



Brussels, 11.12.2017
C(2017) 8656 final

COMMISSION IMPLEMENTING DECISION

of 11.12.2017

**on the Annual Action Programme 2017 in favour of Palestine¹ to be financed from the
general budget of the Union**

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

COMMISSION IMPLEMENTING DECISION

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on the Annual Action Programme 2017 in favour of Palestine¹ to be financed from the general budget of the Union

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action² and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 84(2) thereof,

Whereas:

- (1) The European Joint Strategy in Support of Palestine 2017-2020⁴ – Towards a democratic and accountable Palestinian State, which is closely aligned with the Palestinian Authority National Policy Agenda 2017-2022 – Putting Citizens First, identifies Public Finance Management (PFM) reforms, improved access to Water and Energy and Private Sector Development among the main priorities for EU and Member States' development cooperation.

Special attention is given to the development of Area C in the West Bank and to East Jerusalem with the purpose of strengthening the resilience of Palestinian residents and preserving the Palestinian character of the city.

- (2) The objectives pursued by the Annual Action Programme 2017 to be financed under the European Neighbourhood Instrument⁵ concur with the overarching objective of the European Union's cooperation with Palestine, namely to build the institutional capacity of the Palestinian Authority to maintain the viability of the two-state solution.
- (3) The Action entitled “Towards a democratic and accountable Palestinian State” will focus on measures contributing to a more effective and efficient provision of services within an increasingly innovative and inclusive Palestinian society.
- (4) The Action entitled “Support to East Jerusalem” has the overall objective of maintaining the viability of the two state solution with Jerusalem as the capital of the two states by strengthening the resilience of the Palestinian East Jerusalem residents and preserve the Palestinian character of the city.

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² OJ L 77, 15.3.2014, p. 95.

³ OJ L 298, 26.10.2012, p. 1.

⁴ Decision C(2017) 8394 adopted on 8.12.2017.

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

- (5) It is necessary to adopt a Financing Decision the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012⁶.
- (6) It is necessary to adopt a work programme for grants the detailed rules on which are set out in Article 128(1) of Regulation (EU, Euratom) No 966/2012 and in Article 188(1) of Delegated Regulation (EU) No 1268/2012. The work programme is set out in Annexes 1 (sections 5.3.1.2, 5.3.2.1 and 5.3.4.1), and 2 (section 5.3.1).
- (7) The Commission should entrust budget-implementation tasks under indirect management to the entities specified in Annexes 1 and 2 to this Decision, subject to the conclusion of delegation agreements. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that these entities guarantee a level of protection of the financial interests of the Union equivalent to that required when the Commission manages Union funds. These entities comply with the conditions set out in points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EU, Euratom) No 966/2012 and the supervisory and support measures are in place as necessary.
- (8) The Commission should entrust budget-implementation tasks under indirect management to the partner country specified in Annex 1 to this Decision, subject to the conclusion of a financing agreement. In accordance with Article 60(1)(c) of Regulation (EU, Euratom) No 966/2012, the authorising officer responsible needs to ensure that measures are taken to supervise and support the implementation of the entrusted tasks. A description of these measures and the entrusted tasks are laid down in Annex 1 to this Decision.
- (9) The authorising officer responsible should be able to award grants without a call for proposals provided that the conditions for an exception to a call for proposals in accordance with Article 190 of Commission Delegated Regulation (EU) No 1268/2012.
- (10) It is necessary to allow for the payment of interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Commission Delegated Regulation (EU) No 1268/2012.
- (11) The measures provided for in this Decision are in accordance with the opinion of the European Neighbourhood Instrument Committee set up by Article 15 of the financing instrument referred to in recital 2,
- (12) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, any substantial change to a financing decision that has already been adopted should follow the same procedure as the initial decision. It is therefore appropriate that the Commission defines the changes to this Decision that are considered non substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme

⁶ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

The Annual Action Programme 2017 in favour of Palestine as set out in the Annexes, is approved.

The programme shall include the following actions:

- Annex 1: “Towards a democratic and accountable Palestinian State
- Annex 2: “Support to East Jerusalem”.

Article 2

Financial contribution

The maximum contribution of the European Union for the implementation of the programme referred to in Article 1 is set at EUR 42,500,000 and shall be financed from budget line 22 04 01 04 of the general budget of the Union for 2017.

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

Article 3

Implementation modalities

Budget implementation tasks under indirect management may be entrusted to the entities identified in the attached Annexes 1 and 2, subject to the conclusion of the relevant agreements.

The section “Implementation” of the Annexes to this Decision sets out the elements required by Article 94(2) of Commission Delegated Regulation (EU) No 1268/2012.

Grants may be awarded without a call for proposals by the authorising officer responsible in accordance with Article 190 of Commission Delegated Regulation (EU) No 1268/2012.

Article 4

Non-substantial changes

Increases or decreases of up to EUR 10 million not exceeding 20% of the contribution set by the first paragraph of Article 2, or cumulated changes to the allocations of specific actions not exceeding 20% of that contribution shall not be considered substantial within the meaning of Article 94(4) of Commission Delegated Regulation (EU) No 1268/2012, provided that they do not significantly affect the nature and objectives of the actions.

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 11.12.2017

For the Commission
Johannes HAHN
Member of the Commission



This action is funded by the European Union

ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2017
for Palestine¹
to be financed from the general budget of the Union

Action Document "Towards a democratic and accountable Palestinian State"

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning calls for proposals: 5.3.1.2 and 5.3.4.1 and in the following sections concerning grants awarded directly without a call for proposals: 5.3.2.1.

1. Title/basic act/ CRIS number	"Towards a democratic and accountable Palestinian State" CRIS number: ENI/2017/40195 financed under European Neighbourhood Instrument
2. Zone benefiting from the action/location	Palestine The action shall be carried out at the following location: West Bank and Gaza Strip
3. Programming document	European Joint Strategy in Support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State
4. Sector of concentration/ thematic area	<i>Pillar 1² - Governance Reform, Fiscal Consolidation and Policy Reform</i> <i>Pillar 4 - Access to Self-sufficient Water and Energy</i> <i>Pillar 5 - Sustainable Economic Development</i> <i>Complementary support for civil society</i>
5. Amounts concerned	Total estimated cost: EUR 34,910,000 Third party contribution: EUR 7,310,000 Total amount of EU budget contribution: EUR 27,600,000 This action is co-financed in joint co-financing by: - France and Denmark for an amount of EUR 3,000,000. This action is co-financed in parallel co-financing by:

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². These are the relevant pillars of the European Joint Strategy (EJS) in Support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State.

	<p>- France (Agence Française de Développement - AFD) for an amount of EUR 4,000,000. This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 310,000.</p>			
6. Aid modality(ies) and implementation modality(ies)	<p>Project Modality</p> <p><i>Governance Reform, Fiscal Consolidation and Policy Reform</i></p> <ul style="list-style-type: none"> - Indirect Management with the World Bank (WB) - Direct Management: call for proposals for twinning projects <p><i>Access to Self-sufficient Water and Energy</i></p> <ul style="list-style-type: none"> - Indirect Management with the Palestinian Authority (PA) - Indirect Management with the United Nations Office for Project Services (UNOPS) - Indirect Management with Member State Agency: AFD - Direct Management – grant direct award with Oxfam <p><i>Sustainable Economic Development</i></p> <ul style="list-style-type: none"> - Indirect Management with Member State Agency: Belgium Technical co-operation (BTC) <p><i>Complementary support for civil society</i></p> <ul style="list-style-type: none"> - Direct Management: Grants – call for proposal <p>Direct Management: procurement of services (audit, evaluation, communication and visibility)</p>			
7. DAC code(s)	<p><i>Governance Reform, Fiscal Consolidation and Policy Reform</i></p> <p>15111 - Public finance management 15110 – Public Sector Policy and Administration Management 15114 – Domestic Revenue Mobilisation</p> <p><i>Access to Self-sufficient Water and Energy</i></p> <p>14021 - Water supply - large systems, 14030 - Drinking Water Supply - Basic systems; 23210 - Energy generation, renewable sources – multiple technologies</p> <p><i>Sustainable Economic Development</i></p> <p>32130 – SME Development</p> <p><i>Complementary support for civil society</i></p> <p>16061 - Culture and recreation</p>			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality (including Women In Development)	<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"/>
	RIO Convention markers	Not	Significant	Main objective

		targeted	objective	
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	Good Governance and Public Administration Environment and Climate Change; Human Development/Health; Sustainable Energy Good Governance and Public Administration + Human development, social justice and culture			
10. Sustainable Development Goals	Sustainable Development Goal 6. Ensure availability and sustainable management of water and sanitation for all Sustainable Development Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all Sustainable Development Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all Sustainable Development Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive			

1 CONTEXT

1.1 Country and sectors

Palestine has been marked by the ongoing Arab-Israeli conflict and fifty years of occupation, that brought restrictions on the movement of people and goods, limited access to land and natural resources (including water), administrative division of the West Bank (areas A, B and C), expansion of settlements and settlers' violence, and demolitions and displacements in Area C and Jerusalem. Internal division in Palestinian politics since 2007, the continuous blockade of Gaza and the absence of any clear political horizon have led to high level of frustrations, lack of cohesion, reforms' setbacks and de-development, and recurrent waves of violence. The territory remains highly fragmented with growing disparities and divisions between the West Bank, East Jerusalem and the Gaza strip.

Israeli occupation is the primary driver of poverty in Palestine, making complex the delivery of assistance in Palestine. Home to 4.8 million people, Palestine is a lower middle-income country, ranking 114 (out of 188) in terms of the Human Development Index in 2016. According to the World Bank, Palestinians are getting poorer on average for the third year in a row. Gross domestic product (GDP) per capita has been shrinking since 2013 and donor support declined significantly in recent years (budget support in particular has decreased by 40% since 2011). 25% of Palestinians currently live in poverty. Without a political breakthrough (ease of restrictions, lifting of the blockade on Gaza, permanent peace agreement), the Palestinian economy will continue to perform far below its potential.

Due to its limited revenue potential, low tax revenue and limited borrowing capacity, the Palestinian Authority (PA) is still reliant on foreign aid, which represented some 20% of the projected budget in 2016. At the same time, the PA succeeded in reducing

its budget deficit to 8.1% of GDP in 2016. While the main factors contributing to this situation relate to broader political issues, the slow progress in the Public Financial Management reform agenda did not encourage confidence in donors. The draft Public Finance Management (PFM) strategy 2017–2022 prepared by the Ministry of Finance and Planning (MoFP) in 2016, if operationalised, would provide the Palestinian Authority (PA) with a framework for reforms and contribute to improving donor confidence, transparency and sustainability of public expenditures and efficiency in the provision of essential public services.

Sustained economic growth depends also on internal factors, such as the dynamism of the private sector and the availability of reliable and affordable services. Insufficient power in Gaza limits the supply of drinkable water to the population. 96% of the aquifer provides water unfit for human consumption, due to salinisation and pollution. 30% of Gazan households are currently supplied with water only for 6-8 hours every 4 days.

The West Bank also suffers from water shortages, affecting Palestinians' health and economic potential (for example, only 6.8% of cultivated land in the West Bank is irrigated). This is mostly due to Israel's appropriation of groundwater resources, which makes necessary the development of an efficient wastewater reuse system for irrigation purposes, as well as for environmental reasons. Currently, there are 5 operational large-scale wastewater treatment plants in the West Bank³ and only about 60% of the generated wastewater is collected.

Palestine depends 98% on energy import from neighbouring countries, Israel in particular. Energy dependency affects Palestine's water production and pumping. Water service providers are among the biggest energy consumers in the country. Energy insecurity affects the daily operation of water infrastructure. Only the Gaza Strip has some energy generation capacity, whereas renewable energy (13% of consumption in 2015) is the only indigenous source in the West Bank but its significant potential remains largely untapped due to Israeli restrictions. Energy prices are among the highest in the region.

