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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX V

of the Commission Implementing Decision on the individual measure in favour of Palestine¹ for 2021-2023

Action Document for Fostering Sustainable Economic Development

MEASURE

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and individual measure in the sense of Article 23(3) of NDICI-Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS Basic Act	Fostering Sustainable Economic Development Measure in favour of Palestine for 2021-2023 OPSYS Reference: NDICI-GEO-NEAR/2022/ACT-60730 – JAD.961546 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Palestine.
4. Programming document	European Joint Strategy in support of Palestine 2021-2024 –Under preparation – to be adopted as soon as possible
5. Link with relevant MIP(s) objectives/expected results	Under preparation
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Sustainable Economic Development
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 8 Decent work and economic growth; Other significant SDGs and where appropriate, targets: SDG 1 No poverty;

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.

	SDG 5 Achieve gender equality and empower all women and girls; SDG 7 Affordable and clean energy; SDG 10 Reduce inequality within and among countries; SDG 13 Climate action.			
8 a) DAC code(s)	25030 - Business development services (20%) 23030 - Power generation/renewable sources (20%) 33110 - Trade policy and administrative management (10%) 33120 - Trade facilitation (15%) 24010 - Financial policy and administrative management (10%) 24030 - Formal sector financial intermediaries (25%)			
8 b) Main Delivery Channel	1000 - Public Sector Institution 44001 - World Bank 5200 – Other			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development ² <input type="checkbox"/> Gender <input 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 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 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 type="checkbox"/>	<input checked="" 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"/>

² For the Neighbourhood, activities related to education shall be marked as part of the “Social Inclusion and Human Development” target, in line with the NDICI-GE programming guidelines.

	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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	<u>Connectivity</u> Tags: transport people2people energy digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <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 checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020110 – Southern Neighbourhood Total estimated cost: EUR 46 500 000 Total amount of EU budget contribution EUR 30 500 000 This action is co-financed in parallel co-financing by: - International Development Partners for an indicative amount of EUR 16 000 000.			
MANAGEMENT AND IMPLEMENTATION				
13. Implementation modalities (type of financing and management mode)	Project Modality Direct management through: - Grants - Procurement Indirect management with the entities to be selected in accordance with the criteria set out in section 4.3.3			

1.2. Summary of the Action

The action presents a comprehensive approach to fostering Sustainable Economic Development and addressing key Palestinian economic sectors that have the potential to stimulate economic growth, create

jobs, welfare and an economy that works for the people and leaves no-one behind. The action supports the recovery of the Palestinian economy from the multiple recent crises, including the COVID-19 pandemic, the Palestinian Authority's (PA) fiscal crisis and, notably, the recovery efforts in the Gaza Strip after the 11 days of violent hostilities in May 2021 that caused human suffering, destruction and economic losses.

The action will contribute to digital transformation and green transition of the Palestinian economy, help expand Palestinian trade and investment as well as provide access to finance to allow Palestinian businesses to grow. The intervention will act as a stimulus package to key high-growth economic sectors, including digital and green, it will help the PA with policies and assist businesses to unlock trade and investment and it will also ease access to finance particularly for vulnerable groups. The action will contribute to the economic recovery efforts in Gaza addressing needs that result from destruction and the economic repercussions of the hostilities.

The action will consist of three core components and will be complemented by two blending operations³, which on a systemic level mutually reinforce each other through their positive impact on the Palestinian economy at large, stimulating sustainable, green and digital development, economic growth, creation of employment and welfare. Several of the below components will operate both in the West Bank and in Gaza.

- **Component 1: Digital Transformation for Youth and Decent Jobs (EUR 7.5 million – Indirect Management with International Organisation):**

The component will assist the Palestinian IT sector to use its dynamism towards job creation. It will strengthen firm capabilities, foster innovation and entrepreneurship, improve demand from international buyers and investors, and stimulate the absorption of high-tech knowledge in the Palestinian digital ecosystem.

- **Component 2: Trade and Investment, Standards and Infrastructures (EUR 17 million – Procurement, Grant, Indirect Management with International Organisation):**

The component will support expansion of Palestinian trade and better attraction of investment. It will help the Palestinian Authority to put in place adequate policies in areas of trade, investment and standards, assist businesses to innovate and green their export. It will help develop economic and trade-related infrastructures, including in response to the recent hostilities and wide-scale destruction in Gaza.

- **Component 3: Resilience and Recovery for Gazan Micro, Small and Medium Sized Enterprises (EUR 6 million – Indirect Management with Member State Organisation):**

The component will strengthen the resilience of Gazan economy and help its recovery from the hostilities. It will help create local market opportunities for Gazan micro, small and medium-sized enterprises, notably those led by young people, and promote adoption of green and circular economy models into the Gazan business ecosystem and industrial enterprises.

The complementing Blending Operations relate to “Sustainable Use of Natural Resources & Energy Finance (indicative amount of EUR 10 million), that will deepen the Palestinian green economy markets and boost energy finance. “Access to Finance for the small and medium enterprises (SMEs) and Vulnerable Groups (indicative amount of EUR 14 million) will help boost access to finance for underserved groups and businesses with growth potential focusing on the economic recovery efforts in Gaza after the hostilities.

The action will contribute to the ‘Renewed Partnership with the Southern Neighbourhood Economic and Investment Plan for the Southern Neighbours’⁴ and will feed into its dedicated ‘Economic Investment Plan’.

³ 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.

⁴ https://eeas.europa.eu/sites/default/files/joint_staff_working_document_renewed_partnership_southern_neighbourhood.pdf

The action's interventions will support the Flagship Initiative towards 'Connected economies' including with support for Palestinian private sector-led growth and job creation, the upgrading of trade and connectivity infrastructure and the reinforcement of the external dimension of the 'European Green Deal'⁵ and of the 'European Digital Strategy'⁶.

Finally, the action is in line with support to sustainable economic development as part of the priorities of the Palestinian Authority (PA) as defined in the National Development Plan as well as Pillar V 'Sustainable Economic Development' of the upcoming European Joint Strategy (EJS) in support of Palestine.

2. RATIONALE

2.1. Context

West Bank and Gaza is a lower middle-income country with a small, resource poor economy, but a young and well-educated labour force. Before the onset of the COVID-19 pandemic, the Palestinian economy was stagnant, as a result of a difficult political situation, deteriorating relationship with Israel, and dropping international aid inflows. During 2017-19, annual Gross domestic product (GDP) growth averaged 1.3 percent, lower than the population growth rate, resulting in decreasing per capita incomes and increasing poverty. The COVID-19 pandemic is further imposing a heavy toll on the Palestinian economy. According to Palestinian Central Bureau of Statistics in 2020 the real GDP decreased by 11.5%, with gross consumption falling by 6%, gross investment facing a 36% drop, and income per capita decreasing by 13.7%. This has been pushing more households into poverty and causing unemployment, with poverty rate growing from 24% to 27.5% causing 120,000 newly poor and an increase in unemployment from 26.3% to 27.8%. Estimates by the Palestine Monetary Authority (PMA) outline losses in revenue across industry, agriculture, services and trade reaching some USD 2 billion.

West Bank and Gaza ranks at a low 117th out of 190 economies in the 2020 Doing Business report, with serious underperformance across the board of the key indicators, particularly with regard to 'starting a business' (173/190), 'resolving insolvency' (168/190) and 'dealing with construction permits' (148/190). The business climate is generally suffering from insufficient business regulation and enforcement, certain key laws as the Companies Law or Competition law remain not enacted for years.

Palestinian economy suffers from Israeli occupation that imposes heavy economic costs on its people and economy. Economic development in Palestine is hindered by numerous uncertainties that relate to restrictions to movement of people and goods, frequent and arbitrary closures, risk of physical destruction, unstable and complicated institutional environment determined by the Paris Protocol on Economic Relations and Military Orders as well as restrictions to access of land, natural resources and lack of control of borders.

Economic conditions in the Gaza Strip are increasingly unbearable after nearly 15 years of closure as well as offensives and frequent violent escalations. People in Gaza are enduring the multiple consequences of escalations, they lack freedom of movement and are living in an isolated enclave without adequate access to jobs, energy, and critical services. Continuous dependency on humanitarian aid, repeating spirals of violent conflict, degradation of basic services, growing unemployment and lack of large-scale reconstruction and development initiatives is causing further fragility.

