

ANNEX 5

of the Commission Implementing Decision on the Annual Action Plan 2014 in favour of Palestine¹, to be financed by the general budget of the European Union

Action Document for Support to East Jerusalem**1. IDENTIFICATION**

Title/Number	Support to East Jerusalem CRIS number: ENI/2014/034-090		
Total cost	Total estimated cost: EUR 10,531,000 Total amount of EU budget contribution: EUR 10,000,000		
Aid method / Management mode and type of financing	Project Approach Direct management for grants – direct award and procurement of services. Indirect management with UNDP/PAPP.		
DAC-code	16010	Sector	Social Welfare

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

By adopting a practical approach to sustain and develop the living conditions of Palestinians in East Jerusalem, the project seeks to prevent the population from being further coerced into leaving the city, thus pre-empting possibilities for future talks on the final status of East Jerusalem.

Through targeted interventions in the following sectors: (i) legal assistance, (ii) disability, (iii) economic development, (iv) socio-economic empowerment of vulnerable groups, (v) community participation and grassroots empowerment, and (vi) socio-economic and cultural identity, the project responds to the continued deterioration of socio-economic trends, characterized by insufficient public investment in community services as well as housing and infrastructure, inadequate municipal public services, low labour force participation, limited opportunities and protection for women and vulnerable groups, low private investment and minimal economic development.

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

2.2. Context

2.2.1. Country context

2.2.1.1. Economic and social situation and poverty analysis

The economy of Palestine has been marked by the disruption of more than forty years of occupation and conflict, during which the economic growth path has paralleled political developments. The myriad of restrictions imposed by the Government of Israel has deterred growth and resulted in an economy highly dependent on the Israeli market and on donor aid.

Obstacles for economic development are multiple: limited access to land, water and other natural resources in the West Bank; segregation from the East Jerusalem market and inadequate public investment in East Jerusalem by the Jerusalem Municipality, as well as limited access to Area C (60% of the West Bank); de facto ban on exports from the Gaza Strip; severe restrictions on import of products considered by Israel to be of "dual use"²; disrupting effects of settlement activity and settlers, notably in Area C; difficulty and uncertainty of obtaining movement permits for both Palestinian and foreign nationals. Consequently, the Palestinian economy is characterised by low levels of investment, low exports, geographical fragmentation, the decline of the industrial and agricultural sectors, workers skills deficit across all sectors, high unemployment rates (women and youth in particular) and increasing poverty levels, despite a certain comparative advantage arising from a workforce with low wages compared to its high level of education.

According to a recent report submitted by the International Monetary Fund (IMF) at the AHLC meeting of September 2013, the economic situation in Palestine continues to deteriorate. The consistently strong growth in the West Bank witnessed from 2007 to 2011 (6-9% per year) was largely driven by government spending, in turn, funded by aid flows, and to a lesser degree easing of restrictions on movement and access by Israel. However, since 2012, growth has decelerated and the projections of the Ministry of Finance foresee a continuous regression of the GDP from 4.4% (in 2014) to 3.6% (in 2015) and 3.1% (in 2016) if the economic and political situation remain unchanged. Trade deficit is a continuous challenge and with a population growing at an annual rate of 2.96%, the unemployment rate continues to be alarmingly high.

Furthermore, the Palestinian Authority (PA) has limited control of its revenues, remaining dependent on clearance revenue transfers from Israel (Israeli collects border revenues on behalf of the PA, which represent more than 65% of the PA national budget revenues). In response to the Palestinian's bid for non-member state status at the UN on 29 November 2012, Israel stopped transferring these clearance revenues in December 2012 and January 2013 – worsening the PA's fiscal situation and creating instability in the economy. On 25 March 2013, Israel resumed transfers, but it continues to deduct from the sums transferred, in a rather opaque manner, the

² Items that have both civilian and potentially security-threatening use.

cost of utilities owned by Palestinian municipalities ('Net Lending') in contravention of the provisions of the Paris Protocol.