With regards to the Gaza Strip, the "de-development's trajectory" remains worrying. 38.8% of the population is below the poverty line and the unemployment rate is over 40% (more than double than in the West Bank). The constraints to private sector development in the Strip are manifold. They notably include multiple wars, restrictions on imports, exports and movements, dysfunctional governance and service delivery imposed by the de facto authorities, poor electricity supply and limited access to finance. The blockade continues to hinder recovery and increases investment costs.

Delivery of basic services provided to Palestinians is also deteriorating. Growing governance challenges are developing on the Palestinian side. No progress to date in intra-Palestinian reconciliation and the persisting fiscal crisis faced by the PA, the absence of a national democratic process and the "suffocation" of civil society have all contributed to undermine the credibility of the Palestinian leadership. This, in turn, was accompanied by a slowdown in the pace of reforms being implemented by the PA (with few exceptions).

³. Located in Al-Bireh, Ramallah, Jenin, West Nablus, Jericho and Tulkarem (Wastewater Pre-Treatment Plant).

Palestine has very rich cultural traditions reflecting the social, economic, religious and geographical diversity of its people. National identity and cultural heritage have been deeply affected by the occupation and fragmentation, which are not only threatening the economic and territorial stability of Palestine, but also attacking its identity and capacity to be creative in the area of culture.

1.1.1 Public Policy Assessment and EU Policy Framework

Since 2008, the EU has been supporting the PA's national reform agenda with interventions aligned to subsequent planning cycles. In recent years the EU has increased its policy dialogue, notably in the context of the Results Oriented Framework. The *European Joint Strategy in Support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State* is closely aligned with the *PA National Policy Agenda 2017-2022 Putting Citizens First*. The European Joint Strategy identifies PFM reforms, improved access to Water and Energy and Private Sector Development among the main priorities for EU and Member States' development cooperation.

With regards to **public finance management**, the last Public Expenditure Financial Assessment (PEFA) was conducted in 2013. Since then, the MoFP improved both the downstream and upstream cycle of the budget. A draft *PFM strategy 2017–2022* is being prepared by the MoFP and expected to be approved by the Cabinet in the coming months. Its main objective is to provide an integrated legal and regulatory framework of the PFM system, which operates to collect public resources effectively and equitably, and to manage spending of those resources on a programmes-based budget in line with the Sectoral Strategies and the National Policy Agenda. The EU in Palestine is committed to the PFM sector reform not only for transparency and accountability purposes but also to improve sustainability of service delivery.

With regards to **water**, the *Palestinian Water Authority Strategic Development Plan 2017-2022* has the following objectives: i) integrated management and sustainable development of water resources, ii) improving quality and reliability of water supply, iii) improving wastewater services and structures iv) development of water sector institutions to reinforce good governance and v) ensuring financial sustainability of water service providers.

In the field of **energy**, the *Renewable Energy and Energy Efficiency Law* sets the institutional framework in the renewable energy sector and defines the support mechanisms to be used to develop the sector. The *Renewable Energy Strategy* sets the vision for the sector, the targets and the means to achieve them. There is an increasing private sector interest on Renewable Energy investments, especially larger ones. The legal and regulatory framework for Energy Efficiency, in particular for investment, needs to be completed.

The **Start-up and business incubators** action is fully aligned with the *National Policy Agenda 2017-2022* and notably its *Pillar 3 - Sustainable Development/National priority: “Economic independence”* (National Policies: Building Palestine's Future economy, Creating Job opportunities; Improving Palestine's Business environment). It is also relevant to the following other national priorities: “Social Justice and Rule of Law” (with regard to Gender and Youth) and “Quality education for all” (from education to employment).

The *National Policy Agenda* recognises the importance of preserving **national identity and cultural heritage**. Under this national policy priority the aim is to support cultural innovation and production, preserve and develop Palestine's cultural heritage, develop traditional handicrafts and promote Palestine as a tourist destination. The *Palestinian National Strategic Plan for Culture* defined culture⁴, creativity and heritage (intangible) as essential drivers for a democratic, inclusive society that provides equal opportunity for all.

1.1.2 Stakeholder analysis

Governance Reform, Fiscal Consolidation and Policy Reform: the capacity of the MoFP to plan and steer the implementation of PFM reforms is considered moderately sufficient. The implementation of the reforms will require significant skills development on the part of the Ministry and of relevant institutions' staff. To address these shortcomings, the MoFP, with the support of the World Bank, established and trained a strategic management group at the Directorate General for International Relations, which should lead the PFM reform. The draft PFM strategy suggests the institution of a technical committee, to follow up on the strategy implementation. Main stakeholders on the donor side are the EU, the United Kingdom, France and the World Bank. The International Monetary Fund (IMF) provides policy advice to the PA in tax administration, legislative reform, single treasury account and regularly reviews PFM reforms' progress. Civil society participation and oversight in the sector is limited. The most active Non-Governmental Organisation (NGO), focusing on the prevention of corruption and fostering transparency and integrity is AMAN-Transparency Palestine, which relies on international funding. Oxfam Novib manages a programme that brings together a range of NGOs and civil society organisations CSOs, including AMAN to monitor the budget and tax policies of the PA.

The State Audit and Administrative Control Bureau (SAACB), the MoFP's Customs Department and the General Administration of Borders and Crossings (GABC) will benefit from the twinning instrument with a view to support the implementation of the PFM strategy and fiscal consolidation. Their capacity to engage in the instrument is considered satisfactory. In particular, the MoFP's Customs Department and the GABC are already engaging closely with the European Union Border Assistance Mission at the Rafah Crossing Point (EUBAM).

Access to Self-sufficient Water and Energy: the Palestinian Water Authority (PWA) capacity as entity responsible for strategy, policies, planning and management of water resources is considered as sufficient. The Coastal Municipality Water Unit⁵ (CMWU) is considered to be skilled with high level of technical expertise. CMWU's expertise will ensure an appropriate supervision of activities and the technical training of the main stakeholders (private water vendors and local communities). The participation of community-based organisations (CBOs) will be empowered through the development of their capacities in water quality monitoring. The capacity building activities will be developed by Oxfam oPTI which has a long and standing relationship with Gaza Civil Society and proven relevant interventions with regards to participation enhancement and capacity building. Oxfam oPTI has elaborated in 2016 the proposal related to the

⁴. Culture is defined as cultural heritage (cultural property, antiquities and museums, folklore, manuscripts); literature (fiction, poetry, literary studies, screenplays, theatre plays); libraries, performing arts, cultural industries etc.

⁵. CMWU is the autonomous regional water and wastewater utility in Gaza.

brackish desalination plants in the frame of its humanitarian intervention. Main stakeholders on the donor side in the water sector in Gaza are the EU, Germany, Spain, France and the World Bank. The estimated direct beneficiaries from the Non-Revenue Water reduction approach will be around 120,000 inhabitants of the Khan Younis Governorate and part of the 50,000 inhabitants of Rafah Governorate that already benefit of EU-funded desalination projects. For the brackish desalination plants, it is estimated that around 128,000 people could benefit from the intervention. The assistance to the Office of the Quartet (OQ) will be channelled through UNOPS, which has a long and positive performance record in Palestine and the appropriate administrative capacities to carry out the task. The OQ - in turn - has unique characteristics which positions it ideally to co-ordinate donors' initiatives in the infrastructure sector requiring intense and delicate triangular co-ordination with the Government of Israel.

In the West Bank, technical approach and modalities of the planned intervention have been discussed at length with the Palestinian Energy and Natural Resources Authority (PENRA), the Palestinian Water Authority (PWA), AFD, the Palestinian Energy & Environment Research Centre (PEC), the Joint Water and Sanitation Service Council (JWSSC), the West Bank Water Department (WBWD) and the Tubas District Electricity Company (TDECO). Co-ordination is advanced both at the donors and institutional level. The Israeli Co-ordinator of Government Activities in the Territories (COGAT) was also consulted with regard to security (import of two +/- 60m high wind mills and turbines) has given its 'in principle' agreement. Consultations with CSOs and the PA in Tubas and Ramallah were undertaken and the Environmental and Social Impact Assessment (ESIA) is currently being implemented. The proposed project will tackle the northern West Bank in particular the Tubas Governorate, with estimated indirect beneficiaries from the action totalling 67,000 (2016 data from PCBS). AFD is one of the most important and active donors and implementing agency in the water and energy sectors in Palestine. AFD (France) is the EU lead donor for energy within the context of the European Joint Strategy 2017-2020⁶.

Sustainable Economic Development: The technical and business capacities of Gazan entrepreneurs and their access to finance are limited, especially for women and youth. There are a number of dynamic business incubators/accelerators in the Gaza Strip and there is scope to reinforce their capacities by increasing their exposure to international best practices. The Islamic University of Gaza, notably, has been supported by the ongoing EU funded "Start-up Business Incubators in Palestine" project and proved to be a solid partner. This new action would continue to work with the University and support additional incubators in the Gaza Strip. The Ministry of National Economy (MoNE)'s capacity to influence the situation in the Gaza Strip is currently limited due to the control of the *de facto* Government. However, the Ministry will be involved in the overall monitoring of the action. The project team will closely co-ordinate with civil society organisations (business development organisations, trade unions and employers' organisations, chambers of commerce, women and youth support organisations), relevant projects, universities, Technical and Vocational Education and Training (TVET) institutions, the Palestinian Fund for Employment and Social Protection as well as with financial institutions and investors. The Belgium Technical

⁶ Decision C(2017) 8394 adopted on 8.12.2017.

Co-operation (BTC) is a frequent and reliable implementing partner of the EUREP, with assignments going beyond the currently on-going above mentioned Start-up Business Incubators project.

Complementary support for society: Key civil society organisations have been essential in activating the sector, but culture remains the domain of a limited number of interested groups and there is still a need to reach out to areas outside city centres. The main national stakeholders are the Ministry of Culture (MoC) with some relevant competences also in other Ministries, a broad range of cultural Civil Society Organisations (CSOs), cultural institutions, and Community Based Organisations (CBOs). As the market value of culture and public funding for the cultural sector are very low, international donor organisations both governmental and non-governmental (mainly private foundations) play an important role in supporting cultural initiatives and artistic productions.

1.1.3 Priority areas for support/problem analysis

Governance Reform, Fiscal Consolidation and Policy Reform: the main problems the proposed intervention aims to address include (i) poor expenditure management and control at MoFP and line Ministries undermining service delivery to citizens, (ii) insufficient PFM accountability that restricts civil society oversight over the PA activity and has reduced donors' budget support, and (iii) lack of transparency and efficiency in the procurement sphere allowing corruption. Twinning projects will address identified capacity building needs in PA institutions in charge of auditing expenditure and of collecting and accounting for custom duties.

Access to Self-sufficient Water and Energy: throughout Palestine, energy and water scarcity and the competing demand for these assets require the introduction of technologies and methods minimising energy cost and increasing efficiency. Investing on renewable energy solutions and enhancing the capacity of the waste water treatment plants by increasing households' connections to the sewage network align to this approach. About a third of the water supply of the West Bank is provided by the Israeli water company, the other two thirds are ground water extracted through water pumps⁷ powered via the grid or, in case of power cuts, through a system of power generators. The electricity bill is the highest running cost for Palestinian businesses, households and service providers with Israel still providing 95% of the power. Power demand for water infrastructure accounts for 1,200Mwh/year and is expected to double in the coming years, while overall imports from Israel are 13,000 MWh/year. The increasing demand for power will result in an increased stress of the electricity grid and higher dependency on Israel power supply. In the Gaza Strip, the improvement of the water supply and the reduction of non-revenue water are essential to meet basic human needs and to maximise the effect of existing infrastructure (from wells to desalination plants). It is also necessary to improve the system's efficiency with the formalisation of illegal connections, the reduction of leakages and the upgrading of existing community-based infrastructures (brackish desalination plants contribute significantly to the

⁷. According to the National Water and Wastewater Strategy of the Palestinian Authority (NWWSPA): "The Palestinian water allocation according to the Oslo Agreement is 118 million m³. 51 million m³ out of 100 million m³ is annually consumed in irrigating 115,000 dunums, while 49 million m³ is annually consumed for domestic and industrial uses; [...] Unaccounted for Water (UfW) is more than 35% and there is about 51 million m³ of purchased water from the Israeli water company Mekorot (4 million m³ for agricultural purposes and 47 million m³ for drinking). This brings the total Palestinian consumption of water to 151 million m³".

improvement of water supply to the population). The current energy crisis in Gaza (decrease of power supply to less than 4 hours per day) has a strong impact on water infrastructure and water distribution). Most of CMWU facilities are equipped with back-up generators that allow running the facilities at minimum level and the Gaza network could be managed by segment. Therefore, drinkable water is provided per geographical sector and per time slot with beforehand information by radio spot.