On May 20 2021, after 11 days of the worst conflict since 2014, Israel and militants in Gaza agreed to a cessation of hostilities. In addition to the loss of human life the hostilities caused considerable destruction of commercial and residential buildings, physical and digital infrastructure, hospitals and health centres, water

⁵ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

⁶ <https://digital-strategy.ec.europa.eu/en>

and sanitation facilities, road transport, energy and communication networks as well as factories, enterprises, financial institutions and the Gaza Industrial Estate.

The **Information Technology** (IT) is a growing and promising sector for the Palestinian economy. Accounting for 7% of GDP, the Palestinian ICT sector already plays an important role and has the potential to grow markedly into a full-fledged digital economy with increased demand from different sectors of the economy. Thanks to their lower sensitivity to trade and movement restrictions, Information Technology services⁷ have also provided an avenue for export growth, and some of this growth⁸ has been fuelled by demand from multinational corporations, with a growing footprint in the region but facing a shortage of engineers and computer scientists. Firms in the West Bank and Gaza offer a comparative advantage in nearshore⁹ and team extension models for outsourcing, thanks to a growing and untapped qualified labour pool, lower labour costs, geographic proximity to strategic regional Research and Development centres, cultural and language similarities. The IT services sector represents an opportunity for the West Bank and Gaza during the COVID-19 outbreaks and recovery phases, thanks to a general better positioning compared to traditional sectors, and a positive long-term market outlook for technology development outsourcing.

In the **energy sector**, supply is one of the biggest challenges faced by the Palestinians and has a direct impact on social and economic development of the country. While the demand for electricity will continue to grow at an estimated rate of 3% in the West Bank and 5% in the Gaza Strip per year, it is not met by adequate supply. Palestine imports almost the entirety of energy from Israel, be it fossil fuels or electricity. The Israeli energy and electricity mix is marked by a predominance of fossil fuels and a very high carbon intensity. Palestinian total energy consumption is considered the lowest in the region, while its costs are relatively high compared to neighbouring countries. Electricity accounts for 27% of final energy consumption. Despite recent progress, Renewable Energy (RE) generation is still limited with 30 MW installed capacities in Gaza Strip and 80 MW in West Bank. RE could play an important role in increasing energy security, lowering the price and acting as an electricity safety net. The overall energy efficiency and renewable investment potential in Palestine is very large, with the private sector playing a key enabling role. Estimates by Palestinian Energy and Natural Resources Authority (PENRA) and several studies, e.g. by PricewaterhouseCoopers, assess the potential of the energy efficiency market to lie at some EUR 300 million and renewable energy market estimated at further EUR 500 million.

Palestinian **international trade** is set out by the Paris Protocol, which linked the Palestinian trade regime to that of Israel. The Palestinian economy runs a structural trade deficit and its exports are mainly of low value. The Palestinian Authority conducted several bilateral free or preferential trade agreements, notably with the EU, US, Canada, Russia, Turkey, Jordan, Egypt and Saudi Arabia. In 2020, the total volume of Palestinian trade reached USD 10 billion with a decline of 10% compared to 2019. Trade balance witnessed a deficit of around USD 5 billion. Palestine's main trading partner is Israel, with a share of some 80% of import and 58% of exports, and other trading partners include Turkey, China, Jordan and the EU, with Germany, Italy and France at the forefront. Palestine's export products include worked and unworked stone, accounting for around 25% of all export value, other important export products include iron and steel, food and beverages, plastic, pharmaceuticals and furniture¹⁰. Furthermore, the export of services, notably modern services such as ICT has been growing.

The Palestinian economy benefits from a relatively strong and healthy **financial sector** that continues to

⁷ IT services sector: a subset of the ICT sector, includes wholesale of information and communication equipment; software publishing; computer programming, consultancy, and related activities; data processing, hosting, and related activities; and web portals. Source: Refer to European Classification of Economic Activities (NACE) Revision 2 sectors of economic activity within the ICT sector definition. (https://ec.europa.eu/eurostat/cache/metadata/en/isoc_se_esms.htm).

⁸ 28% of the growth of service exports between 2000 (USD 460 million) and 2018 (USD 612 million) is represented by information and communication technology (ICT) service exports.

⁹ Transfer of a business operation to a nearby country, especially in preference to a more distant one (offshoring).

¹⁰ National Export Strategy (2014-2018), accessible: www.paltrade.org/upload/multimedia/admin/2014/10/5448e728e1bd3.pdf

deliver in spite of several crises. The formal financial sector in Palestine was established after the signing of the Paris Protocol on Economic Relations. Political uncertainty and legal un-clarity deeply marks the context within which financial institutions in Palestine operate, with the risk mainly seen in limited provisions of collateral and security, different jurisdictions and applicable laws. Banks dominate the broader Palestinian financial sector and contribute enormously to the Palestinian economy, with a portfolio of some USD 13 billion in deposits and USD 9 billion in loans in 2019. Economic activities financed by credit from the banking sector represent a share of over 60% of the GDP for the same year. There is also a vibrant micro-finance sector, with around 12 micro-finance institutions operating and an outstanding portfolio of some USD 250 million. The private sector is at the centre of financial intermediation in the West Bank and Gaza. Lending to the private sector has been growing over the last decade and represents now some 50% of the GDP.

2.2. Problem Analysis

Short problem analysis

Decades of military presence, violence, restrictions, governmental crises, internal Palestinian political division, and relative isolation from the global economy have increased the cost of economic development, resulting in an economy poorly diversified, with a productive base that has continuously declined over the years. Inflows of transfers have also significantly dropped in recent years, making it more pressing to unlock growth constrained by a difficult business environment. The trade and movement restrictions have created a high risk of disruption in business projects or trade and have kept investment levels low, resulting in a bias towards non-traded services, which have less potential for productivity growth.

In spite of the recent rise of **Information Technology** service exports in the West Bank and Gaza, their scaling and technology upgrading remain stunted by a set of factors in the IT innovation ecosystem. The Palestinian IT export sector remains limited in a low equilibrium of competing on price and geographic location, whereas broader technological capabilities, better brand and trust, and more in-house talent would allow it to compete on a broader range of services with more international buyers. Furthermore, development of the digital economy is inhibited by several Israeli restrictions, notably in the area of telecommunications and spectrum allocation. Palestine was among the last places in the Middle East to launch 3G and mobile data is still not available in Gaza. The restrictions on import and deployment of telecommunications equipment is also an important barrier. As regards internal barriers, a mix of market failures, system failures, and the Palestinian Authority inefficiencies continues influencing the self-reinforcing low equilibrium in the sector. In synthesis these factors relate to: 1) technical skill gaps due to policy failures in research and education (high unemployment rate among IT graduates due to skills gaps); 2) gender gaps due to structural barriers and norms; 3) practical skill gaps due to coordination failures; 4) human resource gaps due to search costs for new hires; 5) managerial gaps due to capability failures; 6) infrastructure gaps due to policy failures and coordination failures; 7) market access gaps due to search costs, transaction costs, and information asymmetries.

Total energy consumption in Palestine is considered the lowest in the region, while energy costs are among the highest compared to neighbouring countries. The Palestine's **energy sector** is entirely dependent on imported power, with 88% of imports coming from Israel. Electricity supply is not reliable, with frequent interruptions stemming from Israeli grid capacity limitations and/or political tensions, and yet not sufficient to cover the growing estimated needs of the population. Gaza is the most impacted, with rolling electricity blackouts of up to 16h/day. Overall, the lack of sufficient, reliable and affordable energy is weighting negatively on the living conditions of the population and economic development. The raise of local renewable energy generation capacity and the promotion of energy efficiency have become top priorities for Palestine as a means not only to address the issue of growing energy needs while supporting energy independence, but as

well because they were recognised as essential in a transition to a more competitive and sustainable economic model, and are key components of the Palestinian climate commitments.

Expansion of **trade is hindered** by several key barriers, including Israeli control over Palestinian trade routes, internal restrictions on the movement and bureaucratic process. In Gaza the situation is even more challenging due to the Israeli closure of the Strip. Exports from the Gaza Strip are strictly restricted to a hand full of selected products and quantities. The Palestinian trade deficit continues to be extremely large, while the trade deficit with Israel constitutes the bulk of it. Apart from restrictions, the difficulty of Palestinian enterprises in penetrating and surviving in international markets can be partly explained by lower levels of competitiveness, lack of export promotion activities, limited visibility for Palestinian brands and limits in flows of information related to trends, opportunities and market requirements.