In the short term, the PA will continue to depend on donor aid to cover its recurrent deficit, estimated at USD 1.4 billion for 2013. In spite of some increase in donor aid (USD 1.3 billion against 0.8 billion in 2012, but down from USD 1.8 billion in 2008), this has been insufficient to cover the deficit in the past years. Consequently, in 2013 the PA has continued to accumulate considerable debts to the banking sector and arrears to the private sector which reach more than USD 0.5 million while the accumulated arrears to the pension funds is now estimated at more than USD 1.4 billion. Health services have also been greatly affected, with a level of accumulated unpaid arrears toward the East Jerusalem Hospitals that threatens their survival.

2.2.1.2. National development policy

The Palestinian National Development Plan (PNDP) 2014-2016 including the PA's new Governance Strategy for 2014-2016 (and financial commitments associated with it) is not yet finalised. At the time being, only the agenda for the national policies in the PNDP 2014-2016 has been shared with donors and confirms that the sectors of (i) governance, (ii) social sector, (iii) economic sector, and (iv) infrastructure, remain a priority.

As far as East Jerusalem is concerned, the Strategic Multi-Sectorial Development Plan (SMDP), which was identified in the previous PNDP as the specific planning instrument for East Jerusalem, expired in 2013. There is no indication of development of updated strategic instruments for East Jerusalem, despite interest and will to do so have been expressed by the Office of the President of the Palestinian Liberation Organisation (PLO). Yet, the draft PNDP still briefly refers to the SMDP and set the expansion of Palestinian sovereignty over Jerusalem as a priority while emphasize on Jerusalem is made throughout the document. Specifically, the PNDP calls for "initiatives and setting up plans and programmes" to "activate and mobilize Palestinian, Arab and international political, financial and moral support".

The Joint Action Plan, signed between the PA and the EU in March 2013, puts emphasize on "political support for the convening of elections, including in East Jerusalem" and on support to "the political, economic, social and cultural rights of the Palestinian people in East Jerusalem, in line with the FAC Conclusions of December 2009".

It will be essential that the PLO and the PA increase their leadership and ownership over East Jerusalem by proposing development strategies and leading donor co-ordination.

2.2.2. *Sector context: policies and challenges*

East Jerusalem has traditionally served as the focus of political, commercial, religious and cultural life for the entire Palestinian population of Palestine. Since the 1967 occupation and its annexation by the Israeli government in 1980, East Jerusalem depends de facto on the Israeli municipality for its governance and the

delivery of public services, although this annexation has never been recognised by the international community.

Israel has followed a policy of isolating East Jerusalem from the rest of the West Bank, notably through the construction of the Separation Barrier and settlement expansion in and around the eastern parts of the city. This physical separation has severely affected the economic activities of East Jerusalem, as well as weakened the social fabric of its Palestinian community. Moreover, East Jerusalem has been even more marginalized by the asymmetric delivery of public services provided by the Israeli municipality to Jerusalem's Palestinian population. This complexity in the political reality and its resulting instability exacerbate the vulnerability of the fragmented communities and of the marginalized groups, notably people with disabilities. Recent trends in substantial land confiscation, increased house evictions and demolitions in highly populated urban neighborhoods, further abate the Palestinian community in the city. As for the East Jerusalem private sector, it is characterized by very low levels of investment, workers skills deficit across sectors, high unemployment rates, the permits regime, the limited access to land and building permits and the segregation from the West Bank market. Finally, the financial crisis of the PA is severely affecting East Jerusalem hospitals functioning³, the remaining bastion of Palestinian service provision in occupied East Jerusalem. This overall deteriorating situation and the absence of national reference feed in the lack of community empowerment and the absence of community leadership.

The necessary political support to encourage actions in East Jerusalem has been regularly reiterated in the Council of the European Union's conclusions on the Middle East Peace Process since 2010. Hence, the European Union (EU) has clearly recalled that it has never recognized the annexation of East Jerusalem and has reaffirmed its commitment to Jerusalem as the future capital of two states. Pending a final status agreement, East Jerusalem should remain an integral part of the Palestine and should be maintained as a center of life for its Palestinian population.

2.3. Lessons learnt

Lessons learnt have been drawn from an external evaluation of the EU funded programme to support the delivery of public services in East Jerusalem between 2007 and 2011. Furthermore, projects' external evaluations, or consultations with civil society organisations or other donors provide us with useful feedback on the programme.