Sustainable Economic Development: in Gaza, the private sector suffered from several conflicts over the last ten years of Hamas rule and from the blockade imposed by Israel. More than 40% of the population is unemployed (65% in the case of women). The creation of sustainable micro, small and medium sized businesses (MSMEs) is crucial in this dire context. However, entrepreneurs in the Gaza Strip lack key technical and business skills and sufficient access to finance. In addition, the business development environment in Gaza needs to be improved. The main constraints towards the project objectives will be the obstacles faced by the private sector in Gaza (restrictions on movement and access, access to electricity, political instability). The main asset for the project is the dynamism of business incubators and accelerators and of entrepreneurs in Gaza.

Complementary support for civil society: the Palestinian identity is deeply affected and threatened by the Israeli occupation. The EU intends to support Palestinian creativity and freedom of expression as a tool for Palestinian people – especially the youth – to express themselves, have a positive image of their culture and promote their identity in the world.

Particular attention will however be paid to prevent that EU-supported civil society organisations are also engaged in activities inciting to hatred and/or violence. Eligibility conditions of the calls for proposals to be launched under this action will include strict compliance with the EU Framework Decision on racism and xenophobia.

2 RISKS AND ASSUMPTIONS

Governance Reform, Fiscal Consolidation and Policy Reform

Risks	Risk level (H/M/L)	Mitigating measures
Uncertain PA's ability to exercise authority in Gaza, limiting the implementation of PFM reforms to the West Bank	H	Close monitoring of political developments; provision of parallel EU support to facilitate the reintegration of Gaza civil servants on stand-by under FA ENI/2015/038-315
Overlapping of donors' interventions	M	Regular meetings among donors and with the PA; active participation in the PFM working group.
Insufficient understanding of the newly introduced Twinning concept by selected Ministries and agencies	M	Systematic interaction ensured throughout the implementation of the programme (e.g. through twinning steering committees)
Assumptions		
- The PA remains committed to implementing the PFM strategy and related reforms		

Access to Self-sufficient Water and Energy

Risks	Risk level (H/M/L)	Mitigating measures
Unpredictable political situation in	H	The project will use decentralized

conjunction with poor implementing capacity of the PA in the Gaza strip		implementation with interventions at local level (including CSOs) where possible.
Poor capacity from the private vendors and local communities to operate the brackish desalination plants and monitor the water quality	M	Capacity building and training developed under a job creation approach
Tubas grid model, network performance and load flow do not allow operations of the new systems	L	AFD pre-feasibility study indicates that the operation of the two RE systems is adapted to the requirements of each water system and the system is complementary to the existing grid.
Israeli restrictions for the import of wind energy technology into West Bank.	H	Co-ordination with COGAT to obtain the authorisation to enter materials into West Bank.
Delays in importing wind energy technology affecting the contractor's schedule with risk of financial repercussions and/or withdraw from the project.	M	A plan B for a staged approach allowing reallocation to photovoltaic (PV) systems of unspent funds for wind mills shall be developed.
Assumptions		
<ul style="list-style-type: none"> - All relevant stakeholders remain committed to the action's objectives and results; - The Gaza Reconstruction Mechanism (GRM) remains functional. - The electricity supply in Gaza is sufficiently stable or improves from its current level. 		

Sustainable Economic Development

Risks	Risk level (H/M/L)	Mitigating measures
Unpredictable political situation impacting the Gazan economy and the project	H	The project implementation will remain sufficiently flexible to adapt to the changing environment in Gaza
Difficulties to reach all relevant target groups in Gaza	H	Adjust outreach strategy to the different type of beneficiaries targeted
Assumptions		
- Project stakeholders remain engaged		

Complementary support for civil society

Risks	Risk level (H/M/L)	Mitigating measures
Projects' implementation is hampered by the unpredictable political situation in the region	H	Systemic mitigation measures will be developed at the launching of each project to ensure projects' continuity
Poor capacity of smaller CSOs to access EU funding	H	Development of sub-granting schemes allowing small organisations, especially in remote areas, to access to EU funding
Assumptions		
<ul style="list-style-type: none"> - Cultural stakeholders continue to consider the EU as a reliable partner; - All relevant stakeholders remain committed to the action's objectives and results. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Governance Reform, Fiscal Consolidation and Policy Reform

- Identify critical PFM problems or entry points that the MoFP, at senior level, is motivated to address on a priority basis with line Ministries (incentive approach).
- Provide tailor-made capacity building and training interventions, identified together with the MoFP, with the aim to enable staff to implement the medium term reforms.
- Improve co-ordination with other development partners and joint monitoring in view of leveraging activities and enhance policy dialogue.
- The twinning instrument is introduced in Palestine for the first time and therefore there is no previous Palestine specific experience in this area. Selection of sectors proposed for implementation via twinning has been done based on twinning criteria developed from lessons learnt from twinning elsewhere.

Access to Self-sufficient Water and Energy

- Need to ensure the quality of the design for the technical parameters are adapted to the needs and restriction of entry of material into Gaza.
 - Need to reflect the value-added tax (VAT) exemption applicable for private company established in Gaza in the administrative clause of tenders.
- Need to develop local skills to ensure operation, maintenance and monitoring of the EU funded infrastructure, incorporating CBO's monitoring.
- Importance of close follow-up with COGAT for the authorisation for the shipment of supplies from abroad and on the entry of materials, based on a detailed list of items.
- Crucial importance of the water-energy nexus in Palestine and need to factor the energy dimension early in the planning of water projects.

Sustainable Economic Development

- Managerial and technical capacities of entrepreneurs need to be reinforced.
- Start-up enterprises need seed funding and linkage to investors.
- Further co-operation is needed to improve synergies between different stakeholders of the entrepreneurship environment in Gaza.
- The potential of international outsourcing opportunities needs to be unlocked.
- The role and capacity of trade unions and employers' organisations need to be strengthened.

Complementary support for civil society

- Need for a strategic approach in supporting civil society in the field of culture, focusing on integrated, long-term cultural sector development plan rather than short-term projects.
- There is the need to involve the relevant Palestinian Ministries (especially the Ministry of Culture) during the design and implementation phase of interventions in the field of culture.

3.2 Complementarity, synergy and donor co-ordination

Governance Reform, Fiscal Consolidation and Policy Reform

In the Public Finance Management (PFM) sector, the engagements of various donors (mainly The Department for International Development (DFID), World Bank and EU but also IMF, France and recently Denmark) have been stable over last years. The World Bank has supported the downstream budget process since 2013 with new tools and procedures put in place, while the upstream budget cycle or taxation is supported by DfID and the IMF. Since 2006, the EU has supported the State Audit and Administrative Control Bureau (SAACB) by reinforcing its management and staff capacity and its institutional, legal and regulatory framework. Furthermore, through the PEGASE Direct Financial Support mechanism, the EU and Member States provide direct financial support to the recurrent expenditure of the Palestinian Authority.

Through the Local Aid Co-ordination Secretariat (LACS) PFM donor group, donors are in the process of reviewing their engagement, with a view to enhance synergy and co-ordination of their future support for the implementation of the PFM reform strategy.

The European Union Border Assistance Mission at the Rafah Crossing Point (EUBAM) works closely with the Global Alliance for Buildings and construction (GABC) as well as with the Customs Department of the Ministry of Finance and Planning (MoFP).

Access to Self-sufficient Water and Energy

Water is a focal sector of EU support to Palestine with a total of EUR 118 million invested from 2006 to 2016. EUR 77 million has been committed between 2012 and 2016 alone, including 41 million for Gaza. The current proposals are a follow up and completion of previous phases funded respectively under the Instrument for Stability (IfS) and under various Annual Action Programmes (AAP) respectively in 2011, 2012, 2015 and 2016. In Gaza, the project for the reduction of Non-Revenue Water will complement the Short-Term Low Volume Desalination Plant (Phase I, II and III) and the Non-Revenue Water component initiated in Rafah and Khan Younis Governorates (AAP 2012). The intervention on the Brackish Desalination Plant is considered as a short-term measure to tackle the lack of quality water in Gaza while the Gaza Central Desalination Plant (GCDP) is still in the design process.

EU and AFD investments in the water and energy infrastructure of Tubas Governorate will be consolidated by the renewable energy (RE) supply system using solar and wind resources; the expansion of the households' connections to the sewage network is aimed at increasing the productivity of the EU-funded wastewater treatment plant

under construction (AAP 2011). Since 2015 a SUDEP⁸ grant is supporting Tubas Municipalities to cut 10% of the energy consumption. The EU and Member States approach is as well co-ordinated through dedicated informal energy and water working groups as well as through the LACS structure.

The Office of the Quartet (OQ) is playing an important role to facilitate large scale projects in the field of water and energy in Gaza through dialogue with the PA and the Government of Israel. They have been asked by the PA to lead the Task Force on Gas for Gaza and the GCDP.

Sustainable Economic Development

This action is a follow-up of the project “*Start-up Business Incubators in Palestine*” (ENPI/2014/350-744), implemented by the BTC and ending in December 2018. The new action will build on the results of this project and focus on Gaza entrepreneurs. The action is also complementary to other EU-funded initiatives, including the Palestinian Market Development Programme (PMDP), the TVET Programme and the support to the European Palestinian Credit Guarantee Foundation (EPCGF). The initiative will also be co-ordinated with BTC programmes focusing on young professionals and MSMEs skills development. Synergies will also be sought with relevant regional programmes, including notably the “*Enhancement of the Business Environment in the Southern Mediterranean*” (EBESM), the SANAD Fund for MSMEs and the *Next Society* project (that aims at strengthening innovation ecosystems and supporting innovators). The project will also take into account the approach that is being developed by the Commission to support innovative eco-systems.

Complementary support for civil society

The EU has been so far one of the main supporter of the cultural sector in Palestine. Among other donors, the mission and mandate of the European cultural institutes operating in Palestine is mainly focused on the promotion of their national culture and language. As such, they contribute on an *ad hoc* basis to build the capacities of Palestinian civil society active in the field of culture by providing the opportunity to collaborate with European cultural operators/trainers. The UNESCO is also active in Palestine, mainly in the preservation of the cultural heritage.

3.3 Cross-cutting issues

Governance Reform, Fiscal Consolidation and Policy Reform

Civil society: in compliance with PEFA standards, the eight Budget documents (as well as a Citizen budget) are published on the MoFP website. The MoFP conducted a public hearing with civil society and private sector in January 2017 to discuss the 2016 budget execution and to present the proposed 2017 budget which was approved on 31 January 2017. The proposed project will follow up on previous Open Government Partnership towards fiscal transparency, fight against corruption, access to information and citizen engagement.

Gender equality: the PA has officially engaged in gender responsive planning and budgeting, with the adoption of a Cabinet decision on mainstreaming gender in budgetary processes in 2009. In 2012, the Palestinian Cabinet passed a resolution

⁸. Sustainable Urban Demonstration Projects (SUDEP) - South Support Mechanism.

forming the National Committee for Gender Responsive Budgeting. Gender units were created in 35 Ministries and institutions and the budget department adopted a new requirement for all Ministries to consider gender in their budgets. However, the draft PFM strategy does not yet fully address gender mainstreaming.