Development of trade-related infrastructure in Palestine is largely dependent from Israel. As per the Oslo accords and the Paris Protocol, Israel controls international borders and Palestinian trade routes. Israeli authorities are also responsible for conducting customs valuation and collecting duty payments for imports into Palestine on behalf of the Palestinian Authority. Customs duties constitute around 70% of the Palestinian Authority revenues, the clearance of which is often used as a political instrument. Moreover, for the majority of imports, goods have to comply with Israeli standards and products imported to Palestine cannot be released from Israeli ports before being examined by Israeli authorities and checked against standards. Delays and complications associated with the release of Palestinian-bound imports for standards checking purposes at Israeli gateways is a challenge for many Palestinian importers. This results in substantially increased costs for importers and reduced competitiveness of Palestinian products.

National quality infrastructure systems play an important role in ensuring that companies comply with standards and regulations in export markets. The Palestinian Quality Infrastructure System is not delivering entirely appropriate services to support private sector to engage in trade on the international and EU markets. In the agribusiness sector, exports growth is notably limited by sanitary and phyto-sanitary constraints affecting food safety and animal and plant health. Moreover, the control of food safety through the adoption of a comprehensive monitoring approach requires the building and enforcement of a legislative and institutional system that would ensure protection of consumers' health and encourage fair practices in food trade national priorities. Sanitary and Phyto-Sanitary measures are a major constraint for agribusiness exports. Despite major progress, notably in plant health, animal health and food safety, there is an ongoing need for further in legal reforms and regulations, inspection and laboratory capacities and risk-based testing.

Palestine is facing huge needs in terms of **investment** and support to access to finance for both public and private sectors, yet the economic development context of Palestine is very specific. While sovereign lending is limited because of financial and political constraints, sub-sovereign lending to local authorities is also limited due to associated risks and capacities to take on debt, as well as an incomplete legal borrowing framework. On the other hand, private sector is at the centre of financial intermediation in Palestine. Investment in Palestine is generally a risky undertaking due to numerous uncertainties that relate to restrictions in movement, frequent and arbitrary closures, risk of physical destruction, unstable and complicated institutional environment as well as restrictions to access of land, natural resources and lack of control of borders. Due to these reasons Palestine suffers from a chronic shortage of Foreign Direct Investment.

Lack of adequate **access to finance** is identified as a constraint by more than one in four of Palestinian MSMEs. A combination of heavy collateral requirements, high interest rates, complex lending criteria as well as low financial literacy and availability of tailor-made financial products contribute to a large MSME financing gap. Estimates of the financing gap for MSME growth and financial inclusion lie in the range between EUR 700 million and EUR 1 billion annually. A mismatch exists between the availability of affordable financial products and the demand from the private sector, financial resources at start-up and growth stages also remain scarce. Financial innovation and development of tailored products for financial inclusion

is of particular concern both on supply and demand side. Low access to finance is especially evident among vulnerable lending segments such as micro- and women-led businesses.

The conditions remain dire in **Gaza Strip in view of the recent hostilities and protracted closure** as well as the impact of the COVID-19 pandemic. The combined effect of the direct damage to economic establishments and assets, along with Gaza's pre-existing vulnerabilities and the peak of the COVID-19 crisis have interrupted the access to livelihoods of many families. The productive sector has been hollowed out and shackled the economy from achieving its potential. Continuous dependency on humanitarian aid, risk of future conflicts, degradation of basic services, growing unemployment and lack of large-scale reconstruction and development initiatives is causing fragility. Limited access to other national resources such as water and land, in addition to an adequate spaces for life and economic activity adds to the problems.

The Gaza 2021 Rapid Damage and Needs Assessment (RDNA), jointly undertaken by the World Bank, the European Union and the United Nations, estimated the total damages incurred in Gaza following the latest conflict at between US\$ 290 – 380 million and economic losses between USD 105 – 190 million. The immediate and short-term recovery and reconstruction needs, during the first 24 months, are estimated to be between USD 345 – 485 million.

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

The action will directly support several Palestinian Authority bodies as well as private sector stakeholders through its objectives, it will further ensure a coordinated approach with multiple other stakeholders from public and private sectors.

Several stakeholders of the Palestinian Authority as well as the private sector will be common for the different components of the action. The action overall will support private sector-led sustainable economic development in Palestine and will thus have at its core a whole range of economic actors, private businesses, entrepreneurs, micro-companies, banks and other types of financial institutions. The action will pay specific attention to reaching out to underserved segments of the economy and will also put an emphasis on working with private stakeholders in distressed geographical areas, notably Gaza, Jordan Valley / Area C and East Jerusalem.

The action will benefit the **Ministry of National Economy (MoNE)**, which is the main body in charge of overall formulation and implementation of national economic development policy. MoNE is in charge of trade policy with foreign countries, including trade relations with Israel, and is also responsible for delivery of several trade-related services. As such it will be one of the main direct beneficiaries of the action with regard to the trade component. The Ministry of National Economy possesses responsibilities for formulation of Palestine's quality policy and supporting development of Quality Infrastructure systems. The Ministry of National Economy also possesses certain oversight functions with regard to digitalisation, green economy and access to finance. The Ministry of National Economy will thus contribute to ensure coordination, complementarity and synergy throughout the four components of the action.

The action will be closely coordinated with the **Palestinian Monetary Authority (PMA)** as a vital stakeholder. The PMA is an independent public institution responsible for the formulation and implementation of monetary and banking policies to maintain price stability, foster financial stability, safeguard the banking sector and promote sustainable growth of the national economy. The PMA has in recent years taken up a more prominent and established role in promoting economic development and has a central role with regard to easing financial and investment flows into the Palestinian economy as well as regulating the financial sector and the investment climate. The PMA will benefit from the action's complementary blending operations and will also play a key role with regard to other components of the action related to investment and finance.

Regarding the **digital sector**, IT firms and professionals/employees represent the direct beneficiaries of the programme, while four groups of individuals/entities represent the main stakeholders, namely: 1) Ministries and Government agencies; 2) Private Sector Organisations; 3) Academic and Research & Development centres;; 4) Press and media. The first two groups, including the Ministry of Telecommunication, Information and Technology, the Ministry of Finance, the Ministry of Entrepreneurship, the Ministry of Economy, the Higher Council for Innovation and Excellence, the Palestinian Information Technology Association (PITA), The Palestinian Investment Promotion and Industrial Estates Agency (PIPIEA), and Palestinian Trade Center – PalTrade, will play a role in the advisory committee and will be referred to for their specific area of expertise and regulatory competence. Academic and R&D centres will be expected to offer technology facilities and services to private sector clients and students for R&D projects. Press and media will play an important role in promoting the IT sector locally and internationally.

Regarding the **trade and investment**, the action will directly benefit the Palestinian Authority bodies in charge of trade policy and delivery of trade-related services, institutions responsible for services related to quality, standards and food safety, investment policy and broader investment climate as well as Palestinian private sector, notably trading businesses and SMEs.

The action will work with several Palestinian Authority institutions including the following: The *Ministry of Agriculture* is in charge of policy development and implementation towards improving the competitiveness of Palestinian food products in domestic and overseas markets through better safety and quality. The *Ministry of Finance (MoF)* and the *Ministry of Health (MoH)*, have certain interventions in trade and standards-related matters. Other Palestinian Authority bodies involved in the regulation of trade include, for example, the Customs Authority operating under the Ministry of Finance as well as ministries and agencies involved in the regulation of services. The *General Administration for Borders and Crossings (GABC)* will be involved with regards to trade facilitation as well as trade infrastructure development.

The *Palestinian Standards Institute (PSI)*, subordinated to the Ministry of National Economy, will be among the direct beneficiaries of the action. The mission of PSI is to facilitate trade and investment in Palestine by meeting the metrology, standards, testing and quality related needs of the business community while ensuring consumer and environmental safety.

The Palestine Monetary Authority (*PMA*) will be a key stakeholder of the action with regard to the investment part of this component. The PMA has a central role with regard to financial sector development and financial inclusion as well as economic development and investment at large. As such the PMA will be involved in the coordination efforts of the component regarding investment policy and planning.

The investment part of the component will be also coordinated with the *Palestinian Investment Promotion and Industrial Estates Agency (PIPIEA)* and *Palestinian Capital Market Authority (PCMA)*. The *PIPIEA*, is subordinated to the Ministry of National Economy and was recently established from a merger of two institutions responsible for investment promotion and industrial estates respectively, it implements policies and programmes to promote private sector development and improve the investment environment. *PIPIEA* provides services foreign and domestic investors assisting investors in licensing projects, acquiring permits and gathering market intelligence. *PIPIEA* operates special investment incentives offering financial support and income tax exemptions for investors. The *PCMA* is an autonomous agency charged with a jurisdiction that encompasses securities, insurance, financial mortgage and financial leasing sectors, along with any other non-banking financial institutions. *PCMA* will be a stakeholder of the actions investment component.