In addition, reports from regular Results Oriented Monitoring of ongoing projects are used to support identification and formulation of new actions in East Jerusalem.

The lessons learned for actions in East Jerusalem as a whole can be summarised as follows:

- While the EU shall maintain its method of implementation to work through partnerships between European/International organisations and local

³ In January 2014, the East Jerusalem Hospital Network (EJHN) issued an urgent appeal calling on donors to support the PA in meeting its obligation towards the East Jerusalem hospitals.

organisations thus creating an umbrella mechanism, it should also consider working directly with Palestinian organisations when conditions matching the highly sensitive and political context are met.

- The EU must maintain its flexible and creative approach towards means of implementation. More specifically, the initial EU approach of working across sectors combined with the most recent geographical approach have allowed interventions to respond to various needs in East Jerusalem, ensuring relevancy and responsiveness.
- Enhance co-ordination on all ongoing operations in East Jerusalem in order to avoid duplication and increase the potential for synergies between all the actions remains critical.

2.4. Complementary actions

On the basis of the updated matrix of donors' interventions in East Jerusalem gathered by the EU Representative Office mid-2013, and in co-ordination with the Office of the President of the Palestinian Liberation Organisation (PLO), the EU has identified the present operation in complementary of ongoing and planned actions in East Jerusalem. In addition, the operation is building on synergies created with ongoing EU-funded projects in the East Jerusalem programme as well as with other EU-funded initiatives within either thematic programmes or the private sector development programme.

At EU level, East Jerusalem is a non-focal sector of the Single Support Framework 2014-15. The EU aims at adopting a more strategic approach to sustain the presence of the Palestinian population and the Palestinian identity of the city, responding to the EU political commitment on the status of East Jerusalem and to the ENP Joint Action Plan (priority 8).

2.5. Donor co-ordination

Donor co-ordination in East Jerusalem remains a challenge despite the political will of major donors to engage in the city. The absence of Palestinian institution in East Jerusalem and the lack of clear institutional framework guiding development strategies make extremely difficult donor co-ordination at operational level.

In 2012, the EU Representative Office (EUREP) initiated information sharing amongst all donors and produced a mapping of ongoing interventions (Arab donors are quasi absent). The EU Representative Office has re-initiated an attempt to strengthen co-ordination between EU Member States at the beginning of 2013 and an operational Working Group on East Jerusalem has been set up in April 2013 (led by the EUREP). In addition, the EUREP is maintaining information sharing with the most significant actors, i.e. the UN family, the Welfare Association and the Islamic Development Bank.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** is to maintain the viability of the two-state solution with Jerusalem as the capital of the two states.

The **specific objective** is to strengthen the resilience of the Palestinian East Jerusalem residents and preserve the Palestinian character of the city, and in particular:

- To strengthen the protection of Jerusalemites' housing, land and property rights (component 1).
- To increase the realization of the rights and entitlements of adults and children with disabilities in East Jerusalem (component 2).
- To enhance the preservation of the Arab Palestinian identity of Jerusalem through urban, commercial and community development (component 3).
- To foster socio-economic empowerment of vulnerable groups (component 4).
- To promote economic growth and social equity through a sustainable urban revitalization of the commercial centres (component 5).

3.2. Expected results and main activities

Component 1: Information, Counselling and Legal Assistance for the Protection of East Jerusalemites Affected by or at Risk of Forced Displacement

To palliate for the Israeli policies and practices that cause forced displacements in East Jerusalem, the action will provide a range of legal and advocacy services to Palestinians at risk with the aim to strengthen their protection.

The main **expected results** are increased access to immediate legal aid response; improved capacity of stakeholders to counsel and assist; and enhanced legal and advocacy strategies and public interest litigation to challenge policies and practices. Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will be organised around 3 components: i) co-ordination of immediate legal response; ii) reinforcement of the preventive legal response through outreach, trainings, courts-monitoring, etc...; iii) support to policy change by filing public interest cases, targeting legal representations at international level, carry out legal research, co-ordinate international advocacy. In addition, a capacity building plan of local partners shall be included in the action.