In the preparation and implementation of twinning projects, special attention will be paid to ensure gender equality, good governance/anti-corruption measures and human rights safeguards through in-built trainings and adapted indicators.

Access to Self-sufficient Water and Energy

Gender equality will be promoted including through dedicated awareness campaigns. The involvement of CBOs in the monitoring will ensure a fair representation of women.

Environmental sustainability and protection are addressed together with health risk mitigation, as the actions are aiming at reducing risks from the supply of unmonitored water, unfit for human consumption. The rehabilitation works of the water network will reduce losses and favour the optimal use of available resources in a highly constrained water context.

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

Climate Change: the establishment of renewable energy infrastructure will reduce by 80% the fossil fuels and electricity required to operate Joint Service Councils' (JSC) wells and pumping stations.

Sustainable Economic Development

Gender equality: access of women to the job market in Gaza is very limited. 78% of women aged 15 years and above do not participate in the labour force. The action will promote the participation of women in the project activities.

Youth: youth are also marginalised with regards to access to economic opportunities. The action will promote the participation of the youth in the project activities.

Social partners (trade unions and employers' organisations) will be mobilised to contribute to the success of the action. Communication and outreach plan will be designed to promote the participation of youth and women. The project team will also directly co-ordinate with and support Youth and Women Associations and programmes. Data and indicators will be disaggregated by age and gender.

Environmental sustainability and protection: the action will prioritise beneficiaries whose projects have a positive impact on the environment.

Complementary support for civil society

Gender equality and youth: past support to the cultural sector in Palestine has shown that it can integrate all sections of the population, including the ones whose voice is usually not heard. Culture is an accessible vehicle for women and for minorities to express themselves. The action will focus on youth participation.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results and options

The **main Overall Objective** is to contribute to a more effective and efficient provision of services within an increasingly innovative and inclusive Palestinian society.

The **Specific Objectives** are:

- 1) To improve the PA's Public Financial Management and fiscal position;
- 2) To achieve sufficient, equitable, affordable and sustainable access to energy, safe water and sanitation services;
- 3) To enhance MSMEs' competitiveness in the Gaza Strip;
- 4) To enhance Palestinian culture and the Palestinian identity and to better promote it, including abroad.

The **Expected Results** are:

Result 1.1: Strengthened MoFP's capacity to steer and monitor the implementation of the PFM strategy;

Result 1.2: Improved capacities of PA institutions in charge of auditing expenditures and of and accounting for custom duties.

Result 2.1: Increased water supply in Gaza;

Result 2.2: Improved quality and sustainability of water and energy services in Tubas Governorate.

Result 3: Strengthened capacity of Gazan entrepreneurs and of the Gaza business environment.

Result 4: Reinforced Palestinian identity and improved recognition of Palestinian culture especially in Europe.

4.2 Main activities

Governance Reform, Fiscal Consolidation and Policy Reform

Result 1.1: Strengthened MoFP's capacity to steer and monitor the implementation of the PFM strategy

1.1.1 Support to the MoFP for implementation of the PFM strategy

- a) Technical advice, training and monitoring for the budget execution and control at central and selected sector levels (e.g. medical referrals, wage bill);
- b) Technical support to advance the alignment of the accounting and reporting with international standards;
- c) Technical support on the procurement policy and frameworks;
- d) Implementation of Public Expenditure and Financial Accountability assessment (PEFA) and similar internationally recognised diagnostic tools, jointly with other donors;
- e) Preparation of an Organic Budget Law;

- f) Support to strengthen civil society engagement for oversight activities, in particular follow up on the Open Government Partnership.

Result 1.2: Improved capacities of PA institutions in charge of auditing revenues/expenditures and of collecting and accounting for custom duties.

1.2.1 Support to the State Audit and Administrative Control Bureau (SAACB) via twinning

- a) Peer-to-peer training to strengthen the capacity of SAACB staff to carry out effective audits, perform strategic planning, improve management and train their own staff;
- b) Reinforce SAACB's institutional, legal and regulatory framework, so that it can operate in accordance with INTOSAI standards and best professional practices.

1.2.2 Support to Customs Department (MoFP) and the General Administration for Border and Crossing/Customs Service via twinning

- a) Preliminary assessments of legal and procedural conditions in place;
- b) Procedural training to conduct adequate border control;
- c) Reinforce the institutional capacities to conduct increased activity in fighting frauds, tax evasion and tax avoidance;
- d) Training to improve professional performance of the GABC/MoFP;
- e) Analysis of best practices and establishing of a system tracking corruption cases.

Access to Self-sufficient Water and Energy

Result 2.1: Increased water supply in Gaza

2.1.1 Non-Revenue Water (NRW) in Gaza

The action will be composed of 4 main activities that will improve the supply of water and the Non-revenue water in the Southern Governorates (Rafah and Khan Younis).

- a) Improving the Water Distribution System including:
 - Upgrade, rehabilitation and configuration of water distribution networks, in order to reduce the NRW;
 - Expansion of water networks to accommodate the transfer of water produced by the STLV Desalination plant;
 - Construction of a water reservoir (estimated to 4,000 m³) in Rafah city associated with booster stations and transmission lines;
 - Implementation of a leak detection campaign to enhance the NRW management plan (including metering management and networks maintenance scheduling) and upgrade of the hydraulic modelling for pressure monitoring.
- b) Control Commercial Losses (through the provision of meters including bulk meters);
- c) Awareness campaign on the water rights and obligations;

- d) Support CMWU on new tariff approach.

2.1.2 Rehabilitation of brackish desalination plants

- a) Support to the rehabilitation/upgrade of Public Brackish Water Desalination Plants refurbish, upgrade and repair up to 16 existing Reverse Osmosis (RO) brackish water desalination plants operated by CMWU with daily production capacities ranging from 50m³ to 1000m³;
- b) Consolidate energy autonomy, introducing renewable energy solutions to ensure a minimal operation of the plants in situations of power disruption in Gaza;
- c) Strengthening water vendors' capacity to provide safe and affordable drinking water;
- d) Training and Capacity Building with a focus on Community Engagement and Involvement;
- e) Support for the establishment of an optimal financial management system for operational and maintenance costs to ensure sustainability, including affordability to pay.

2.1.3 Assistance to the Office of the Quartet in its facilitation role between the Palestinian Authority (PA) and the Government of Israel (GoI) in the water and energy sectors in Gaza

- a) Assist in the development of an adequate dialogue (bilateral and trilateral meetings, task forces) together with the relevant stakeholders with a focus on Gaza Central Desalination Plant (GCDP) and the new 161 Kv line.
- b) Develop mitigation measures that could support the dialogue between the parties.

Result 2.2: Improved quality and sustainability of water and energy services in Tubas Governorate

EU funding is earmarked to the below activities within the "Nexus" Programme co-financed by AFD:

- a) Supply, instalment and operations of a hybrid symbiotic renewable energy system, composed of 2 wind turbines, 1 PV plant and 4 smaller PV structures;
- b) Establishment of house connections for sewage network (500).

AFD will finance further upgrades of the network and institutional capacity development in Tubas, Tammoun and Aqqaba.

Sustainable Economic Development

Result 3: Strengthened capacity of Gazan entrepreneurs and of the Gaza business environment.

- a) Provide training/coaching to entrepreneurs;
- b) Provide seed funding to start-up enterprises/early growth stage companies; encourage self-employment and job creation;
- c) Link start-up enterprises to existing sources of financing.

- d) Reinforce the capacities of business incubators/accelerators;
- e) Develop links between MSMEs, Incubators and training providers;
- f) Develop partnerships between incubators and business membership organisations to identify international outsourcing opportunities.

Complementary support for civil society

Result 4: Reinforced Palestinian identity and improved recognition of Palestinian culture worldwide.

- a) Strengthen the managerial and financial capacity of cultural organisations;
- b) Provide flexible small-scale support to cultural activities (through sub-granting scheme).

4.3 Intervention logic

Governance Reform, Fiscal Consolidation and Policy Reform

In line with the strategic objectives of the co-operation between the Palestinian Authority and the EU, the overarching rationale of the proposed intervention is to maintain the viability of the two-state solution and to support the Palestinian Authority's state-building activities. Specifically, the project responds to institution building efforts undertaken by the MoFP to implement the PFM strategy and related reforms in particular to: (i) make better use of national resources and ensure more effective and transparent implementation of policy decisions through the budget; (ii) better support service delivery to the public; and (iii) restore confidence of the development partners to mitigate the risk of continued aid decline, in particular through budget support. In this context, it is of utmost importance for the PA's accountability to improve its PFM system. The PFM system in the West Bank and Gaza has to improve in terms of mechanisms and transparency of national resources' allocation and service delivery to the public. It has to be noted that, although the project addresses the entire territory, its implementation may initially be limited to the West Bank, given the PA's current lack of authority over the Gaza Strip. The intervention logic of twinning projects is to improve PA's institutions' capacity, at their request, on a pre-identified subject through peer-to-peer support provided by EU Member State public officials to their counterparts.

Access to Self-sufficient Water and Energy

Without the supply of additional water resources, the Gaza aquifer could be irretrievably damaged by 2020 and citizens are at risks of lack of drinking water. The upgrade of brackish desalination plants, along with the development of renewable energy, and the improvement of water supply (with a target on leakages and Non-Revenue Water) are some of the solutions for a short-term mitigation before the construction of bigger infrastructure (GCDP) or agreements on additional water supply from Israel. The impact of the interventions will be an improvement of the health and socio-economic levels of the population in the southern Gaza governorates and will contribute to a better access to drinkable water. The components linked to capacity building and awareness campaign should increase respectively the water supply with limitation of losses on the networks, the adequate operation and management of the brackish desalination plants, the involvement of CBOs in the monitoring of water

quality and supply and the sensitisation of citizens (with a strong focus on women) to water cycle and water rights & obligations.

The reform of the Palestinian electricity sector started in 2009 with the endorsement of the Electricity Law, to pass later through the milestones of the creation of the Palestinian transmission Company (PETL) in 2014. However, so far the Palestinian electricity regulator is not empowered to license any of the Palestinian market operators wanting to produce power in Palestine and PETL has not signed its first PPA for the import of bulk 161 kv from Israel under the terms of the 2016 Memorandum of Understanding between the PA and the Government of Israel. Palestinian Distribution Companies (DISCOs) - and those municipalities not yet merged in a DISCO - struggle to keep up with the level of service required and to control the rate of non-payments. Overall, the stress of the competing demand for energy heavily affects the DISCOs performance. Accordingly, Tubas JWSSC, WBWD, TDECO, and the North West Bank electricity distribution company, intend to develop a synergic response to their needs, also taking advantage of the recently endorsed Renewable Energy Law (2015).

Sustainable Economic Development

In Gaza, entrepreneurs' competitiveness is hampered by weak capacities and an inadequate business development ecosystem. The action will reinforce the capacities of entrepreneurs through the provision of training/coaching, seed funding, as well as through linking them to investors. It will improve the business development ecosystem in Gaza by reinforcing the capacities of business incubators/accelerators in line with international best practices; developing links and synergies between MSMEs, incubators and training providers (such as TVET institutions and Universities) as well as developing partnerships between incubators and business membership organisations to identify international outsourcing opportunities.