The private sector businesses will be direct beneficiaries of the action. The action will support private companies that export to markets abroad and will also identify businesses with potential to trade and assist them in export market penetration and consolidation. The action will work with associations of exporters and business associations as well, most notably the Palestinian Trade Center – PalTrade, but also the Shippers

Council and the Federation of Palestinian Industry Associations. The Ministry of National Economy will receive direct support and will also endeavour to coordinate this component among the different stakeholders.

Regarding **economic recovery efforts in the Gaza Strip**, it is to be noted that the above mentioned public institutions of the Palestinian Authority, although physically largely absent since Hamas takeover of Gaza in 2007, possess a mandate for economic development of Gaza and actively promote this role. The Palestinian Authority institutions, notably the Ministry of National Economy and the *PMA*, will be consulted and coordinated with regarding the activities. Coordination with Egypt will be important as well as with Qatar.

Business institutions, associations, civil society organisations (CSOs) as well as private enterprises directly will be the main beneficiaries of the action with regards to the economic recovery and resilience for Gazan MSMEs. In Gaza, CSOs play an active role in service delivery and economic development. A key entry point will be the Private Sector Coordination Council (PSCC), which assembles all the major institutions representing most of the private sector as an umbrella organisation. In addition work will be conducted with five local MFIs active in the Gaza Strip.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to promote sustainable, social, gender-inclusive and innovative private-sector-led development as well as equitable access to natural resources, paving the way to Palestinian economic independence with an economy that works for the people.

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

- 1. Outcome – Digital Transformation for Youth and decent Jobs:** Achieve that IT firms in Palestine achieve higher levels of economic digital transformation and support start-ups by fostering innovation, productivity, jobs and growth;
- 2. Outcome – Trade & Investment, Standards and Infrastructure:** Expand and diversify Palestinian international trade and attract more quality domestic and foreign investment, creating revenue, new jobs, innovation, growth and welfare.
- 3. Outcome – Resilience and Recovery for Gazan Micro, Small and Medium Sized Enterprises:** Enhance competitiveness and resilience of micro-businesses and create sustainable livelihood opportunities in the Gaza Strip by introducing local sustainable and innovative green and circular economy initiatives.

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

Outcome 1: Digital Transformation for Youth and Decent Jobs

- 1.1 contributing to Outcome 1 (or Specific Objective 1): Created business opportunities, long-term jobs, enhanced capacities and innovation of IT firms and start-ups
- 1.2 contributing to Outcome 1 (or Specific Objective 1): Additional private sector capital, early stage funding for start-ups is mobilised for the IT sector to grow.
- 1.3 contributing to Outcome 1 (or Specific Objective 1): Partnerships between West Bank and Gaza IT businesses, start-ups and international buyers are signed.

Outcome 2: Trade & Investment, Standards and Infrastructures

2.1 contributing to Outcome 2 (or Specific Objective 2): Enhanced formulation and implementation of trade and investment policy by the Palestinian Authority helping to expand trade with international, EU markets and to better attract investment.

2.2 contributing to Outcome 2 (or Specific Objective 2): Strengthened the Palestinian Authority quality infrastructure systems and food safety standards, leading to higher quality of Palestinian products, their acceptance and presence on international, EU markets.

2.3 contributing to Outcome 2 (or Specific Objective 2): Increased commercial presence of the Palestinian private sector abroad supporting expansion, innovation and greening of Palestinian exports to international, EU markets.

2.4 contributing to Outcome 2 (or Specific Objective 2): Improved physical economic infrastructure, notably related to trade, reducing economic losses, transaction costs and to enhancing international competitiveness of Palestinian economy.

Outcome 3: Resilience and Recovery for Gazan Micro, Small and Medium Sized Enterprises

3.1 Improved local Gazan market opportunities for micro- and small enterprises, notably led by youth, with enhanced business capacities, revived and newly established enterprises offering jobs;

3.2 contributing to Outcome 3 (or Specific Objective 3): Adopted innovative green and circular economy models within the industrial sectors, with improved capacities and awareness about green and circular economy among Gazan businesses.

3.2. Indicative Activities

Activities related to Outcome 1:

Improvement of IT service capabilities:

- Human capital development (internships, apprenticeships, on-the-job training, cost-sharing arrangements for recruitment of high skilled technical/managerial profiles; subsidised training/certification programmes; firm level advisory services (managerial and organisational capabilities, strategic and leadership skills);
- IT and gender needs assessment and engagement (assessment of gender issues in Palestinian IT services, identification of policy reforms to promote women's participation in IT sector including management and leadership positions, development and piloting of proposed interventions, impact assessment);
- Covid-19 employment support subsidies (in exchange of staff upgrading their skills, or businesses to upgrade processes as part of business resilience measures).

Improvement of the IT service ecosystem:

- Seed grants to de-risk, encourage, and enable the launch of new companies in the IT service ecosystem (new IT services operations, new training service providers, new HR IT service providers);
- Re-establishing business operations in the IT sector by firms adversely impacted by COVID-19;
- Matching grants to support establishment of R&D hubs for exploration of particular targeted technologies relevant to Palestinian IT firms;
- Grants for Gaza IT business infrastructure (office furniture, high-speed internet connections, technology to facilitate remote work, computer and technology equipment, and operating costs).

Improving market access and increasing demand and investments:

- awareness raising and international market linkages; promotion and facilitation of FDI in the Palestinian IT ecosystem.

Activities related to Outcome 2:

Building trade and investment policy capacities and developing related public services

- Advice, capacity building, training and technical support to key the Palestinian Authority staff members dealing with international trade policy matters, including on trade issues with Israel;
- Assistance to a one-stop-shop focal point organised by the Palestinian Authority to assist private businesses with export and import services, capacity building to the PA for establishment of Palestinian trade representation abroad (i.e. commercial attachés);
- Assist the Palestinian Authority and private sector organisations in export promotion and branding, for example with update of the National Export Strategy and implementation of Palestine Branding Concept;
- Support the Palestinian Authority in investment policy, prioritising, identifying and coordinating donor-supported and public investment interventions, notably under EU-Palestine Investment Platform;
- Support to the roll-out of the EU External Investment Plan in Palestine and with delivery of assistance to prepare and initiate investment projects and assist Palestinian stakeholders in using its full potential;

Building quality-related capacities, including on technical and food safety matters

- Support the Palestinian Authority in formulation and implementation of quality policy, notably related to technical regulations, standards, certification in the industrial sector and beyond;
- Support to the Palestinian Authority in delivering quality-related services (standardisation, accreditation, certification and testing) aligned to EU and international best practice; enhance SPS related surveillance and inspection capacities.
- Support the Palestinian Authority in formulation and implementation of food safety and sanitary and phyto-sanitary policies and legislation in alignment with international and EU practice;
- Help implement the National Phytosanitary Action Plan (e.g. digitalisation of plant health inspection and certification services); strengthen quality animal health services and enhance food safety services based on the National Food Safety Strategy;

Support to Palestinian businesses in accessing international markets and expanding trade

- Supporting Palestinian SMEs to get ready for exporting, penetrate export markets and consolidate their presence on international markets;
- Strengthening market information services and delivery to SMEs of intelligence, guidance and advice to identify potential export opportunities and markets;
- Build capacity of SMEs to improve products development and quality, conduct business management analysis, develop and help implement export plans, assist with acquiring of quality certification, focusing on innovative and green economy businesses;
- Promoting exports, organisation of international business-to-business meetings and networking, support to trade fair participation, global exhibitions and/or virtual exhibitions.
- Development of export hubs offering services to Palestinian trades in international markets and strengthening their physical presence abroad.
- Support to exporters in Gaza with technical assistance to damaged, dormant, or partially operating businesses to revive their production capacity, assistance with acquiring of certificates needed for export and overall business development;
- Support to Gazan traders in development of new capacities in sectors that can function with little need for access through commercial crossings, export of services, digitalisation, marketing and finance.