Component 2: People with disabilities in East Jerusalem enjoy improved living conditions

Building on the lessons learnt of its Phase I, this 2-fold initiative will strengthen knowledge of practitioners and service providers on treatments and education of children with autism while addressing discriminatory practices against people with disabilities.

The main **expected results** are strengthened skills of practitioners in the areas of autism and Attention Deficit Hyperactive Disorder (ADHD); increased access to treatment for autistic and ADHD children; improved access to disability entitlements.

Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will be organised around 2 parts: i) capacity building of health and special education professionals in the fields of autism and ADHD in East Jerusalem with outreach programme in the West Bank; ii) co-ordination of legal/paralegal assistance and awareness raising on people with disabilities rights and entitlements. In addition, a capacity building plan of local partners shall be included in the action.

Component 3: Meeting point – activating Zahra Street

Faced with the progressive desertion of East Jerusalem cultural and commercial centre, this initiative will co-ordinate synergies between sectors such as culture, economy, tourism, to encourage cultural, business and social development in one of the main street of East Jerusalem centre.

The main **expected results** are increased public frequentation of Zahra street, improved infrastructure of Zahra street, development of inter-sectorial community actions; creation of a business centre.

Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will be organised around 2 parts: i) cultural and community development by co-ordination of cultural activities with tourism and commercial actors and by reaching out to artists, designers and young entrepreneurs; ii) support economic development with the establishment of a business centre assisting established local businesses and entrepreneurs while providing financial assistance and consultancy to start ups. In addition, a capacity building plan of local partners shall be included in the action.

Component 4: Support to socio-economic empowerment of vulnerable groups

In order to palliate for the rise in unemployment and poverty levels, the overcrowding and the deterioration of social fabric in the Old City of Jerusalem, this initiative will aim at fostering social resilience and economic opportunities impact through a multi-layer action.

The main **expected results** are improved provision of basic social services and increased income generating activities and self-employment.

Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will include capacity building of psycho-social services, delivering educational training to youth and supporting self-employment strategies. In addition, a capacity building plan of local partners shall be included in the action.

Component 5: PURE – Productivity and Urban Renewal in East Jerusalem

In order to compensate for the isolation of East Jerusalem and the impact of the Israeli policies, this initiative aims at enhancing the organizational and infrastructural set up of the East Jerusalem commercial centre around Sultan Suleiman and Salah Eddin streets.

The main **expected results** are production of research and planning studies, parts of the street facades are renovated, new commercial building are created, a commercial strategy is established.

Qualitative and quantitative indicators will be developed during the formulation phase.

The **main activities** will include commercial restoration and housing units' restoration, urban preservation by up scaling hotels and street market, expand tourist infrastructure and public services, and provide guidance and support to shop owners. In addition, a capacity building plan of local partners shall be included in the action.

3.3. Risks and assumptions

The implementation of the EU support to Palestine is subject to unusual types and high levels of risk. As in previous years, any political developments directly affect the situation in East Jerusalem and may immediately impact on the ability of the organisations to operate and implement actions. In addition, all projects implemented in East Jerusalem, especially those requiring the import of goods, equipment and the free movement of service providers or of qualified workers, are at substantial risk from unpredictable policies by the Government of Israel. Israeli policy to restrict working visas for international NGOs' staff members remains a risk to the operational capacity of such organisations. Consequently, the alternative option of supporting well established Palestinian organisations directly will continue to be assessed on a case-by-case basis, although they are also at risk of undergoing political pressures, or even closure by Israeli Authorities. It is also worth noting that pressure from the anti-normalisation movement has been witnessed during 2012 and 2013, which add another layer of complexity for local organisations operating in East Jerusalem.

Despite the continued interest of international actors to provide support to communities in East Jerusalem, risks pertaining to donor fatigue, insufficient donor financing persist. In addition, in the absence of PA in East Jerusalem, uncertainty concerning which Palestinian entity should be primarily responsible for the assistance to East Jerusalem remains, henceforth increasing the risks that assistance is not delivered in a co-ordinated and strategic manner. The risk can be mitigated by

a unified position on the part of the donor community, and at least within the EU on the channelling of the funds targeting East Jerusalem.