Complementary support for civil society

A dedicated EU-funded programme to protect and promote Palestinian identity would contribute to human development in Palestine by involving the main institutional stakeholders and reinforcing the role of the civil society organisations. It will also contribute to developing the capacities of cultural CSOs especially in the management of cultural operations. As this action focuses mainly on support to civil society development, it will be undertaken through projects directly implemented by CSOs.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement. Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute

technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Governance Reform, Fiscal Consolidation and Policy Reform

5.3.1.1 Indirect management with an international organisation

A part of this action will be implemented in indirect management with the World Bank in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation relates to the achievement of result 1.1 under section 4.1 and entails supporting the MoFP and other concerned Ministries and institutions to operationalise and advance the PFM strategy and related reforms. It will be done through a Multi-Donor Trust Fund (MDTF) with France and Denmark as co-donors. The MDTF will have both a Bank Executed and Recipient Executed component. In addition, the World Bank will implement a complementary parallel recipient executed project through their Investment Project Financing (IPF) Lending Instrument. This implementation is justified by the World Bank being one of the lead institutions in the PFM sector. It has been engaged in the sector since 2013 and has developed a specific know-how and a trust relation with the MoFP. Locally, EU and the World Bank have managed to build a long-term institutional relation through regular bilateral co-ordination meetings and through the PFM sector Working Group. The entrusted entity would carry out the following budget-implementation tasks: contractual arrangement with MoFP for the recipient executed activities will be made by the World Bank.

5.3.1.2 Grants: Calls for proposals on twinning projects (direct management)

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

Calls for proposals will be launched to implement proposed twinning projects related to the achievement of result 1.2 under section 4.2 above. Indicatively two twinning projects are foreseen for an amount of EUR 2,500,000. The exact size of each grant will be decided based on the type of sector identified, needs of the beneficiary administration, duration of the project, and typology of costs in the specific field of the project. Discussions with the PA show proposed twinning projects fall under the pillar of governance reform, fiscal consolidation and policy reform.

Specific objectives of the two projects to be financed under the decision, in their specific field, will be:

- To improve capacities of PA institutions in charge of auditing expenditures and of collecting and accounting for custom duties.
- To strengthen the dialogue between the EU and the PA regarding PFM implementation and financial accountability for public funds.

The expected results is the reinforcement of the administrative capacity of respective institutions benefiting from twinning support through partnership co-operation between Palestinian public administrations and those of EU Member States. Twinning projects will be implemented in accordance with the applicable Twinning Manual.

(b) Eligibility conditions

In line with Article 4(10)b of Regulation (EU) No 236/2014, participation in twinning calls for proposals is limited to public administrations of EU Member States being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies entrusted with a public service mission under their control provided they act for the account and under the responsibility of that Member State. Specific eligibility conditions of the calls for proposals to be launched under this action will include strict compliance with the EU Framework Decision on racism and xenophobia.

(c) Essential selection and award criteria

The essential selection criterion is the operational capacity of the applicant. The essential award criteria are the technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

(d) Maximum rate of co-financing

Grants will finance 100% of the Twinning Budget⁹.

(e) Indicative trimester to launch the call

The Call for Proposals should be launched in the first trimester following the signature of the relevant Financing Agreement – tentatively in the second trimester of 2018.

(f) Use of lump sums/flat rates/unit costs

Twinning contracts include a system of unit costs and flat rate financing, defined in the Twinning Manual, for the reimbursement of the public sector expertise provided by the selected Member States administrations. The use of this system of unit costs and flat rate financing has been approved by Commission decision C(2017)1122 of 21 February 2017.

5.3.2 Access to Self-sufficient Water and Energy

5.3.2.1. Grant: direct award "Rehabilitation of brackish desalination plants" (direct management)

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

The objective of the grant is to provide sustainable and practical contributions to enhance safe, sustainable, and affordable drinking water for the population of the Gaza Strip. The interventions relate to the achievement of result 2.1 under section 4.1 and will be linked to the rehabilitation of brackish desalination plants, the improvement of the technical capacities of the operators and the creation of community based owned monitoring mechanisms. The expected results are better water quality delivery, reinforcement of capacities for all stakeholders and job creation.

(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 Oxfam Opti. The recourse to an award of a grant without a call for proposals is justified because:

- the country is in a crisis situation referred to in Article 190(2) RAP

⁹. As provided for in the twinning manual.

- the emergency situation of the water sector in Gaza and the importance to develop alternative solution to the water crisis as short-term measure before the construction of the Gaza Central Desalination Plant;
- the extensive field knowledge of Oxfam Opti;
- the pilot nature of the action, aimed at developing a model for further reproduction.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call, design, effectiveness, feasibility, sustainability and cost-effectiveness of the action. Specific eligibility conditions of the calls for proposals to be launched under this action will include strict compliance with the EU Framework Decision on racism and xenophobia.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%. In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement: 1st trimester of 2018.

5.3.2.2. Indirect management with an international organisation, UNOPS (Support to the Office of the Quartet)

A part of this action may be implemented in indirect management with UNOPS in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. The aim (as outlined in result 2.1 under section 4.1 above) is to facilitate the dialogue between the Palestinian Authority (PA) and the Government of Israel (GoI) to positively develop the water and energy sector in particular in Gaza. It will be done through a Delegation Agreement with UNOPS with the objective to reinforce the capacity of the Office of the Quartet. This implementation is justified because: i) the staffing of the Office of the Quartet (OoQ) is managed through UNOPS; ii) the OoQ's mandate includes to support Palestinian economic development and is the most appropriate vehicle to develop a solid dialogue between the PA and Government of Israel. The entrusted entity would carry out the following budget-implementation tasks: general implementation and monitoring of activities; procurement, contracting and paying technical staff; reporting; monitoring and evaluation for the activities aiming to develop dialogue between the PA and the Government of Israel.

5.3.2.3. Indirect management with the Palestinian Authority (Non-Revenue Water)

A part of this action (related to the achievement of result 2.1 under section 4.1) with the objective of improving the supply of water in the Southern Governorates (Rafah and Khan Younis) – Non Revenue water in Gaza may be implemented in indirect management with the Palestinian Authority in accordance with Article 58(1)(c)(vi) of Regulation (EU, Euratom) No 966/2012 according to the following modalities:

- The Palestinian Authority will act as the contracting authority for the procurement and grant procedures. The Commission will control ex-ante all the procurement and grant procedures.
- Payments are executed by the Commission.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012, the Palestinian Authority shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012, will be laid down in the financing agreement concluded with the Palestinian Authority.

5.3.2.4 Indirect management with a Member State

A part of this action may be implemented in indirect management with Agence Française de Développement (AFD) in accordance with Article 58(1)(c)(v) of Regulation (EU, Euratom) No 966/2012. This implementation relates to the achievement of result 2.2 under section 4.1 and entails the support towards strengthened water and energy services in the north of the West Bank. This implementation modality is justified in the light of the close co-operation between the EU and the AFD in the water and energy sector in general and in particular in Tubas in the latest years. AFD has substantial experience in implementing water projects in Palestine and specifically in the north of the West Bank together with experience in the energy efficiency sector. The entrusted entity would carry out, amongst others, the following budget-implementation tasks: monitoring of the project activities and co-ordination with the PA, procurement i.e. ex-ante control, paying, reporting, monitoring and evaluation, visibility.

5.3.3 Sustainable Economic Development

5.3.3.1 Indirect management with a Member State

A part of this action may be implemented in indirect management with the Belgium Technical Co-operation (BTC) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation relates to the achievement of result 3 under section 4.1 and entails the support to entrepreneurship, business incubators and business environment in Gaza. This implementation is justified because this action is a follow-up to the project “Start-up Business Incubators in Palestine” (ENPI/2014/350-744) currently being implemented by BTC. In addition to implementing this project, BTC has large experience in local economic development and TVET in Palestine. The entrusted entity would carry out the following budget-implementation tasks: general implementation and monitoring of activities, procurement and award of grants, contracting, paying, reporting, monitoring and evaluation.

5.3.4 Complementary support for civil society

5.3.4.1 Grants: call for proposals "Preserve and reinforce Palestinian culture as part of fostering national identity" (direct management).

This implementation modality relates to the achievement of result 4 under section 4.1. The awarded grants will support Palestinian cultural operators (especially cultural CSOs) in developing their capacities and shall contribute to reinforce the Palestinian cultural sector inside and outside Palestine.

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

Objectives:

- Support Palestinian cultural operators, especially civil society organisations in developing their capacities.
- Contribute to reinforcing the Palestinian cultural sector inside and outside Palestine.

Fields of intervention:

- Strengthening of the organisational, managerial and financial capacities of cultural sector organisations (develop the capacities of the major cultural operators especially in cultural management, fund raising, etc.).
- Promotion of the Palestinian culture abroad and especially in Europe.
- Support to small cultural projects, especially for organisations based in remote and rural areas (through sub-granting scheme).

Priorities:

- Actions that promote values of tolerance and respect for diversity.
- Actions that promote respect for human rights and fundamental freedoms.
- Actions that reinforce the sense of community among Palestinian people through overcoming territorial fragmentation.
- Actions that support the Palestinian narrative.

Expected Results:

- Improved management capacity of cultural operators in Palestine.
- Accessible opportunities to Palestinian youth and women for creativity and self-expression through cultural means.
- Enhanced engagement of Palestinian audience in remote and rural areas.
- Increased participation of Palestinian artists in European festivals and competitions.
- Improved public awareness in Europe about the Palestinian culture and narrative.

(b) Eligibility conditions¹⁰

To be eligible for a grant, the applicant must be a legal person, be non-profit-making and; be a specific type of organisation such as NGOs, educational institutes, networks, cultural operators, etc and not acting as an intermediary. The applicant may act with co-applicant(s). Priority will be given to projects where a Palestinian organisation is the lead applicant. Subject to the information to be published in the call for proposal, the indicative amount of the EU contribution per grant will range between EUR

¹⁰. With regard to Israeli entities: follow Guidelines on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards (OJ C 205, 19.7.2013, p. 9).

100,000 to EUR 400,000 and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (co-ordinator and co-beneficiaries). The indicative duration of the grant implementation period is 12-36 months. Specific eligibility conditions of the calls for proposals to be launched under this action will include strict compliance with the EU Framework Decision on racism and xenophobia.

(c) 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.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 90% due to the low auto-financing capacity of the targeted beneficiaries. In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call: 2nd trimester of 2018.

5.3.5 Procurement (direct management)

Services contracts will be concluded for audit, evaluation, communication and visibility in line with points 5.8, 5.9 and 5.10.

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

If the indirect management mode cannot be implemented due to circumstances outside of the Commission's control, the alternative implementation modality is the direct management mode.

Procurement (direct management)	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Public Finance Management reform	Services	1	4th Trimester 2018
Non-Revenue Water in Gaza	Works	2	4 th Trimester 2018
Non-Revenue Water in Gaza	Services	2	2 nd Trimester 2018 and 2019
Procurement of the RE infrastructure (PVs and Wind Turbines)	Supplies and Works	2	4 th Trimester 2018
Procurement of the HHs connections to the sewage network	Direct award to T-JWSSC	1	2 nd Trimester 2019
Sustainable Economic Development	Services	1	4 th Trimester 2018

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Budget Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (EUR)	Indicative third party contribution(EUR)
5.3.1 Governance Reform, Fiscal Consolidation and Policy Reform	4,500,000	
5.3.1.1 Indirect management with the World Bank	2,000,000	3,000,000
5.3.1.2 Grants: Twinning (direct management)	2,500,000	
5.3.2 Access to Self-sufficient Water and Energy	18,250,000	
5.3.2.1 – Direct grant to OXFAM (direct management)	1,500,000	150,000
5.3.2.2 – Indirect management with UNOPS	500,000	
5.3.2.3 – Indirect management with the Palestinian Authority	8,500,000	
5.3.2.4 – Indirect management with AFD	7,750,000	4,000,000
5.3.3 Sustainable Economic Development	1,650,000	
5.3.3.1. Indirect management with BTC	1,650,000	
5.3.4 Complementary support for civil society	2,000,000	
5.3.4.1 Grants: Call for proposals (direct management)	2,000,000	160,000
5.8 Evaluation and 5.9 Audit	350,000	
5.10 Communication and visibility	450,000	
Contingencies	400,000	
Total	27,600,000	7,310,000

5.6 Organisational set-up and responsibilities

Governance Reform, Fiscal Consolidation and Policy Reform:

The World Bank Multi-Donor Trust Fund foresees a governance structure to monitor the programme. A Joint PA-Donor Steering Committee will be set up with specific Terms of Reference describing roles and responsibilities of members. Steering committees will also be organised with twinning partners in line with the applicable Twinning Manual.