Facility to develop infrastructure and facilitate movement of goods relevant for economic growth and expansion of trade:

- Help develop physical and trade-related infrastructure, including commercial crossings, bonded warehouses and/or logistics and trade-service centres but also damaged infrastructures, impacted by the recent violence.
- Activities may include elements of the full cycle of infrastructure development from identification, feasibility studies, planning, design, procurement, construction, supervision, operation and maintenance to completion.
- Activities may address facilitation of movement of goods, including development of capacities, technical and/or commercial support, enhancement of systems used for management and supervision of goods' movement, improvements in transparency, accountability, efficiency and inclusiveness.
- This facility will be mobilised to support the recovery of Gaza, following the May 2021 violent conflict and subsequent damages on public and private infrastructures of economic relevance.
- The following indicative list of projects/infrastructure sites have been identified as in need for development and related to the process of Confidence Building Measures in dialogue with Palestinian and Israeli authorities ¹¹:
 - i) King Hussein / Allenby Bridge crossing between the West Bank and Jordan – infrastructure identified to upgrade the crossing relate to establishing a conveyor belt for aggregates over the Jordan river and infrastructure at the first entry into the crossing, known as junction 128;
 - ii) Enhancing procedures at the King Hussein / Allenby Bridge crossing concerning shipment of goods, imports and exports, that would allow for direct and containerised shipping providing traders with cost savings on goods shipments.
 - iii) Karem Abu Salem commercial crossing in Gaza – an upgrade of the crossing is currently under construction, while needs for a second phase have identified fire hazard system, refrigerated area, storm water drainage system and potable water network as needed;
 - iv) Bonded Warehouses and Logistics Centres across the West Bank – establishment of five bonded warehouses are under discussion, which would serve the purpose of storage until Palestinian goods are cleared on customs and standards in context of a transfer of functions from Israel. Sites include the following Hebron/Tarqumiya, Tulkarem/Irtah, Ramallah/Rantees, Jericho/Industrial Park, Jenin/Jalameh and needs include infrastructure for storage and warehousing, container depots, gas terminal and fuel storage, packaging and labelling as well as inspection facilities and offices.
 - v) Recovery and development of damaged economic infrastructure in Gaza – including industrial sites and infrastructure damaged at the Gaza Industrial Estate, commercial buildings, transport and road infrastructure and/or other economically relevant infrastructures.
 - vi) Gaza Reconstruction Mechanism and/or a new system for facilitation of material access to Gaza, notably entry and civilian use of items classified as 'dual use goods' by Israel to enable reconstruction and economic development of the Gaza Strip.
 - vii) Gaza Monitored Industrial Zone – internationally monitored industrial zone in Gaza that can enable the entry, import of dual-use materials to manufacture end-products and develop Gazan industrial base for export as well.
 - viii) Expansion of Erez as 2nd Commercial Crossing for Gaza – commercial crossings in North Gaza, closer to the industrial and commercial centres of the Gaza Strip and with better connection to the West Bank, Israel, the Ashdod, Haifa ports and the King Hussein Bridge.

Activities related to Outcome 3:

¹¹ This component of the action will be designed in a manner to be able to respond flexibly to the needs developing on the ground in Palestine regarding trade-related infrastructure. It is to be noted that the needs outlined above are estimated at vast amounts, including approximately: i) EUR 20 million; ii) EUR 3 million; iii) up to EUR 110 million; iv) up to EUR 200 million; v) EUR 60 million; vi) EUR 60 million.

Local market opportunities for youth-led Micro- and Small-Enterprises:

- Technical support to implementing partners;
- Analytical review existing damage and needs assessment, recent vulnerability mapping, studies/analysis for import substitution;
- Training and on-job business, marketing, financial, legal literacy, life-skills, networking coaching and mentorship for businesses;
- Seed funding;
- Support beneficiaries to develop credit relationships with MFI and financial institutions providing targeted products/services.

Green and circular economy models in Industrial sectors:

- Development of information materials highlighting technical, economic, financial and environmental benefits and best practices resulting from the adoption of green/circular economy business models in the industrial sector; Awareness sessions;
- Review and update the “Mapping green and circular economy challenges and opportunities within the industrial sector in the Gaza Strip” study; sensitization sessions;
- Needs assessment, design and delivery of capacity building programs on green/circular economy;
- Training and on-job business, marketing, financial, legal literacy, life-skills, networking coaching and mentorship for businesses committed to adopt green/circular business models;
- Seed funding;
- Support beneficiaries to develop credit relationships with financial institutions providing green financial products/services;
- Policy dialogue and advocacy messages through implementing partners with relevant Gaza duty bearers.

3.3. Mainstreaming

In terms of gender equality, the traditional role of women in the family and society often tends to be part of a dominant discourse in Palestine. The progressive introduction of women into the labour market is slow and has not significantly changed the division of labour based on sex. Opinion polls by World Food Programme from 2020, confirm that both genders hold patriarchal views of the ‘rightful’ roles and capacities of women. For instance, around 80% of men and 60% of women agree that a woman’s most important role is to take care of the home. These attitudes are supported by PCBS empirical data of 2019 which show that 17.8% of the daily time is used by women for house and child care, compared to 3% for men. The deleterious impact of the occupation together with the persisting Palestinian patriarchal society and the radicalisation of some political parties have resulted in exerting control over women’s and girls’ bodies, restraining their social, political, and economic rights, including their sexuality and sexual and reproductive health and rights and exposing them to different forms of Gender Based Violence Against Women, discriminations and abuses. Finally, women are particularly affected by the insufficient health insurance coverage also because of their low employment rate. The high direct spending by households on health, out-of-pocket expenditures, reaching almost 46% of total health expenditures, pushes vulnerable groups, including women, into more poverty.

The situation regarding climate change and disaster related risks deteriorated during the last year in Palestine, constituting a risk to Palestine’s stability. The risks of conflict are linked to substantial environment degradation and climate change impacts, including availability of water, soil erosion, loss of biodiversity as well as the constraints to prepare and respond to systemic violations of land and environmental rights which are at the core of the occupation and discriminatory regime, which constitutes a dominant grievance among

Palestinians. To illustrate, Palestine has a serious and growing problem of water availability mostly as a result of contamination and over-extraction, and it appears it will get worse in most climate change models, but the dominant issues on a water related potential conflict in the short-term, in particular in the West Bank, are the restrictions imposed by the occupation. The Palestinian Authority dedicates significant efforts to engage in environment and climate change issues, despite the lack of financial resources and low capacity.

Concerning the risk of conflict and resilience, the economic situation in Palestine is dire and has deteriorated over the past year as a consequence of the COVID-19 crisis, which in turn poses a significant risk for the emergence of conflict. Palestine has a small, insular and closed economy, which is heavily dependent on Israel in many respects, suffers from multi-fold occupation policies and is deprived from a reliable access to resources and land. Palestinian economic governance lacks several key attributes of a sovereign state. The ability of the PA to effectively manage economic fundamentals is jeopardised by an absence of fully-fledged fiscal and monetary tools and an unstable public budget. Palestine suffers from chronic under-investment with excessive political risk and uneasy business environment deterring investors. Palestinian trade is not well integrated into the global economy and remains low. The economy suffers from capture of key businesses areas by forces affiliated with the ruling political elite, Fatah in the West Bank and Hamas in Gaza, and corruption remains prevalent. The Palestinian economy is at its worse since a long period of time and this could cause significant unrest and conflict.

Environmental Protection, Climate Change and Biodiversity

Outcomes of the Environmental Impact Assessment (EIA) screening (relevant for projects and/or specific interventions within a project).

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

Outcome of the Climate Risk Assessment (CRA) screening (relevant for projects and/or specific interventions within a project).

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

It is to be noted that at the level of individual interventions, particular attention to environmental and climate-related aspects will be dedicated in the area of trade-related infrastructure development as well as with regard to blending operations that may include investments necessitating SEA, EIA and/or CRA. Such needs, should they emerge, will be addressed in the design stage.

Climate change and environment are partly addressed in components 2 and 3 of this action, where the interventions are specifically geared at promoting Palestinian green export rising standards and green certification capacities as well as circular and green economy models in the Gaza Strip. As regards component 1, to should be noted that digitalization is at the heart of the green transition, and could indirectly contribute within our action to, for example, accelerate the implementation of a resources/energy efficiency roadmap and waste management agenda, rationalize investments and improve monitoring of production and consumption patterns, increase the reach and efficacy of awareness and behaviour change campaigns.

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 will be mainstreamed throughout the four components of the action, including digital economy, energy finance, trade and investment, access to finance and Gaza economic response. There will a significant contribution to gender under the access to finance blending operation, which will promote women inclusion by developing specialised products and services targeting to reach women-led enterprises with financial and non-financial services.

