investment pipeline generated by the different outcomes of the action.

Youth

Specific focus on the potential, opportunities and needs of youth constituencies will be ensured throughout outcomes 1, 2 and 3, with targeted support interventions, ensuring that the central contribution of young Palestinians to economic processes will be reflected in the choice of partners and beneficiaries. Indicators adopted will make sure to reflect specific attention to this group.

3.4. Risks and Assumptions

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1-external environment	Inability of beneficiaries to perform investments, or repay loans	M	M	Strong analysis of proposed investment to assess economic and financial viability. Close follow up of beneficiaries. Dialogue with credit institutions.
1-external environment	Further cuts in the PA budget and thus limited functionality of public administration and services.	M	M	Capacity development of public, civil society and private advisory structures - Implementation partly by civil society implementing partners - Conflict-sensitive monitoring - Development of alternative implementation scenarios, taking into account existing regulations in the planning process.
1-external environment	Further restriction of import and export regulations for inputs and products	M	M	Political dialogue and triangulation within existing frameworks.
1-external environment	Market distortions induced by non-aligned de-risking approaches (eg blending instruments with different grant intensities, and/or substantially different interest rates)	M	M	Dialogue and coordination with blending interventions within the EU Palestine EIP Platform.
4-legality and regularity aspects	General corruption, nepotism and political influence on implementation structures and individuals	M	H	Improving planning and implementation processes to promote transparency, financial management and monitoring, oversight. Stringent, transparent and criteria-based process for beneficiary selection.
3-people and the organisation	Conflict in governance/lack of	M	M	Project Management Unit (PMU) will be established in the MoF with the overall

	coordination due to involvement of multiple stakeholders in the implementation of Rural Finance Inclusion Programme			responsibility to manage and execute the project and a specialised Project Implementation Unit (PIU) will be established under MoA. The roles of PMU and PIU will be complementary. Set up of a Steering Committee provide strategic advice and oversight.
2-planning, processes and systems	Overlooking women economic engagement in the informal sector and micro-businesses targeting local consumptions	M	H	Proper gender analysis at programme level, facilitating women’s entrepreneurship, access to the formal labour market, stability and decency of their job and the possibility to be employed in high-value added sectors.

External Assumptions

- a) substantial business opportunities exist for improving competitiveness, through market-based green investments;
- b) inclusive and green investments positively contribute to decouple economic growth from environmental degradation, while generating sustainable jobs;
- c) the private sector has the potential to seize the business opportunities with the speed and scale matching the development targets (in particular the ambition set in the Palestinian NDC);
- d) Instruments deployed through the EU External Investment Plan contributes to the scale and speed of the process required to achieve impact results
- e) Political and Macro-Economic fragility/instability do not interfere with the implementation nor lead to inappropriate targeting.
- f) Beneficiaries have access to basic socio-economic and productive infrastructures (electricity, roads, markets, water, land, etc.) even in marginalised areas.

3.5. Intervention Logic

The underlying intervention logic for the overall action articulates along three broad areas of public support, namely:

1. promoting innovative green technologies;
2. enhancing access to inclusive and green finance by private investors; and
3. developing a sound enabling framework for environmental and economic policies-

The key methodological premise is that the **public sector plays a pivotal role in catalysing the needed high-quality investments**, by establishing the right policy and regulatory conditions, building on evidence based policies, so that clearer signals are given to the market (e.g. incentives, subsidies, credit facilities, taxes, regulations, standards...), which can then commit with greater confidence and certainty into low-carbon and climate resilient investments.

In order to **facilitate effective policy-driven investments**, the Green Economy Hub (Outcome 1) will facilitate three main processes in the wide domain of Green Economy, namely: coordination, knowledge generation and sector policy dialogue. Specifically, it will:

- coordinate EU Member States engaged in the “green economy” component of Team Europe Initiative;
- facilitate access to funding opportunities offered by the EU-Palestine EIP Platform;
- generate knowledge to promote evidence-based environmental policies;
- engage public and private stakeholders on evidence-based policy dialogue to promote reforms;

The interplay of the different outcomes of the programme is expected to contribute to human wellbeing, decoupling economic growth from environmental degradation and advancing towards inclusive and sustainable development (impact). In particular:

Outcome 1 will support the adoption of Green Economy practices by SMEs within specific sectors and value chains through the promotion of product or process innovations to increase Green competitiveness. It will also create the conditions for better matching between demand and supply for green financial products/services through enhanced dialogue with the EU-Palestine EIP Platform, and promote demand-driven processes to improve frameworks for a Green Economy.