Access to Self-sufficient Water and Energy:

With regards to the Non-Revenue Water component in the Southern Governorates, a Steering Committee will be set up with all relevant stakeholders (including civil society) and should intervene at three key stages of the project implementation: 1) approval of the design and location of the works, 2) approval of the awareness campaign concept and 3) discussion and approval of the water tariff. For a transparent and effective implementation of the project, a Project Management Committee will also be established. Its main mandate is to ensure technical standards, provide technical inputs and review project progress in bi-monthly meetings. A Steering Committee will also be set with regards to the rehabilitation of brackish desalination plants by OXFAM. The Steering Committee should meet regularly to select targeted areas, monitor scheme with Community Based Organisations and accountability of the activities, and approve capacity building scheme.

With regards to the support to the Office of the Quartet (OQ) for the establishment of appropriate dialogue between the Palestinian Authority and the Government of Israel (via UNOPS), the activities will be monitored through a Steering Committee composed by EUREP, UNOPS, OQ, PWA and PENRA. The Steering Committee

should meet regularly to give guidance, to determine the short-term expected outputs and to monitor the activities implemented by the OQ.

Direct implementation from the local operators, in compliance to the 2014 Water Law, and with the support of TDECO with regard to the energy component, is foreseen for the Nexus Programme. AFD will sign a financial agreement with the MoFP and a delegation agreement with the EU. The PWA jointly with PENRA will co-lead the project through a Steering Committee (SC) composed of all relevant actors.

Sustainable Economic Development

A Steering Committee will be set up by BTC with the participation of the Ministry of National Economy and the EU. Close co-ordination will be maintained with all relevant stakeholders in the Gaza Strip.

Complementary support for civil society

A Steering Committee will be established, involving the main stakeholders (MoC, Ministry of Tourism and Antiquities (MoTA), main private foundations, local authorities, networks of CSOs, etc.) with the main objective to oversee the various phases of the project implementation and monitoring. Close co-ordination will be maintained with all the other donors, especially EU Member States and their national cultural centres.

5.7 Performance 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 partners' responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation. Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the nature of the action, different evaluations will be carried out for this action or its components via independent consultants contracted by the Commission and via an implementing partner. A mid-term evaluation may be carried out in particular with respect to the Access to Self-sufficient Water and Energy component. Furthermore, final evaluations may be carried out for the different components of the action, contracted by the Commission. They will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the specificity of the action components.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

Indicatively, 1 contract for evaluation services shall be concluded under a framework contract or competitive negotiated procedure in the middle of the operational implementation and 5 contracts for evaluation services shall be concluded through framework contracts or competitive negotiated procedure in the end of the operational implementation.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. Indicatively, 3 or more contracts for audit services might be concluded under a framework contract or competitive negotiated procedure during the operational implementation period or the closure phase of this action.

5.10 Communication and visibility

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

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

Indicatively, one or two contracts for visibility and communication activities might be concluded under negotiated competitive procedure during the operational implementation period of this action.

Communication and visibility foreseen under this action document will cover needs in a transversal approach in line with a more holistic and comprehensive approach to visibility and communication.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹¹

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing Decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Results Chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Contribute to a more effective and efficient provision of services within an increasingly innovative and inclusive Palestinian society.	Sustainable Development Goals indicators: 6.1.1: Proportion of population using safely managed drinking water services 7. 1.1 Proportion of population with access to electricity 8.2.1 Annual growth rate of real GDP per employed person 16.6.1 Primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar).			SDG Reports Palestinian Central Bureau of Statistics (PCBS) PA fiscal reporting, World Bank and IMF reports	The political situation does not deteriorate further. The political rift between West Bank and Gaza does not escalate further.

¹¹. Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

Specific objective(s):	1) To improve the PA's Public Financial Management and fiscal position ;	<p>N.B To be refined during the project proposal preparation</p> <p>1.1 Reports issued to a committee for decisions on the quarterly allotments for budget execution.</p> <p>1.2 E-referrals and CCS serve as a guide for in-year budget execution of MoH</p> <p>1.3 Citizen budget issued every year</p> <p>2.1. # of inhabitants accessing safe and adequate quantity of water for drinking and domestic purposes.* and **</p> <p>2.2.% of new connections meeting the PA and WHO water quality standards. *</p> <p>2.3. Share of renewable energy for operating the water infrastructures;</p> <p>2.4. Cost saving in energy for the T-JWSSC</p>	2013 PEFA assessment	Intermediate: 2018 PEFA	IFMIS Decisions of the quarterly cash committee Next PEFA report IMF reports World Bank reports	The PA remains committed to implementing the PFM strategy and related reforms
Outcome(s)	2) Sufficient, equitable, affordable and sustainable access to energy, safe water and sanitation services;		<p>1. 2016: 430,000 inhabitants have access to water through networks in the area.</p> <p>2. 2017: 0 new connection</p> <p>3 – 2016: no share of renewable energy</p> <p>4 – 2016: 0 NIS/year</p>	<p>1. 2020: 500,000 inhabitants are connected to the new and upgraded water supply systems</p> <p>2. More than 90% of the new connections and upgraded desal. plants meet the PA and WHO water quality standards</p> <p>3 - 2020: Energy produced by the RE hybrid solar&wind installation provides for 5600MWh/year (20% comes from the grid&power generators)</p> <p>4. Cost savings on energy for water infrastructure with the project and jointly for the T-JWSSC, WBWD and TEDCo jointly reach 3M NIS /year</p>	<p>- PWA reports</p> <p>- CMWU reports</p> <p>- Project monitoring reports</p> <p>- Number of customers registered in the utility/council registry</p> <p>- External evaluation reports</p>	<p>No significant deterioration of the current political and security context;</p> <p>Rift between Gaza and the West Bank does not escalate further and PA retains a presence in Gaza;</p> <p>Stakeholders remain committed to the project's objective and results.</p> <p>The situation in</p>

	<p>3) MSMEs' competitiveness enhanced in the Gaza Strip;</p> <p>4) Palestinian cultural sector enhanced and accessible to all; and Palestinian identity better promoted, including abroad.</p>	<p>3.1 Number of Gazan entrepreneurs reporting enhanced competitiveness and access to markets</p> <p>4.1 Number of cultural operators in Palestine that increase their cultural management capacity</p> <p>4.2 Number of Palestinian artists who take part in European competitions / festivals</p> <p>4.3% of people participating to cultural activities in remote and rural areas</p>	<p>3. At the beginning of the project</p> <p>1. Survey at the launching of the programme (total # of cultural organisations in Palestine in 2016: 612)</p> <p>2. Survey at the launching of the programme (info not available yet)</p> <p>3. 2016: 10% of the cultural audience are in remote and rural areas (estimated data)</p>	<p>100</p> <p>1. At least 5% have increased their capacities in cultural management (30 cultural operators)</p> <p>2. Increase of at least 5% in the total number of Palestinian artists who take part in European competitions/festivals</p> <p>3. By: 2020: 20% of cultural audience in remote and rural areas</p>	<p>Project progress reports</p> <p>Project progress reports</p> <p>External evaluation reports</p> <p>Annual reports of the Ministry of Culture</p> <p>Annual reports of the Ministry of Tourism and Antiquities</p> <p>PCBS annual statistics</p>	<p>Gaza does not deteriorate further</p>
<p>Outputs</p>	<p>1.1 Strengthened MoFP's capacity to steer and monitor the implementation of the PFM strategy</p>	<p>1.1.1 A referral Committee is in place and operating efficiently</p> <p>1.1.2 Payroll and HR systems</p>			<p>E-referrals database and FMIS</p> <p>Payroll IT system at</p>	

		<p>connection in place and tested in a pilot ministry (Education)</p> <p>1.1.3 The accounting and reporting is aligned with GFS and IPSAS and allow fair and timely picture of the PA accounts.</p> <p>1.1.4 Framework agreements in the Portal are in place</p> <p>1.1.5 Regular PEFA assessment are carried out</p> <p>1.1.6 Reduction of timeline for the Financial Statement 2017</p> <p>1.2.1 Trained institutions consistently apply revised procedures</p> <p>1.2.2% of frauds, tax evasion/avoidance detected</p> <p>1.2.3 INTOSAI standards and equivalent best professional practices are met by SAACB</p>	<p>TBC</p> <p>2017: 0</p> <p>February 2017: 65%</p> <p>2017: 0</p>	<p>TBC</p> <p>2020: 3 counterpart institutions applying revised procedures</p> <p>2020:% detection of frauds, tax evasion/avoidance increased to over 70% (to be validated after inception report)</p> <p>2020: INTOSAI or equivalent best professional certificates are awarded to SAACB</p>	<p>MoFP and HR IT system at GPC).</p> <p>Monthly financial reports and financial statements</p> <p>Procurement Portal</p> <p>PEFA report</p> <p>OGP meetings' minutes</p> <p>MoFP / GABC / SAACB reports</p> <p>Palestinian Customs Department / MoFP reports</p>	
Outputs	2.1 Increased water supply in Gaza	<p>2.1.1 Number of inhabitants covered by water networks and receiving water with less than 10% of service disruption</p> <p>2.1.2% of infrastructure energy needs covered by renewable energy</p> <p>2.1.3% of reduction of Non-revenue Water *</p>	<p>2.1.1 2016: 430,000</p> <p>2.1.2 2016 – 0%</p> <p>2.1.3. 2016: 35%</p>	<p>2.1.1 2020: 500,000</p> <p>2.1.2 - 2020: 30%</p> <p>2.1.3 2020: 30%</p> <p>2.1.4 2019: 90%</p>	<p>PWA reports</p> <p>CMWU reports</p> <p>Project monitoring reports</p> <p>CMWU Registry and Books</p> <p>Specific reports on the awareness</p>	<p>Availability of funds</p> <p>Quality of the work provided by the contractors</p> <p>Delays in approval from COGAT for the entry of materials in Gaza</p>

		2.1.4% of the bills collected based on an appropriate tariff	2.1.4. 2016: 50%		campaigns	Appropriate staff recruited for the project)
		2.1.5 Number of citizens (gender disaggregated data's) aware of water rights and obligations	2.1.5 -2017 – 150,000	2.1.5 -2020 – 500,000		Willingness of the citizens to change behaviour
		2.1.6 Number of CBOs fully operational in monitoring the water quality	2.1.6 – 2017 - 0 CBO's	2.1.6 – 2020 – minimum 16 CBO's		
		2.1.7 – Number of regular meetings between PWA and GoI	2.1.7 0 regular meetings facilitated by OQ	2.1.7 2018: Trimestral regular meetings		
		2.1.8 Number of agreements (formal/informal) on dual use and staff material movement initiated by OQ and signed	2.1.8 – 2017 - 0 agreements (formal/informal) signed	2.1.8 – 2018 – minimum 2 agreements (formal/informal) signed	Project reports	Willingness of PA and GoI to collaborate
	2.2 Improved quality and sustainability of water and energy services in Tubas Governorate	2.2.1 – No. of kms of water network rehabilitated or extended	2.2.1 – 2016: 0	2.2.1 – 2020: 80 kms	Project monitoring reports	Availability of funds
		2.2.2 – No. of prepaid meters installed	2.2.2 - 2016: 0	2.2.2 2020: 2 SCADA systems installed	Steering Committees' Minutes	Quality of the work provided by the contractors
		2.2.3 – leakage detection and water quality system tools installed	2.2.3 - 2016: 0	2.2.3 – 2020: leakage detection and water quality management tools are operational	Ad hoc reports	Quality of the technical and management capacity at T-JWSSC level
		2.2.4 – No. HHs connections to the sewage network	2.2.4 - 2016: 0	2.2.4 – 2020: 500	T-JWSSC, WBWD, TEDCo records	
		2.2.5 – No. MW installed capacity of wind turbines	2.2.5 - 2016: 0	2.2.5 – 2020: 1,7 MW	PWC and PENRA reporting	Delays in approval from COGAT for the entry of materials in West Bank
		2.2.6 – No. MW installed capacity of PV plant	2.2.6 - 2016: 0	2.2.6 – 2020: 1,7		
				2.2.7 – 2020: 0.3 MW		