3.4. Cross-cutting issues

Good governance principles are applied to the implementation mechanism and ownership on the part of the Palestinian civil society (in the absence of Palestinian Authority) is assured. Furthermore, good governance and the use of local systems are embedded in the design of each initiatives of this action and even more significantly in components 3 and 5.

Gender equality will be promoted in every component of the action and sex-disaggregated data will be used when possible. In addition, the present action provides services vital to the social and economic rights of the Palestinian population of East Jerusalem, focussing in particular on children and women needs.

Environmental sustainability is a central cross-cutting issue for components 3, 4 and 5, and environmentally-friendly business practices will be promoted through these same components.

3.5. Stakeholders

The direct beneficiary of the present action is the Palestinian population living in East Jerusalem as a whole, and more particularly vulnerable communities, people with disability, people whose housing, land and property rights as well as residency rights are being violated, private sectors actors (including shop owners, young or women entrepreneurs, the Arab Chamber of Commerce), and cultural institutions.

Key stakeholders remain primarily community-based organisations, local and international NGOs and international organisations serving or targeting East Jerusalem communities, and community leaders. As in previous years, the institutional capacity of the remaining East Jerusalem organisations, such as the East Jerusalem Hospitals or the Chamber of Commerce, remains fragile, and it is still important to co-ordinate with them as well as support them whenever possible.

The EU directly relates to the Office of the President of the PLO in matters related to the EU Programme of Support to East Jerusalem. The link with the Office of the President of the PLO and its continued commitment to East Jerusalem is critical and should be fostered. Co-ordination with PA Line Ministries takes place as and when most appropriate.

4. IMPLEMENTATION ISSUES

4.1. Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012, but with the Office of the President of the PLO, in line with international law and agreements on the status of East Jerusalem.

4.2. **Indicative operational implementation period**

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is 48 months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action Document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. **Implementation components and modules**

The extremely sensitive political situation created by the international non-recognition of Israeli annexation of East Jerusalem and all the subsequent legal and political implications do not create a framework in which the EU would have solid legal, political and operational basis for the publication of a call for proposals. In light of this fragile context, confirmed by the repeated EU recognition of crisis situation in Palestine for several years, a sound implementation of this project calls for direct award of proposed actions.

4.3.1. ***Component 1 - Grant: direct award (direct management)***

- (a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The **general objective** is that Palestinians affected by forced displacement enjoy their Housing, Land and Property (HLP) rights.

The **specific objectives** are:

- Palestinians HLP rights are protected;
- Beneficiaries are empowered and capacity of lawyers and other professionals on HLP rights is enhanced;
- Policies and practices causing displacement are highlighted, challenged and ultimately changed.

The **fields of intervention** will include counselling and legal assistance, legal representation for public cases, capacity building and trainings, court-monitoring and legal and advocacy strategies.

The **main expected results** are increased access to immediate legal aid response; improved capacity of stakeholders to counsel and assist; and enhanced legal and advocacy strategies and public interest litigation to challenge policies and practices.

Fields of interventions and respective expected results could be slightly adjusted during the formulation phase of the action.

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to the **Norwegian Refugee Council**.

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified on the one hand because Palestine has been acknowledged to be in a "crisis situation" as referred to in Article 190(2) RAP, allowing for the use of flexible procedures in accordance with applicable provisions, and on the other hand because the selected organisation has been identified as demonstrating the best specific competence and experience in view of the nature and objective of the action. Indeed, the complexity and volatility of the political situation combined with the practices of Israeli authorities are extremely deterrent for local organisations to engage into legal assistance interventions in East Jerusalem.

Given the politically sensitive situation in East Jerusalem, the beneficiary of the direct grant could be modified at a later stage with regard to the results to be achieved via Component 1, if needed in light of point (d) below.

(c) Eligibility conditions

N/A

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

Second trimester 2014.

4.3.2. Component 2 – Grant: direct award (direct management)

- (a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The **general objective** is to promote and contribute to increased realization of the rights and entitlements of adults and children with disabilities in East Jerusalem.

The **specific objectives** are:

- To strengthen the capacity of the Jerusalem Centre for Disabled Children to provide quality services for children with autism and Attention Deficit and Hyperactivity Disorder (ADHD);

- To raise awareness on the rights of people with disabilities in East Jerusalem and facilitate access to their entitlements under Israeli law through challenging discriminatory policies and practices.