Outcome 2 will support the development of the necessary institutional governance required to implement the Agricultural National Investment Plan, opening the space for the Ministry of Agriculture to intervene in the EU-Palestine EIP Platform on issues related to financial services to SMEs in agri-food business and rural areas. At micro and meso level selected **agri-food businesses will be supported to adopt green production and climate-smart technologies**, and wholes sale operators' institutional and organisational capacities will be scaled up to increase market access of Palestinian products.

Outcome 3 will enhance access and use of inclusive and green financial services by small farmers and rural enterprises towards improving their economic conditions. Working simultaneously on both supply and demand side, creating the regulatory, institutional and organisational pre-conditions in the financial sector, developing tailored products and services, creating awareness and readiness of potential customers. In addition, the provision of a credit line will contribute to increase the supply of on-lending capital and allow to leverage additional financial funds by private sector bridging the way forward to mobilise EU financial instruments.

Outcome 4 will contribute to designing environmental policy solutions and plans, facilitating consensus amongst relevant stakeholders thus enhancing joint environmental governance and transboundary environmental cooperation, ultimately meeting the mitigation and adaptation challenges imposed by climate change in Palestine.

3.6. Indicative Logical Framework Matrix

Results	Results chain: Main expected results	Indicators	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To contribute towards inclusive and sustainable development by linking economic growth to environmental protection and mitigation/adaptation to Climate Change	1.1 GDP/capita 1.2 CO2 emission / material footprint per unit of value added avoided or reduced 1.3 Percentage reduction in the number of target rural households living below the poverty line 1.4 Percentage in the overall NFI (National Financial Inclusion) in Palestine	1.1 USD 3,233 (2020) 1.2 tbd at inception phase 1.3 (0,2022) 1.4 (0, 2022)	1.1 4,095 (2028) 1.2 tbd at inception phase 1.3 (-10%,2028) 3.2 (+4,2028)	Palestine Monetary Authority (PMA) Statistics and Reports Palestinian Central Bureau of Statistics (PCBS) Publications Environmental Quality Agency (EQA) reports	<i>Not applicable</i>

Outcome 1	To improve the Palestinian private sector competitiveness through green investments (resource & energy efficiency, cleaner production)	1.1 # of businesses confirming improvement of their competitiveness in at least 1 category*. (*categories: turnover, exports, customer base, international recognised quality standard certification)	1.1 0	1.1 150	Internal reports	Increased market demand for environmental goods and services. Private sector plays a central role in seizing opportunities with the speed and scale required to meet NDCs targets. Improved regulatory environment for Green Economy. Instruments deployed through the EU External Investment Plan contributes to the scale and speed of the process required to achieve impact results.
		1.2 # of Micro, Small and Medium Enterprises (MSMEs) that obtain firm-specific sustainability standards certification, disaggregated by sex and age group of the owner, enterprise size** (** EU core indicator)	1.2 0	1.2 tbd at inception phase		
		1.3 # of businesses (10 % female-led, 10 % disadvantaged areas (Area C/Gaza)) have made green* investments	1.3 0	1.3 100	Internal reports	
		1.4 Amount of green investments in targeted sectors* (*EU core indicator)	1.4 0 USD	1.4 20 mil USD		

		1.5 # of businesses (a% female-led, b% disadvantaged areas (Area C/Gaza)) have reduced their resource intensity on average by 10 %.	1.5 0	1.5 200	Internal reports	Political and Macro-Economic instability do not interfere with the implementation nor lead to inappropriate targeting.
Outcome 2	To enhance competitiveness and resilience of the Palestinian agri-food system	2.1 Percentage of investors (men, women, youth) reporting improved incomes 2.2 Change in labour productivity in targeted agribusinesses. 2.3 Percentage of targeted businesses adopting environmentally sustainable and climate-smart agricultural innovations and practices	tbd at inception phase	tbd at inception phase	Baseline and endline surveys	Beneficiaries have access to basic socio-economic and productive infrastructures (electricity, roads, markets, water, land, etc.) even in marginalised areas
Outcome 3	To improve the economic conditions of smallholder farmers and rural enterprises.	3.1 Percentage of the targeted household being more resilient to political, economic, social and climate shocks. 3.2 Percentage of targeted households net income increase from farm and no-farm activities/services 3.3 Percentage of youth and female entrepreneurs who engaged in new business/production activities (or expansion)	3.1 (0, 2022) 3.2 (0, 2022) 3.3 (0, 2022)	3.1 (+15%, 2028) 3.2 (+60%, 2028) 3.3 (+15% youth, +20% women, 2028)	Midterm and final reports	