		2.2.7 – No. MW installed capacity of PV on structure				Appropriate staff recruited for the project
3. Strengthened capacity of Gazan entrepreneurs and of the Gaza business environment	3.1 Number of entrepreneurs trained by the project.	0	400	Project progress reports	No significant deterioration of the current political and security context; Stakeholders remain committed to the project's objective and results.	
	3.2 Number of start-up enterprises benefitting from seed funding	0	100	Project progress reports		
	3.3 Number of start-up enterprises for which additional funding is secured.	0	5	Project progress reports		
	3.4 Number of incubators and accelerators supported	0	2 or more	Project progress reports		
	3.5 Number of partnerships developed	0	4 or more	Project progress reports		
	3.6 Number of outsourcing opportunities developed	0	3 or more	Project progress reports		
4. Reinforced Palestinian identity and improved recognition of Palestinian culture especially in Europe	4.1 Number of cultural organisations trained in cultural management	0	60	Project progress reports	Stakeholders remain committed to the project	
	4.2 Number of small cultural organisations in remote and rural areas benefitting from an EU Grant	0	60	Project progress reports	Sub-grants are allocated upon clear and transparent rules	

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This action is funded by the European Union

ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2017 of Palestine¹
to be financed from the general budget of the Union

Action Document for "Support to East Jerusalem"

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning grants awarded directly without a call for proposals: 5.3.1.

1. Title/basic act/ CRIS number	Support to East Jerusalem CRIS number: ENI/2017/040-199 financed under the European Neighbourhood Instrument
2. Zone benefiting from the action/location	Jerusalem, Palestine The action shall be carried out at the following location: Jerusalem
3. Programming document	European Joint Strategy in Support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State
4. Sector of concentration/ thematic area	Other measures: Support to East Jerusalem
5. Amounts concerned	Total estimated cost: EUR 20,100,000 Total amount of EU budget contribution: EUR 14,900,000. This action is co-financed by potential grant beneficiaries, by the Arab Fund for Economic and Social Development and could potentially be co-financed by other donors, such as the Islamic Development Bank, for an indicative amount of EUR 5,200,000.
6. Aid modality(ies) and implementation modality(ies)	Project Modality Direct management – grants – direct award Direct management – procurement of services Indirect management with an international organisation: United Nations Office for Project Services (UNOPS)

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.

7. DAC code(s)	Main DAC code – 15150 Democratic Participation and Civil Society Sub-code 1 - 11120 Education Facilities and training Sub-code 2 – 25010 Business Support Services and Institutions Sub-code 3 – 15153 Media and free flow of information Sub-code 4 – 15160 Human rights			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main 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 (including Women In Development)	<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"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9. Global Public Goods and Challenges (GPGC) thematic flagships	Not applicable			
10. Sustainable Development Goals	Sustainable Development Goal no. 11 "Sustainable Cities and Communities" Sustainable Development Goal no. 1 "No Poverty" Sustainable Development Goal no. 4 "Quality Education" Sustainable Development Goal no. 8 "Decent Work and Economic Growth"			

SUMMARY

The programme seeks to prevent the population in East Jerusalem from being further coerced into leaving the city, thus jeopardising the chances to safeguard the Palestinian identity of Jerusalem in future status talks.

EU support to East Jerusalem is multi-sectoral and sectors are addressed in a cyclical manner. In 2017, the programme will target interventions primarily in the following sectors: (i) advocacy and protection (ii) youth and education, and (iii) private sector and economic development. It aims to respond to the continued deterioration of socio-economic trends, caused by insufficient investment in community services, 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 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

East Jerusalem has traditionally served as the focus of political, commercial, religious and cultural life for the population of Palestine. Since the 1967 occupation and its illegal annexation by the Israeli government in 1980, East Jerusalem (EJ) depends *de facto* on the Israeli municipality for its governance and the delivery of public services. The European Union has regularly recalled that it never recognised the 1980 annexation of East Jerusalem and 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 Palestine and should be maintained as the social, economic, political and cultural hub for Palestinians.

Israel has followed a declared 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. The years 2015-2017 have seen further increase in settlement construction around Jerusalem, with extraordinary acceleration as of January 2017. Physical separation has severely affected economic activities and weakened the social fabric and cultural identity of the Palestinian community. East Jerusalem is constantly marginalised by the asymmetric delivery of public services provided by the Israeli municipality to Jerusalem's Palestinian population. This complex political reality and the resulting instability exacerbate the vulnerability of the fragmented communities and of marginalized groups, notably the population of the Old City, communities separated by the wall, and the increasingly isolated Palestinian neighbourhoods throughout East Jerusalem. Recent trends in violent confrontations, substantial land confiscation, increased house evictions and demolitions in highly populated urban neighbourhoods, have further increased pressure on the Palestinian community in the city. 2016 saw a marked increase in the number of homes Israeli authorities demolished throughout East Jerusalem (88 residential buildings and 48 other structures). The scale of demolitions was the most extensive since 2004 and this negative trend has further escalated in early 2017.

The economy of East Jerusalem is characterised by low labour force participation, high level of structural unemployment (40% of the male Arab population in Jerusalem does not participate in the labour market), limited opportunities, low wages, limited public investments in communities and infrastructure, inadequate municipal services, little private investment and, as a result, unsustainable fiscal conditions and a deteriorating economic base. With the limitations and restrictions it imposes, the Israeli occupation is the primary driver of poverty in Palestine. One in four Palestinians lives in poverty, making Palestine today among the lower middle-income group of countries in terms of Human Development Index. In East Jerusalem, these rates are substantially higher, with 76% of Palestinian residents living under the poverty line, and 83.4% of Palestinian children.²

The East Jerusalem private sector is characterised by very low investments, weaknesses in workers' skills across sectors, the burdening permits regime as well as the limited access to land and building permits and the segregation from the West Bank market.

². The Association for Civil Rights in Israel, East Jerusalem Facts and Figures 2017.

1.1.1 Public Policy Assessment and EU Policy Framework

Palestinian National Policy Agenda (NPA) 2017-2022 Putting Citizens First puts the expansion of Palestinian sovereignty over East Jerusalem as a priority. Under the NPA, under the National Policy 1 "Mobilizing national and international support", measures include 1) to reassert sovereignty over the whole territory of the State of Palestine based on the 1967 borders including East Jerusalem, and 2) to establish and develop East Jerusalem as the capital of the State of Palestine. Under the NPA, the development of a "sectoral strategy" in support of East Jerusalem is expected in the second half of 2017.

European Joint Strategy in Support of Palestine 2017-2020 Towards a democratic and accountable Palestinian State incorporates the central role of East Jerusalem serving as the future capital of the State of Palestine. It states: "*In line with the NPA's Strategy, and while EU's development partners recognise the geographical disparities and special needs/challenges related to them, Palestine is treated as "one" [...] At the same time, the Strategy acknowledges the specific needs of East Jerusalem, the Gaza Strip and Area C, which are also areas where the role of the Palestinian Authority is severely limited and challenged due to different political, administrative and security arrangements.*

Under the EU component of the European Joint Strategy, there is specific Other Measure: Support to East Jerusalem to reflect the multi-sectoral nature of EU support to East Jerusalem. The EU is adopting a strategic approach to sustain the presence of the Palestinian population and protect the Palestinian identity of the city.

EU policy has been repeatedly reflected in EU Council Conclusions, which recognise the centrality of Jerusalem for Palestine and that "*a way must be found [...] to resolve the status of Jerusalem as the future capital of both states.*"³ Furthermore, the regular EU Heads of Mission Report on Jerusalem provides a joint framework which is primarily implemented through the EU's support to East Jerusalem.

1.1.2 Stakeholder analysis

The direct beneficiary of the present action is the Palestinian population living in East Jerusalem, especially children, youth, women, vulnerable communities and, more comprehensively, people whose fundamental rights are being violated. In the absence of formal Palestinian institutions in East Jerusalem (closed down by Israeli authorities since 2001), the key stakeholders remain primarily community-based organisations (CBOs), local and international Non-governmental organisations (NGOs), and international organisations supporting East Jerusalem communities.

Civil society organisations have suffered from the growing isolation of the city in the past ten years, as well as from a number of restrictive measures taken by the Israeli authorities. These measures have resulted in the closure and/or transfer of numerous Palestinian and/or international organisations to the West Bank, further weakening the Palestinian institutional and social fabric in East Jerusalem. Therefore, the East Jerusalem programme tries to counter these measures by supporting the activities of the few remaining Palestinian institutions/organisations in East Jerusalem and increasing support to community based organisations. Discussions have been held with interested partners on possible interventions. Feedback given on specific ideas put forward has been taken into account in the development of viable interventions that correspond to the priorities identified.

³. Council conclusions on the Middle East Peace Process Brussels, 22 July 2014.

There are different dynamics between the various types of organisations depending on their experience as well as the sectors they are involved in. For example, there are some strong and well experienced international organisations that provide a protective umbrella to local organisations, especially those working on advocacy and/or legal aid since they face close scrutiny from the Israeli *de facto* authorities. International organisations, in general, face fewer restrictive measures than the local organisations, especially in the education sectors and renovation/construction. These international organisations also have an important role to play using their international connections for awareness raising and advocacy.

In other cases international organisations and international non-governmental organisations bring together a number of local organisations and co-ordinate their efforts under one single initiative in order to create synergies and have a greater impact. This, for instance, is the case with regard to support for the tourism sector in Jerusalem. The related local partners are well experienced and have good capacity but co-ordination between them needs to be enhanced, especially in the absence of strong regulatory or co-ordinating bodies/mechanisms. In this case the international organisations cover this gap, and provide the necessary support. Additionally, international organisations can provide support and capacity building to less experienced smaller local ones, when needed. In these cases it builds up their capacity and their internal regulatory and monitoring systems.

The EU directly refers to the Office of the President of the Palestine Liberation Organisation (PLO) for matters related to the EU support to East Jerusalem. The link with the Office of the President is important. Co-ordination with Line Ministries of the Palestinian Authority (PA) and the Jerusalem Governorate takes place as and when appropriate.

1.1.3 Priority areas for support/problem analysis

The EU support to East Jerusalem is multi-sectoral. Three/four priority sectors are identified yearly in co-ordination with the Office of the President of the PLO (and following civil society consultations), and actions in these areas are then selected. Synergies are thus ensured not only between actions of the same year, but mostly in the overall context of all on-going actions under the Programme. Strong coherence has been developed over the years, thanks to this cyclical approach, which allows EU presence in most relevant sectors at almost any given time.

The specific political and regulatory environment in East Jerusalem hinders development and discourages investments. The resilience of the population relies on enhancing potential for economic development, maintaining a skilled workforce, modernizing existing businesses and improving their competitiveness.

Palestinian women in East Jerusalem face particular challenges. Indeed, over and above the factors that negatively affect all Palestinian women (discriminatory legislation, weak performance of institutions and services, patriarchal social traditions, and the effects of the Israeli occupation), women in East Jerusalem have to deal with specific, context-related issues: residency rights, house demolitions and evictions, increased gender-based violence, lack of services for women and the multiplicity of legislations related to personal status.