Human Rights

The present action is in line with the EU Action Plan on Human Rights and Democracy (2020-2024). The Action Plan has five lines of action: a) Protecting and empowering individuals; b) Building resilient, inclusive and democratic societies; c) Promoting a global system for Human Rights and Democracy; d) Harnessing opportunities and addressing challenges posed by the use of new technologies; e) Delivering by working together. Although the proposed action does not directly contribute to the Action Plan, it does work on the framework conditions which have the potential to support a resilient and inclusive Palestinian society as well as harnessing the opportunities and addressing challenges of digital technologies in Palestine.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action is not considered relevant for inclusion of persons with disabilities.

Democracy

The action will support public Palestinian Authority institutions and as such will also actively promote transparency and principles of democracy in policy and decision making. The action will place an emphasis notably on working together with associations representing different segments of the society and the business community, in order to reflect their positions and options in policy-making. The actions will also assess and monitor PA policy processes, specifically in the areas of trade and investments, as well as support transparent and inclusive processes via advice and promotion of best international practices.

Conflict sensitivity, peace and resilience

Considering the context of conflict and violence in Palestine, a conflict analysis is required. The process already started in February 2021 by bringing together various EU Institutions and other European Development Partners under the umbrella of the European Joint Strategy. In 2020, emphasis was given to the operationalisation of the Humanitarian-Development-Peace nexus aiming to improve collaboration, coherence and complementarity among various stakeholders.

Disaster Risk Reduction

N/A

3.4. Risks and Lessons Learned

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1) External environment	Macroeconomic and political risks	High	Medium	Enhanced monitoring, political and policy dialogue.
2) Planning, processes and systems	Technical design risk for the project	Medium	Medium	Rely on lessons learnt from innovative project experiences, technical expertise, use of pilot approaches before scaling up.
3) People and the organisation	Fiduciary risk	Medium	Medium	Enhanced oversight and capacity development
1) External environment	Political instability and violent conflict	Medium	Medium	Seek enhanced EU dialogue with Israel, linking the effectiveness of EU

				cooperation in Palestine directly to Israeli actions
2) Planning, processes and systems	Insufficient institutional and implementation capacities	Medium	Medium	Policy dialogue with the PA and increased focus on capacity building
2) Planning, processes and systems	Weak donor coordination and scattered intervention	Medium	Medium	Donor and European Financial Institutions coordination within Local Aid Coordination Structures, Informal groups of European Development
4) Legality and regularity aspects	Departure of the PA from promotion of renewable energy and energy efficiency	Low	Low	Active promotion of the European Green Deal as a priority in Palestine in EU-PA policy dialogue fora
1) External environment	Lack of cooperation on trade between the PA and Israel	Medium	Medium	Continuous dialogue between the parties within Trilateral Dialogue on Trade in context of the Union of the Mediterranean
2) Planning, processes and systems	No progress achieved on identification of trade-infrastructure development for political reasons	High	Medium	Introduction of a wide scope of actions that can be supported, ranging from politically more sensitive such as bonded warehouses in West bank to less sensitive e.g. Karam Abu Salem crossing in Gaza or infrastructure in Area A.
1) External environment	Israeli threats to the Palestinian banking system materialise, i.e. Israeli military confiscates property and holds banks liable for making payments to 'families of Palestinian prisoners in Israeli prisons, ex-prisoners and families of those deceased'	Medium	Medium	Political advocacy with Israeli authorities, sensitising the issue and arguing against 'collective punishment' approach.

Lessons Learned:

With regard to the **digital sector**, lessons learned notably from an ongoing Tech Start programme by the World Bank cover firm subsidies, firm upgrading services, investment promotion, market linkages and export promotion, R&D hubs, gender, and skills. Grants will be provided on a matching-basis, with limited up-front disbursement, with the exception of grants provided in Gaza intended to address failures and distortions. Firm capabilities will be built to absorb and adopt technologies, by improving internal processes and managerial capabilities, while considering the broader ecosystem and the sources of market and system failures. Investment promotion will be properly targeted, addressing image and country-level information gaps, greater

sub-sector focus, more strategic mobilization of industry leaders and political leadership. Market linkages and export promotion approaches will seek to establish links between IT service providers to international buyers. Support to private sector-oriented R&D hubs will apply principles ensuring market-orientation through its governance, funding and staffing structure. Gender diversity will be promoted by developing specialized products and services targeting to reach women with financial and non-financial services. A market-driven response to skills development will be pursued to increase the relevance of skills through partnerships with industry, continuous interactions between training providers and employers, internships, apprenticeships and mechanisms to ensuring that employers are part of the decision-making process for training curriculum.

Regarding **aid for trade**, various actions and projects funded by EU member states and like-minded donors (e.g. Denmark, Germany, Italy, Netherlands, Spain, Sweden, and the UK) and other international organisations (e.g. FAO, World Bank, USAID) have focused on trade and sustainable development. A general lesson learned is that besides support to strengthen the export capacity of the private sector itself, support for the public sector is crucial as well, in particular the development of a clear legal and operational framework and adequate service delivery towards the private sector. A key programme to seeks lessons from is the FCDO funded ongoing trade development programme called ‘Tasdeer’ which focuses on trade, standards and customs related capacity development. In terms of trade facilitation and export promotion, EU funded in the past the Palestinian Market Development Programme (2013-2018), under which specific support was provided to a) the implementation of the National Export Strategy, b) support the posting of Commercial Trade Representatives in various EU countries to enhance trade and investment and c) the support of B2B and trade fairs in various countries. The EU in partnership with PalTrade (2016-2021) also supports Palestinian businesses in developing capacities for green value-added production for export as well as works to improve the policy environment for a green export-driven economy in Palestine.

On technical regulation and standards, through the Project ‘EU Modernization Programme for the Palestinian Quality Infrastructure (2014-2016)’ and through various supply contracts, the EU provided a capacity building programme to the Palestinian Standards Institute, provided laboratory equipment and strengthened Quality Infrastructure. Furthermore, German Cooperation via PTB supports also currently quality infrastructure in general especially in the fields of metrology and market surveillance.

The proposed SPS component is an opportunity to reinforce, capitalize on and expand the achievements accomplished by the first phase of the SPS programme, which set the base for SPS in the country through the participatory development of policies and strategies such as the National Food Safety Strategy, the National Food Safety Control Plan (NFSCP), the National Phyto-sanitary Action Plan (NPAP), and the Animal Health Law. This component should include interlinked activities prioritized under the three pillars of the SPS system (plant health, food safety and animal health) in consultation with related ministries and partners, considering the in-depth assessments and national plans, and that are essential to enable the delivery of SPS services for the private sector, market and consumers, especially under the new market requirements created by COVID-19 pandemic.

Concerning **economic resilience of Gazan businesses**, the action will build on lessons learned from an EU funded, Enabel implemented ‘SAWA’ project to Enhance Resilience for Micro- businesses and Create Sustainable livelihood Opportunities in the Gaza Strip. Important lessons to be drawn include the need to establish an inclusive and encompassing Advisory Committee, development of a targeting strategy jointly with project partners, conduct of in-depth vulnerability mapping, inclusion strategy as well as ensuring buy-in from the stakeholders notably in the area of green and circular economy which is new in Gaza. A crucial factor should be considered while supporting establishment of new micro-enterprises, notably ensuring support to sectors through the modelling of import substitution. In this regard a step should take place during the inception phase of the project which includes in-depth value chain analysis for promising sectors that have the potential of import substitution.

With regard to **investment and access to finance**, the action's complementing blending operation will notably build on the experience of the Palestinian Authority's flagship initiative in support of SME's recovery from the COVID-19 crisis, which is a fund entitled *Sustainability or Estidama*, for which bank sector reserves have been mobilised for on lending to SMEs at affordable rates. The Estidama programme has been turned into a permanent fund by the PMA in January 2021 with an objective to support economic development with delivery of finance to SMEs in need. Thus far the Islamic Development Bank has dedicated a loan to the PMA in support of Islamic finance products under the fund and the EIB has signed with EU's support at the occasion of the 2nd meeting of the EU-Palestine Investment Platform a Letter of Intent to provide a sizable sub-sovereign loan to the PMA in support of the programme.

Concerning **green finance**, the design of the action's complementing blending operation will be inspired by the experience acquired in the ongoing SUNREF Palestine programme. The energy market in Palestine has been maturing over the last few years, notably with regard to the renewable energy market. Investment projects in renewable energy typically have a shorted payback period and higher profitability in the short-run as compared to more complex industrial energy efficiency projects as well as environmental projects. The action will take into account gradual phase-out elements such as (i) lesser degree of subsidisation of lending rates to local financial institutions than under SUNREF Palestine and (ii) an overall decrease of investment grant envelope, proportionally to credit lines, rebalanced in favour of energy efficiency investments while reduced for RE projects, more mature market after SUNREF Palestine.