Outcome 4	To adopt best practices in the design and implementation of Palestinian environment and climate priorities	4.1 Number of best practices adopted 4.2 NDC specific contributions (tbd at inception phase)	tbd at inception phase	tbd at inception phase	tbd at inception phase	
Output 1.1	1.1 SMEs and intermediary organisations are supported to enhance and implement Green Economy practices	1.1.1 # MSMEs applying sustainable consumption and production practices with EU support 1.1.2 # of intermediaries supported to develop new or improved existing needs-oriented services for green (-ing) businesses 1.1.3 # of additional business development services providers are offering with the support of the EU-funded intervention* (* EU core indicator)	1.1.1 0 1.1.2 0 1.1.3 0	1.1.1 100 1.1.2 6 1.1.3 tbd at inception phase	Internal reports	
Output 1.2	1.2 SMEs and Financial Institutions are supported to improve access to green finance	1.2.1 # of businesses obtaining financial services promoting their green investments 1.2.2 # of financial institutions piloting one new green financial service.	1.2.1 0 1.2.2 0	1.2.1 100 1.2.2 6	Internal reports	
Output 1.3	1.3 Public-Private dialogue is supported to improve framework conditions for a Green Economy	1.3.1 # of policy-oriented measures promoting the green economy (in the fields of private sector development and financial systems development) have been developed	1.3.1 0	1.3.1 6	Internal reports	

<p>Output 1.4</p>	<p>1.4 Green Hub platform is established for coordination and knowledge generation purposes</p>	<p>1.4.1 coordination of European Development Partners operating within the “Green Economy” component of TEI.</p> <p>1.4.3 coordination with development partners and Palestinian institutions</p> <p>1.4.3 # of knowledge-based products (reports, surveys, analysis, implementation plans, SOPs, research papers etc.) produced, disseminated and/or adopted* (as applicable) (*EU core indicator)</p>	<p>1.4.1 no internal coordination</p> <p>1.4.2 no external coordination</p> <p>1.4.3 0</p>	<p>1.4.1 Green Economy component of TEI fully developed and coordinated</p> <p>1.4.2 Green Economy component of TEI speaks with one voice within LACS coordination groups</p> <p>1.4.4 6</p>	<p>Internal reports LACS reports</p>	
<p>Output 2.1</p>	<p>2.1 Agri-food system policy and investment environment enabled</p>	<p>2.1.1 FNS governance indicator (tbd at inception phase)</p> <p>2.1.2 volume of finance mobilised to agribusinesses within the EU-Palestine platform</p>	<p>2.1.1 tbd at inception phase</p> <p>2.1.2 tbd at inception phase</p>	<p>2.1.1 tbd at inception phase</p> <p>2.1.2 tbd at inception phase</p>		
<p>Output 2.2</p>	<p>2.2 Private sector engagement in the agri-food system is strengthened</p>	<p>2.2.1 increase in labour and capital productivity for investment support beneficiaries (tbd at inception phase)</p> <p>2.2.2 number of agribusiness adopting green technologies and digital solutions (tbd at inception phase)</p>	<p>2.2.1 tbd at inception phase</p> <p>2.2.2 tbd at inception phase</p>	<p>2.2.1 tbd at inception phase</p> <p>2.2.2 tbd at inception phase</p>		