The **fields of intervention** will include trainings and on the job counselling, creation of a new classroom for children with autism, providing therapies for children with autism and/or ADHD, providing counselling and legal assistance, legal representation against discriminatory practices, raise awareness on people with disabilities and their rights.

The main **expected results** are strengthened skills of practitioners in the areas of autism and ADHD; increased access to treatment for autistic and ADHD children; improved access to disability entitlements.

Fields of interventions and respective expected results could be slightly adjusted during the formulation phase of the action.

- (b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to **Diakonia** (in partnership with the Jerusalem Centre for Disabled Children).

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified on the one hand because Palestine has been acknowledged to be in a "crisis situation" as referred to in Article 190(2) RAP, allowing for the use of flexible procedures in accordance with applicable provisions, and on the other hand because the selected organisation has been identified as demonstrating the best specific competence and experience in view of the nature and objective of the action . Indeed, the complexity and volatility of the political situation combined with the practices of Israeli authorities are extremely deterrent for local organisations to engage into rights-based initiatives in East Jerusalem.

Given the politically sensitive situation in East Jerusalem, the beneficiary of the direct grant could be modified at a later stage with regard to the results to be achieved via Component 2, if needed in light of point (d) below.

(c) Eligibility conditions

N/A

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

Second trimester 2014.

4.3.3. Component 3 – Grant: direct award (direct management)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The **general objective** is to enhance the living situation of Jerusalemites and preserve the Arab Palestinian identity of Jerusalem through urban, commercial and community development of the area around Al-Zahra street.

The **specific objectives** are:

- To create a new model for synergies between culture, economy and tourism to strengthen community development;
- To establish an open, public, active cultural hub in Zahra street for the Palestinian youth and community;
- To enhance initiatives bringing about a productive business and social environment.

The **fields of intervention** will include designing and implementing cultural activities in co-operation with tourism and commercial actors, developing network and support to artists/designers and young entrepreneurs to establish production lines for handmade artistic commodities, promote awareness on the initiative and encourage duplications, supporting shop owners.

The main **expected results** are increased public frequentation of Zahra street, improved infrastructure of Zahra street, development of inter-sectorial community actions; creation of a business centre.

Fields of interventions and respective expected results could be slightly adjusted during the formulation phase of the action.

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to **Palestinian Art Court – Al Hoash**.

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified on the one hand because Palestine has been acknowledged to be in a "crisis situation" as referred to in Article 190(2) RAP, allowing for the use of flexible procedures in accordance with applicable provisions, and on the other hand because the selected organisation has been identified as demonstrating the best specific competence and experience in view of the nature and objective of the action . Indeed, the complexity and volatility of the political situation combined with the practices of Israeli authorities' results in a scarcity of organisations involved in holistic developmental approaches in East Jerusalem.

Given the politically sensitive situation in East Jerusalem, the beneficiary of the direct grant could be modified at a later stage with regard to the results to be achieved via Component 3, if needed in light of point (d) below.

(c) Eligibility conditions

N/A

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

Second trimester 2014.

4.3.4. **Component 4 – Grant: direct award (direct management)**

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The **general objective** is to enhance the socio-economic conditions of vulnerable groups in East Jerusalem.

The **specific objectives** are:

- To foster social resilience in the Old City of Jerusalem;
- To promote economic empowerment in the Old City of Jerusalem.

The **fields of intervention** will include assisting the availability and quality of psycho-social services for youth, women and children in the Old City through training, hygiene promotion, literacy support, etc; and increase youth and women employability through vocational trainings and promotion of local entrepreneurship.

The **main expected results** are increased psycho-social assistance for children and their families; improved economic opportunities for women and youth.

Fields of interventions and respective expected results could be slightly adjusted during the formulation phase of the action.

(b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the grant may be awarded without a call for proposals to **Comitato Internazionale Per Lo Sviluppo Dei Popoli (CISP)**.