3.5. Intervention Logic

The underlying intervention logic for this action is that a comprehensive approach to fostering Sustainable Economic Development and addressing economic sectors that have the potential to stimulate economic growth, help create decent jobs, welfare and an economy that works for the people and leaves no-one behind.

Amongst the different economic sectors, services and notably ICT, R&D and financial services have shown remarkable potential for growth in the last few years. With the Palestinian economy struggling to grow, the digital economy has the potential to play an important role. Similarly, progress in the energy sector continues at a slow pace, with sustainable energy demonstrating increasing growth potential. The constraints on movement, access and trade continue to be the main impediment to the growth of all economic sectors in Palestine, while the economy continues to suffer from long-term underinvestment. Access to finance remains constrained, notably for very small enterprises and vulnerable groups.

A key set of premises of this action is that a stimulus package along the sectors with great economic potential, including digital and green, will help stimulate growth and create decent jobs, that unlocking trade and investment will give a boost to all economic sectors and that easing access to finance particularly for the marginalised groups will help develop and economy that leaves no one behind. Working simultaneously along digital and green economy, trade, investment and finance will aim bring about a comprehensive economic approach to addressing the issues faced by the Palestinian economy, help build back a modern digitalised and climate-friendly economy, while helping to create an economic system that works for the people. The action will ultimately aim to restore economic growth, create decent jobs and welfare.

With regard to the **digital component**, within a country programmatic framework where the EU intervenes across different and complementary areas (business environment policy reforms, enabling environment for digital economy, innovation and entrepreneurship, investment promotion and FDI attraction), the action has been conceived to meet the needs of Palestinian IT companies (Supply Side) and potential international buyers (Demand Side), to scale up the tech sector, and support research and development in a consistent manner.

In order to achieve the expected outcomes, a three pronged approach is proposed, addressing: 1) IT service capabilities of both firms and individuals, 2) support across the IT ecosystem to stimulate investment in new and complementary sub-sectors (operations, training, IT HR services providers), new R&D hubs and firm-level infrastructural upgrade; 3) international market linkages and facilitation of FDI in the Palestinian IT ecosystem.

Key premises of this component have both an internal and an external dimension and are expected to interplay simultaneously. While on one side at individual and firms' level it is expected that human, technical and financial support translate into improved competitiveness and marketability of the Palestinian tech sector, on the other side correcting market and system failures represent an important precondition in order to reduce risk perception of local and international investors, whose decisions will remain strongly influenced by a positive outlook of short and medium term growth trends of the IT sector, in the region and internationally.

Concerning **trade and investment**, Palestinian economy has long suffered from a large trade deficit and low levels of exports, comparatively low level of competitiveness, difficulties in reaching production standards and quality norms required for export as well as chronic level of under-investment. The action will provide capacity building and financial resources to authorities in charge of public trade and investment-related policies; associations of traders and businesses that export; development of physical infrastructure related to trade. The action assumes that by removing trade bottlenecks Palestinian exports can be expanded and that by enhancing investment-related policies, prioritisation and coordination of investments Palestine can be turned into a more attractive investment destination and investment volumes will expand. A central premise of the component is that better trade and investment policy coupled with competitiveness measures and market access support for businesses can help boost Palestinian exports, balance its trade deficit and mobilise more investment into Palestine.

The PA will be technically supported in international trade policy, negotiations, including with the Israelis, trade-related services, quality policy, investment planning and promotion, which will aim to better seize opportunities of international trade and investment, advocate for removal and easing of Israeli restrictions and improve the trade environment in which Palestinian enterprises operate. The PA also will be supported with capacity building on quality and food standards related aspects, which will improve the level of quality and food safety services delivered in compliance with international norms and thus also enhance Palestinian businesses opportunities to trade, notably leading to larger export volumes. Palestinian SMEs will be supported to improve their export market readiness, penetration and consolidation, which will in turn help more Palestinian business to export and gain long-term trade relationships leading to improved levels of export. Building of physical infrastructure related to trade will be supported, including at checkpoints and logistics centres, which will in turn allow to reduce transaction costs for Palestinian exporters, improve their competitiveness and lead to expansion in trade.

Regarding the **economic resilience of Gazan enterprises** in the long-term and at ultimate level this intervention will contribute to enhancement of the competitiveness and resilience of the MSMEs in the Gaza Strip. It will reach this change through two approaches, first by supporting the establishment of new micro/small businesses and reviving affected micro/small businesses and integrated them in the Gazan economy, and second by enhancing the mainstreaming/integration of the green and circular economy concepts/practices within the industrial sector.

The action is also based on the assumption that sensitizing and building awareness among youth and industrial sector representatives about green and circular economy, enhancing skills of MSMEs in the area of mainstreaming green and circular economy practices as well as improving access to financial and non-financial support will lead to improved competitiveness of Gazan MSMEs, contribute to growth, decent job creation and resilience of the Gazan economy.

3.6. Indicative Logical Framework Matrix

Results	Results chain: Main expected results [maximum 10]	Indicators [at least one indicator per expected result]	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To achieve sustainable, social, gender-inclusive and innovative private-sector-led development with equitable access to natural resources, paving the way to Palestinian economic independence and an economy that works for the people	1. Real annual GDP growth increase 2. Increase in employment (amongst women and youth) 3. Improvement of MSME competitiveness	To be finalised at project level	To be finalised at project level	To be finalised at project level	<i>Not applicable</i>
Outcome 1	1. Palestinian IT firms achieved higher levels of economic digital transformation and support start-ups by fostering innovation, productivity, created jobs and growth	1.1 Value of new contracts signed between local IT service firms and international buyers 1.2 Number of Long term contracts created 1.3 Volume of additional private investment in technology and skill upgrading 1.4 Number of partnerships between local IT services firms and international buyers	To be finalised at project level	USD 10 million 650 (50% female) USD 3 million 20	To be finalised at project level	
Outcome 2	2. Expanded and diversified Palestinian international trade and more quality domestic and foreign investment attracted, creating revenue, new jobs, innovation, growth and welfare	2.1 Volume of revenue generated 2.2 Volume of increase in exports share to countries other than Israel 2.3 Percentage decrease of Palestine trade deficit	Value of export share to countries other than IL USD 139.1 million Share 14.6%	To be finalised at project level	To be finalised at project level	

		2.4 Percentage increase in private sector domestic and Foreign Direct Investments 2.5 Number of enterprises benefiting from public services	Annual growth -25%			
Outcome 3	3. Enhanced competitiveness and resilience of micro, small and medium sized businesses in the Gaza Strip	3.1 # of project beneficiaries succeeded to start their own businesses 3.4 # of project beneficiaries addressed their legal business environment challenges 3.5 # of beneficiaries have facilitated access to, and established linkages with, MFIs 3.6 # of beneficiaries consider green practices in their businesses 3.7 # of innovative and feasible green solutions created by industries 3.2 # industrial facilities fully transferred into green 3.9 # of created solutions paired with, or sponsored by, Palestinian companies	To be finalised at project level	To be finalised at project level	To be finalised at project level	
Outputs related to Outcome 1	1.1 Created business opportunities, long-term jobs, enhanced capacities and innovation of IT firms and start-ups	# of individuals # of companies # of graduates # of new IT operations	To be finalised at project level	To be finalised at project level	To be finalised at project level	

	<p>1.2 Additional private sector capital, early stage funding for start-ups is mobilised for the IT sector to grow.</p> <p>1.3 Partnerships between West Bank and Gaza IT businesses, start-ups and international buyers are signed.</p>	<p># of new R&D centres</p> <p># companies</p> <p># investment projects</p>				
Outputs related to Outcome 2	<p>2.1 Enhanced formulation and implementation of trade and investment policy by the PA helping to expand trade with international, EU markets and to better attract investment and finance.</p> <p>2.2. Strengthened quality infrastructure systems and food safety systems, leading to improved standards of Palestinian products, their acceptance and presence on international, EU markets.</p> <p>2.3. Increased commercial presence of the Palestinian private sector abroad supporting expansion, innovation and greening of Palestinian exports to international, EU markets.</p> <p>2.4. Improved physical trade-related infrastructure to reduce economic losses, transaction</p>		To be finalised at project level	To be finalised at project level	To be finalised at project level	

	costs and to enhance international competitiveness of Palestinian products.					
Outputs related to Outcome 3	<p>3.1 Improved local Gazan market opportunities for micro- and small enterprises, notably led by youth, with enhanced business capacities, revived and newly established enterprises offering jobs</p> <p>3.2 Adopted innovative green and circular economy models within the industrial sectors, with improved capacities and awareness about green and circular economy among Gazan businesses</p>	<p># Civil Society Organisations capacitated in the field of business development services</p> <p># submitted Business ideas selected to receive soft and business skill training</p> <p># of beneficiaries improved their knowledge and skills related to business and life skills</p> <p># business ideas received financial and non-financial support</p> <p># hostilities affected business received financial and non-financial support</p> <p># innovative and feasible green solutions received financial and non-financial support</p> <p># beneficiaries and industrial sectors become aware of green practices</p> <p># beneficiaries adapted green practices in their businesses</p>	To be finalised at project level	To be finalised at project level	To be finalised at project level	

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

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

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3.1 will be carried out and the corresponding contracts and agreements implemented, is 96 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 measures¹².