<p>Output 3.1</p>	<p>3.1 Enhanced efficiency in the use of financial services and improved financial management by smallholder farmers and rural enterprises</p>	<p>3.1.1 Number of persons in rural areas trained in financial literacy and/or use of financial products and services 3.1.2 Number of Farmer Business Schools established 3.1.3 Number of FSPs participating in Financial literacy programme</p>	<p>3.1.1 (0,2022) 3.1.2 (0, 2022) 3.1.3 (0, 2022)</p>	<p>3.1.1 (6,325, 2028), 60% men, 40% women 3.1.2 (80,2028) 3.1.3 (5,2028)</p>	<p>Baseline, mid-term and Completion Reports</p>	<p>No major political shocks in the region COVID-19 outbreak under control</p>
<p>Output 3.2</p>	<p>3.2 Improved uptake of affordable inclusive and green rural finance products and services by smallholder farmers and rural enterprises</p>	<p>3.2.1 Percentage in deposit account ownership (in commercial banks, MFIs, CBFOs, other) 3.2.2 Percentage in loan account ownership (in commercial banks, MFIs, CBFOs, other) 3.2.3 Percentage of targeted beneficiaries having other products (direct or indirect) 3.2.4 Number of demand-driven inclusive and green financial products and services developed and commercialised for unserved rural areas 3.2.5 Number of affordable loans provided to the end beneficiaries</p>	<p>3.2.1 (0,2022) 3.2.2 (0,2022) 3.2.3 (0,2022) 3.2.4 (0, 2022) 3.2.5 (0,2022)</p>	<p>3.2.1 (+15%,2028) 3.2.2 (+20%, 2028) 3.2.3 (+10%,2028) 3.2.4 (10,2028) 3.2.5 (8,200, 2028), 55% men, 45% women</p>	<p>Baseline, mid-term and Completion surveys FSPs reports, PMA Statistics</p>	<p>High demand for financial products/services in targeted rural areas Trust in formal financial sector Religious/cultural barriers mitigated</p>

<p>Output 3.3</p>	<p>3.3 Expanded range and quality of affordable financial services by apex institutions</p>	<p>3.3.1 Percentage of supported organisation members reporting new or improved services provided by their organisation 3.3.2 Number of formal financial institutions staff trained in sustainable management of financial inclusion initiatives 3.3.3 Number of corporate documents prepared to improve the capacity of partner institutions (i.e. road maps, pilot strategy, digital strategy, consumer protection)</p>	<p>3.3.1 (0,2022) 3.3.2 (0,2022) 3.3.3 (0,2022)</p>	<p>3.3.1 (+80%, 2028) 3.3.2 (200,2028) 3.3.3 (14,2028)</p>	<p>Baseline, mid-term and Completion Reports</p>	<p>Palestinian Authority institutions willing to change the legal infrastructure for financial inclusion and digitalisation with effective cooperation</p>
<p>Output 4.1</p>	<p>4.1 Science-based data, analysis and guidance is provided to inform environmental and green economy policy decisions and programme design</p>	<p>4.1.1 Number of decision/ design process directly supported/ informed (tbd at inception phase) 4.1.2 (tbd at inception phase)</p>	<p>4.1.1 (tbd at inception phase) 4.1.2 (tbd at inception phase)</p>	<p>4.1.1 (tbd at inception phase) 4.1.2 (tbd at inception phase)</p>		
<p>Output 4.2</p>	<p>4.2 Cooperation among regional states and entities on transboundary environmental and climate-related issues is supported</p>	<p>4.2.1 number of transboundary issues formally debated/ agreements reached (tbd at inception phase) 4.2.2 waste-water specific financial and/or technical indicator (tbd at inception phase)</p>	<p>4.2.1 (tbd at inception phase) 4.2.2 (tbd at inception phase)</p>	<p>4.2.1 (tbd at inception phase) 4.2.2 (tbd at inception phase)</p>		

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with Palestine.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 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 financing Decision and the relevant contracts and agreements.

4.3. 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 measures³⁷.

4.3.1. Indirect Management with a pillar-assessed entity³⁸

4.3.1.1. Indirect management with a pillar-assessed entity

A part of this action may be implemented in indirect management with a pillar assessed entity, which will be selected by the Commission's services using the following criteria:

- technical expertise in the field or private sector development and green transition;
- established presence in Palestine;
- partner of Joint Programming under Pillar V,
- capacity to lead participating EU Member States.

The implementation by this entity entails contributing towards the achievement of Outcome 1 of the action.

4.3.1.2. Indirect management with a pillar-assessed entity

A part of this action may be implemented in indirect management with a pillar-assessed entity, which will be selected by the Commission's services using the following criteria:

- technical and institutional capacity to implement a complex multi-donor programme;
- mandate to support the capacities of the Ministry of Agriculture and other relevant Palestinian institutions;
- previous experience in food systems transformation and support to private sector investors.

³⁷ 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.

³⁸ The signature of a contribution agreement with the chosen entity is subject to the completion of the necessary pillar assessment.