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified on the one hand because Palestine has been acknowledged to be in a "crisis situation" as referred to in Article 190(2) RAP, allowing for the use of flexible procedures in accordance with applicable provisions, and on the other hand because the selected organisation has been identified as demonstrating the best specific competence and experience in view of the nature and objective of the action . Indeed, the complexity and volatility of the political situation and the absence of official Palestinian presence combined with the practices of Israeli authorities make all initiatives based on local empowerment and participation extremely difficult and risky to implement, especially for local organisations that remain constantly at risk of forced closure.

Given the politically sensitive situation in East Jerusalem, the beneficiary of the direct grant could be modified at a later stage with regard to the results to be achieved via Component 4, if needed, in particular in light of point (d) below.

(c) Eligibility conditions

N/A

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

The maximum possible rate of co-financing may be up to 100% in accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

Second trimester 2014.

4.3.5. Component 5 – Indirect management with an international organisation

A part of this action with the objective of improving economic growth and social equity and cohesion through a sustainable urban revitalization may be implemented in indirect management with the United Nations Development Programme/Programme of Assistance to the Palestinian People (UNDP/PAPP) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation is justified because over the past years UNDP/PAPP has actively deepened its involvement in East Jerusalem, notably in the housing rehabilitation, education and economic development sectors. UNDP/PAPP is currently implementing a rehabilitation project in the Old City of Jerusalem and already established the delicate contacts with the Islamic Waqf, the relevant local stakeholders and the Israeli Antiquities Authorities.

The entrusted entity would support a sustainable urban revitalization of the commercial areas of East Jerusalem, including the construction of new commercial buildings to accommodate new business activities, upgrading the existing structural conditions of the historical buildings as well as of their infrastructure, facilities, and surrounding landscape, expand tourist infrastructure and public services. UNDP shall be responsible of the implementation modalities of the action (notably through procurement of services, works and supplies).

The entrusted entity is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the responsible authorising officer deems that, based on a

preliminary evaluation and on the long-standing and problem-free co-operation with this entity, it can be entrusted with budget-implementation tasks under indirect management.

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

4.4. Scope of geographical eligibility for procurement and grants

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

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(3) of Regulation (EU) 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

4.5. Indicative budget

Module	Amount in EUR thousands	Third party contribution (indicative, where known)
4.3.1. Component 1– Direct grant (direct management)	1,500	166
4.3.2. Component 2 – Direct grant (direct management)	1,500	166
4.3.3. Component 3 – Direct grant (direct management)	1,000	111
4.3.4. Component 4 – Direct grant (direct management)	800	88
4.3.5. Component 5 – Indirect management with UNDP/PAPP	5,000	0
4.7. – Evaluation and audit	80	N.A.
4.8. – Communication and visibility	110	0

Contingencies	10	N.A.
Totals	10,000	531 ⁴

4.6. Performance monitoring

The project will be monitored by Beneficiaries according to relevant indicators of performance, including gender-disaggregated data. The choice of key progress indicators will form part of the project formulation process and each action will be supported by a logical framework including objectively verifiable indicators to evaluate each stage's level of achievement.

The specific geographical and political complexity cause sectorial data to be very scarce and not completely reliable in East Jerusalem. In case of non-availability of existing information on baseline values necessary to establish relevant indicators, the projects could be designed in such a way that the baseline is established during the first months of implementation and target values adapted accordingly.

Performance indicators shall be identified during the formulation phase of the action.

4.7. Evaluation and audit

Grants agreements under direct management will include expenditure verifications and an external final evaluation. If appropriate, global or ex-post evaluations of the whole action or of specific projects will be conducted in accordance with European Commission procedures.

When necessary, external audits/verification missions on specific projects or components will be undertaken by the EU.

The action allocates EUR 80,000 to these activities, which shall be implemented by way of procurement of services under direct management. Up to 5 services shall be used. The respective contracting procedures are expected to be launched during the last semester 2018.

4.8. Communication and visibility

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

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

⁴ This figure represents the indicative contribution coming from NGOs' co-financing, in case the action is not 100% financed by the EU.

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

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

The overall budget allocation is EUR 110,000 and will be contracted through procurement of services under direct management. The respective procedures are expected to be launched in the second trimester of 2015.

The overall objective of actions under Communication/Visibility will be to strengthen visibility of and communication on the EU programme to support East Jerusalem.