4.3.1. Direct Management (Grants)

a) Purpose of the grant(s)

The grant will contribute to the objective 2 Output 2.3.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Palestine Trade Center – PalTrade, a non-profit Non-Governmental Organisation established in West Bank and Gaza and registered with the Palestinian Authority, selected using the following criteria: i) mandate in the area of export promotion, established track-record in conducting activities in support of trade development and export promotion objectives (e.g. support to development of national level policy documents or strategies, organisation and conduct of national-level Palestinian delegations to international trade fairs); ii) experience with organisation of international business events and conference (e.g. Business-2-Business, Business-2-Government meetings, international business, investment a trade fora); iii) experience in providing trade-related services to the Palestinian private sector (e.g. support with export/import procedures, support with acquiring of quality and production certificates required for export to international markets); experience in conducting complex market intelligence gathering and analysis, including data collection, analysis, visualisation, publication and dissemination; proven track record of working on trade, export and import matters with the international community in Palestine (e.g. conduct of studies on behalf of the international community, implementation of sizable projects funded by the international donors, engagement in coordination activities with the international community).

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 based on the above type of beneficiary and the selection criteria there is only one beneficiary institution in Palestine benefiting from a legal and factual monopoly situation with regards to the above outlined. This is with reference to Article 195(c) of the Financial Regulation 2018/1046, which refers to bodies with a de jure or de facto monopoly situation.

¹² 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.

This beneficiary possesses a status of a not for profit, non-governmental organisations, while fulfilling functions that a typical national export promotion agency would do in a different country setting. The beneficiary in question, possesses an explicit mandate for export promotion in its statutes, granted to it by the PA and enjoys membership of the Ministry of National Economy on this management board. As such the beneficiary acts as a de-facto National Trade Development and Export Promotion Organisation. The beneficiary is also the only organisation in Palestine, which combines such publicly oriented mandate with a mandate to represent and support the private sector traders directly.

4.3.2. Direct Management (Procurement)

The procurement will help achieve the Outputs 2.1 and 2.2 of the objective 2

4.3.3. Indirect Management with entrusted entities

4.3.3.1. Indirect Management with a pillar-assessed entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: i) multi-country experience in developing integrated digital economy programmes and proven track record of working in Palestine with the Palestinian Authority institutions as well as the private sector; ii) structured approach to digital economy response strategy in Palestine; iii) leadership in digital economy programming in Palestine.

The implementation by this entity entails contributing to the Specific Objective 1.

4.3.3.2. Indirect Management with a pillar-assessed entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: international expertise in development and implementation of infrastructure projects; experience in infrastructure development in Palestine notably with the public sector; previous experience with building of infrastructure especially in Area C and Gaza with complex interdependency on Israeli authorities.

The implementation by this entity entails contributing to the Output 2.4 of objective 2.

4.3.3.3. Indirect Management with a pillar-assessed entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: strong international expertise in the area of food safety and SPS, notably with regard to best international practices and matters related to trade; profound knowledge of the overall agriculture sector in Palestine and specifically the framework of food safety and SPS; proven experience supporting the PA institutions in development and implementation of food safety and SPS legislation and systems.

The implementation by this entity entails contributing to the Output 2.2 of objective 2.

4.3.3.4. Indirect Management with a pillar-assessed entity

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: strong international expertise in the area of building economic resilience in the Gaza Strip, notably with regard to assistance to MSMEs via non-profit civil society organisations; profound knowledge of the Gazan economy, notably the needs and dynamics of its SME sector; knowledge of green and circular economy approached and business models along with experience in green economy awareness raising and advisory service delivery; knowledge of access to finance, specifically experience with micro-finance in the Gaza Strip; proven track record supporting the Gazan MSMEs with capacity building as well as mechanisms for seed grant distribution.

The implementation by this entity entails contributing to the Specific Objective 3.

4.3.3.5. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If under 4.3.3.1, 4.3.3.2, 4.3.3.3, 4.3.3.4, the negotiations do not conclude, the method of implementation will shift to direct management.

4.4. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in currency identified
Implementation modalities – cf. section 4.3		
Specific Objective 1. Digital Transformation for Youth and Jobs composed of:	7 500 000	
Indirect management with an International Organisation cf. section 4.3.3	7 500 000	16 000 000
Specific Objective 2. Trade & Investment, Standards and Infrastructures composed of:	17 000 000	
Grant cf. section 4.3.1	NA	
Procurement cf. section 4.3.2	NA	
Indirect management with an International Organisation cf. section 4.3.3	9 000 000	
Indirect management with an International Organisation cf. section 4.3.3	2 000 000	
Specific Objective 3. Resilience and Recovery for Gazan Micro, Small and Medium Sized Enterprise composed of:	6 000 000	
Indirect management with a Member State Organisation cf. section 4.3.3	6 000 000	
Grants – total envelope cf. section 4.3.1	3 000 000	
Procurements – total envelope cf. section 4.3.2	3 000 000	
Evaluation cf. section 5.2 Audit cf. section 5.3	NA	
Communication cf. section 6	NA	
Totals	30 500 000	16 000 000

4.5. Organisational Set-up and Responsibilities

Each implementation modality will entail a dedicated Steering Committee. Due to the composite nature of this action, 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 components.

All activities under the Outcome 2, given their complexity, involvement of multiple actors and stakeholder, will be coordinated under a single mechanism, e.g. through establishment of a Joint Steering Committee that will bring together the EU and all relevant actors from the implementing partners, international community as well as Palestinian public and private bodies. The arrangement of a joint Steering Committee meeting will work to ensure maximum coordination, synergy and complementarity between all the implementation modalities under this component.

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 results (Outputs and direct Outcomes) 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:

Close monitoring will be carried out at the action level and managed by the EU through the Office of the EU Representative to the West Bank and Gaza Strip (EU REP), based in East Jerusalem. The EU REP Office will conduct continuous monitoring of activities, occasional site visits and will review, propose and approve corrective actions where necessary. Implementing partners, including International Organisations, local institutions and contractors will conduct regular report on activities and progress in achieving the actions outputs and outcomes.

Given the composite nature of the action specific arrangements, such as regularity of reports, establishment, compositions and frequency of meetings of steering committees will be outlined in detail for each of the interventions within the four components at the design stage and in the contractual arrangements. In terms of results reporting, baseline data is not yet available and will be provided at contracting stage, at the latest at the end of the inception phase and on the level of individual contracts to be conducted within the four components.

It is to be noted that the action proposes establishment of a joint steering committee for all interventions contributing to various outputs under the component 2 on trade and investment. It is proposed that this is arranged through a steering committee that brings together different actors involved and offers an opportunity to discuss and review progress of individual programmes through back-to-back discussions on a more strategic level, also ensuring that maximum complementary and synergy is developed in this regard. Further to this,

what regards the blending operations and the interventions in the financial and investment sectors, activities will be further coordinated on monitored in the framework of the EU-Palestine Investment Platform.

5.2. Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via implementing partners and through a joint mission where applicable.

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 the present is a composite action the components of which mutually reinforce each other on a systemic level through their positive impact on the Palestinian economy at large stimulating sustainable, green and digital economic development, growth, job creation and welfare.

The Commission shall inform the implementing partner at least 30 days in advance of the dates envisaged 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 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. COMMUNICATION AND VISIBILITY

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions, to advertise the European Union's support for their work to the relevant audiences.

To that end they must comply with the instructions given in the [*Communication and Visibility Requirements of 2018*](#) (or any successor document), notably with regard to the use of the EU emblem and the elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

These obligations apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries or entrusted entities. 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.

Communication and visibility measures may be funded from the amounts allocated to the action. 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 concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts. 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.