The implementation by this entity entails contributing towards the achievement of Outcome 2 of the action.

4.3.1.3. Indirect management with a pillar-assessed entity

A part of this action may be implemented in indirect management with a pillar-assessed entity, which will be selected by the Commission's services using the following criteria:

- an international financial institution; long-term expertise in rural transformation generally and inclusive rural finance in particular;
- specialised agency dedicated to eradicating poverty and hunger in rural areas of developing countries;
- experience in promoting policy reform, build partnerships and knowledge management; being EU pillar assessed.

The implementation by this entity entails contributing towards the achievement of Outcome 3 of the action.

4.3.1.4. Indirect Management with a pillar-assessed entity

A part of this action may be implemented in indirect management with a pillar-assessed entity, which will be selected by the Commission's services using the following criteria:

- technical and institutional capacity to support multiple stakeholders on environment and climate mainstreaming processes;
- ability to mobilise specific expertise and to promote active networking with neighbour countries;
- mandate to interact with and mediate among government stakeholders, including regarding transboundary issues.

The implementation by this entity entails contributing towards the achievement of Outcome 4 of the action.

4.4. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in currency identified
Implementation modalities – cf. section 4.3		
Outcome 1	6 500 000	2 000 000
Indirect management with a pillar assessed entity - cf. section 4.3.1.1	6 500 000	2 000 000
Outcome 2	8 000 000	18 000 000
Indirect management with a pillar assessed entity - cf. section 4.3.1.2	8 000 000	18 000 000
Outcome 3	11 000 000	
Indirect management with a pillar assessed entity - cf. section 4.3.1.3	11 000 000	
Outcome 4	1 500 000	

Indirect management with a pillar assessed entity - cf. section 4.3.1.4	1 500 000	
Evaluation – cf. section 5.2 Audit – cf. section 5.3	will be covered by another Decision	N.A.
Communication and visibility – cf. section 6	N.A.	N.A.
Contingencies	N.A.	N.A.
Totals	27 000 000	20 000 000

4.5. Organisational Set-up and Responsibilities

Each implementation modality will entail a dedicated Steering Committee that will provide strategic advice and guidance during implementation, ensuring general oversight on the progress of activities. Detailed arrangements for the organisational set-up, responsibilities, compositions and frequency of meetings of the individual Steering Committees will be outlined in the design stage of the individual interventions within the four Outcomes.

Under Outcome 3 “Rural Finance Inclusion in Palestine” a dedicated Project Management Unit (PMU) will be established at the Ministry of Finance with the responsibility of conducting procurement activities, while a Project Implementation Unit will be established within the Ministry of Agriculture to leverage its expertise in the agriculture sector and outreach capacity in the rural areas.

The coordinating work already undergoing within the framework of the European Joint Strategy under Pillar V (private sector, labour and agriculture), is expected to capture and integrate the workings of Outcome 1 (Green Economy Hub), 2 (Agrifood system transformation), and 4 (Climate and Environment action). In particular, the coordinating platform (the Hub) to be established under Outcome 1 is expected to facilitate such process, by bringing into closer dialogue and coordination Member States’ activities in private sector development and agriculture.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. 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 Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the logframe matrix.

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).

Roles and responsibilities for data collection, analysis and monitoring:

Implementing partners will be in charge to define correct baselines and regularly collect data as part of their internal monitoring systems. Data collection, monitoring and reporting will be performed periodically and will be defined at contractual level. Impact level indicators will require accessing data provided by national institutions such as the Palestine Monetary Authority (PMA), the Palestinian Central Bureau of Statistics and the Environmental Quality Agency.

The annual reporting exercise foreseen under the European Joint Strategy (the Result Oriented Framework) - conceived to create conditions for enhanced mutual accountability - will be drafted by the EUREP jointly and in coordination with Member States, relevant sectoral entities of the Palestinian Authority and business organisations, assessing progress against indicators selected from sector results frameworks. Baseline and target values have been identified throughout 2021, and include gender disaggregated data.

5.2. Evaluation

Having regard to the nature of the action, an evaluation will not be carried out for this action.

The Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

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

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

5.3. Audit and Verifications

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

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [*Communicating and raising EU visibility: Guidance for external actions*](#) (or any successor document).

This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote

transparency and accountability on the use of funds. Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and the EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before the implementation. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.

For communication on Team Europe Initiatives, the EU and its Member States can rely on the specific guidance on the Team Europe visual identity.