Regarding urban planning, for over a decade, the local and district planning Israeli authorities have not advanced even a single outline plan in the Palestinian neighbourhoods. Even the neighbourhood outline plans initiated by the Municipality

itself are left unattended. Alongside the ongoing planning freeze, there has been a sharp rise in the demolition of homes in East Jerusalem on the grounds of construction without permit. In 2016, 88 homes were demolished, leaving 295 people without a roof over their heads. This is the largest number of home demolitions for over a decade. In addition, between January 2016 and February 2017 the authorities demolished in East Jerusalem 59 structures including shops and agriculture construction.⁴

By living in occupied East Jerusalem many young boys and girls feel torn between their individual and national identities. They are at risk of being alienated from their society and becoming increasingly violent in response to institutionalized discrimination, economic stagnation and lack of any perspective. The exponential increase of violent episodes in the city since mid-2015 brought this worrisome reality to the headlines.

The education system in East Jerusalem has been severely affected by Israeli policy and is currently fragmented into five types of service providers, lacking any co-ordination. The PA has no official authority on over 12,000 pupils registered in the 44 Awqaf⁵ schools, as it is officially forbidden to operate there. Hence, schools lack basic resources and can barely deal with the increasing discomfort, challenges and social exclusion suffered by pupils. Main challenges faced by the system in East Jerusalem concern school dropout, shortage of classrooms⁶, access to school, movement restrictions and transportation for teachers and students, shortage of trained teachers and absence of alternative educational frameworks able to deal with students with special needs.

The Palestinian Committee of Prisoners' Affairs announced that Israel has detained about 560 children from occupied East Jerusalem up to the first 8 months of 2016⁷ with some of them being younger than 12 years old. The Committee also announced that the Israeli authorities imposed house-arrest orders on at least 60 children from East Jerusalem. No specific services are provided to these minors and their families, so these minors are denied their right to education for "security reasons"⁸.

Problems are even more acute in highly marginalized and overcrowded areas such as Silwan, the Old City and the Shu'fat refugee camp, where open spaces - already extremely rare in East Jerusalem - are virtually absent. The lack of recreational and sport facilities in a city with over 60% of the population under 25 years old, living in a state of continued political tension and in poor socio-economic conditions, is a further strong element of pressure.

Particular attention will however be paid to prevent that EU-supported civil society organisations are also engaged in activities inciting to hatred and/or violence. Eligibility under this action will include strict compliance with the EU Framework Decision on racism and xenophobia.

⁴. The Association for Civil Rights in Israel, East Jerusalem Facts and Figures 2017.

⁵. Awqaf schools in EJ are the public schools *de facto* administrated by the PA Ministry of Education and Higher Education through the Jerusalem Directorate of Education.

⁶. In 2010 the Israeli Supreme Court ruled in favour of a human rights organisation's petition denouncing the chronic shortage of 1000 classrooms in East Jerusalem.

⁷. <https://www.maannews.com/Content.aspx?id=772710>.

⁸. According to the organisation Addameer, at least 20% of Palestinian children under home arrest are prevented from attending school.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (HML)	Mitigating measures
Negative political developments leading to increased violence.	H	Maintain recourse to use of European umbrella organisations and UN agencies.
Increased Israeli human rights violations and isolation of East Jerusalem	H	Continue to apply the Rights Based Approach as approved by the EU Council on 19 May 2014 in all projects under the East Jerusalem programme
Hardened Israeli policies on the access of people and goods to Jerusalem.	H	<ul style="list-style-type: none"> - Maintain pressure to facilitate access between East Jerusalem and the West Bank. - Maintain continuous co-ordination with donors and increase communication on overall EU and EU Member States support to East Jerusalem.
New Israeli guidelines might result in longer periods of time, for the issuance of the construction permit and license for school within the Innovation Park	H	<ul style="list-style-type: none"> - Regular dialogue with the relevant Ministries, the Office of the President of the PLO and the Governorate. - indirect management through an International Organisation and close project monitoring.
Continued absence of Palestinian political institutions in East Jerusalem	H	- Increase efforts to triangulate with the EU Delegation in Tel Aviv with regards to allowing the functioning of Palestinian institutions in East Jerusalem
Financial sustainability	H	<ul style="list-style-type: none"> - Create sustainable models through developing solid visions, strong co-ordination and effective planning. - Diversify sources of co-financing. Seek co-financing from other European donors working in East Jerusalem
Assumptions		
<p>Co-ordination among donors and communication on EU strategic intervention in Jerusalem are continuously strengthened.</p> <p>Palestinian institutions have the political ambition to substantively engage in East Jerusalem despite obstacles.</p>		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Lessons learnt were drawn from the external evaluation of the EU-funded Programme to support the delivery of public services in East Jerusalem between 2007 and 2011. In addition, projects' external evaluations, independent sectoral studies and consultations with civil society organisations and other donors provide useful feedback on the Programme. An evaluation of EU support of East Jerusalem will be launched in late 2017. Furthermore, Results Oriented Monitoring of on-going projects supports identification and formulation of new actions. Lessons learnt can be summarised as follows:

- While the EU shall maintain its method of implementation working through partnerships between international and local organisations (thus creating an umbrella mechanism), it should continue working directly with Palestinian partners whenever possible.
- The EU must maintain flexible and creative means of implementation.
- The EU should enhance co-ordination of on-going operations and other donors, in order to avoid duplication and increase the potential for synergies among actions.
- The EU should increase - when feasible - well-structured and active efforts aimed at promoting visibility and awareness of EU funding in East Jerusalem.

There is a pressing need for EU funded actions to better support strategic communication promoting international humanitarian and human rights law.

3.2 Complementarity, synergy and donor co-ordination

The EU-led informal Working Group on East Jerusalem offers a forum for co-ordination and exchange of information on support provided to East Jerusalem by the EU and its Member States as well as like-minded donors (i.e. Norway and Switzerland).

Nevertheless, donor co-ordination in East Jerusalem remains a challenge despite the political will of major donors and the joint political framework provided by the annual EU Heads of Mission Report on Jerusalem.

The absence of Palestinian institutions in East Jerusalem and the lack of a clear development strategy make also extremely difficult donor co-ordination at operational level. The Office of the EU Representative (EU REP) (West Bank and Gaza Strip, United Nations Relief and Works Agency for Palestine Refugees (UNRWA)) is engaged in regular bi-lateral information sharing with non-EU most significant actors, i.e. the UN family, the Welfare Association and the Islamic Development Bank.

The East Jerusalem multi-sectoral programme is complementary to other EU funded programmes and projects under the European Joint Strategy to support Area C, culture, private sector development, etc. Since 2013, through the PEGASE Direct Financial Support mechanism, the EU supports the Palestinian Authority in the payment of health referral bills to the six East Jerusalem hospitals. Through this mechanism, the EU provides crucial funding to avoid the collapse of the six East Jerusalem hospitals, which are amongst the few remaining Palestinian institutions in East Jerusalem and are providing key medical services to the Palestinian population.

Furthermore, this programme has noteworthy complementarities and synergies with both the thematic programmes notably the European Initiative for Democracy and

Human Rights, regional programmes notably European Peacebuilding Initiative and support to civil society.

3.3 Cross-cutting issues

Good governance principles are entrenched in the implementation mechanism and projects' ownership from the Palestinian civil society is ensured. Furthermore, good governance and the use of local systems are embedded in the design of each initiative of this action.

Gender equality is promoted in every action of the Programme and gender-disaggregated data will be produced and used when possible. The interventions will enhance girls' access to educational/extra-curricular activities as well as women's participation in economic empowerment initiatives that will promote their professional skills and employment opportunities. They will also be supported by legal counselling/aid, which will enhance their legal protection for family reunification, and against house demolitions, evictions and residency rights revocation. Advocacy initiatives will enhance their knowledge of their human rights and make their situation more widely known to the public, both locally and internationally.

The *Rights Based Approach* is central to each project undertaken under this Action given that the challenges faced by Jerusalemites are essentially due to the prevailing human rights violations and the absence of relevant protection mechanisms.

4 DESCRIPTION OF THE ACTION

4.1 Objectives

The **Overall Objective** of the East Jerusalem programme is political i.e. to "maintain the viability of the two-state solution, with Jerusalem as capital of two states".

The **Specific Objective** is to strengthen the resilience of the Palestinian residents of East Jerusalem and preserve the Palestinian character of the city.

4.2 Main activities/results

This action is going to intervene in a number of priority sectors identified in co-operation with civil society and the Office of the President of the PLO, and in line with the recommendations of the 2015 EU Heads of Missions' Report on Jerusalem, as updated in late 2016.

These areas of intervention (namely advocacy and protection; youth and education; and private sector and economic development) are aligned with the yearly, cyclical approach of the East Jerusalem programme, in order to ensure on-going support to each of the many priority sectors at any given time, through on-going or incoming actions.

All projects to be included in the 2017 East Jerusalem programme will be fully consistent with the underpinning community-based approach to development adopted by the programme, which is one of its distinctive trademarks since its inception and a rights based approach also aimed at improving the sustainability of EU funded actions.

Activities to be carried out will include the following: advocacy and awareness raising, including through traditional and innovative media; protection of vulnerable groups, including through legal protection of residency and housing rights; activities to promote participation of community-based organisations; support to the tourism sector with the aim of strengthening local economic development; and support to educational environment and educational facilities. The list is not exhaustive and innovative

activities with the potential to meet the objectives of the programme will also be considered.

Expected results include the following (not exhaustive list): the Palestinian identity in East Jerusalem is reinforced; the Palestinian presence in East Jerusalem is safeguarded; duty bearers are held accountable; local and international awareness of the situation in East Jerusalem is increased; Palestinian businesses in Jerusalem become more sustainable; there are increased job opportunities (for youth); and improved educational environment and educational facilities are in place.

4.3 Intervention logic

The intervention is aimed at supporting the Palestinian population of East Jerusalem. The Palestinian population in East Jerusalem is constantly facing the pressure of the Israeli *de facto* authority and its prejudicial policies, which openly aim to reduce Palestinian presence in the city.

The overall objective of the Programme focuses on maintaining the viability of the Two State Solution with Jerusalem being the capital of the two states. The specific objectives of the programme are to strengthen the resilience of Palestinian East Jerusalem residents and to preserve the Palestinian character of the city.

The expected results of the Programme which aim at achieving these objectives are the following: enhancing the socio-economic resilience of East Jerusalemites, improving advocacy and protection efforts, youth empowerment and better, more inclusive education.

This will be achieved through:

- (i) Advocacy and protection actions through which men and women, especially youth, will be effectively engaged in international and local advocacy to increase awareness and effective positive change to improve living conditions – this will strengthen Palestinian identity and hold duty bearers accountable;
- (ii) Actions for youth and education whereby access to inclusive and quality education will be improved – this will result in an improved educational environment and educational facilities for East Jerusalem Palestinians; and,
- (iii) Private sector and economic development through which businesses will benefit from stronger and more accessible economic development services and men and women will have developed professional skills, and have better access to sustainable jobs and improved employment opportunities.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

The East Jerusalem programme is inherently political, aiming at maintaining the viability of the two state solution with "Jerusalem serving as the future capital of both States". The extremely sensitive political situation created by the Israeli annexation of East Jerusalem, not recognised under international law, creates enormous difficulties and challenges for Palestinians and Palestinian organisations in the city who are subjected to Israel's *de facto* jurisdiction. This comes in the form of restrictive policies for Palestinian construction in Jerusalem, continuous demolitions and evictions, inequitable education system, obstacles to accessing quality health care systems, and an increasingly suffocating pressure on East Jerusalem's stagnant economy. Palestinian political organisations in East Jerusalem are largely absent and Palestinian institutions are prevented from playing any role. Palestinian communities in Jerusalem have become very fragmented and are confronted with exceptional economic and social obstacles.

This delicate situation calls for the Commission's authorising officer to recourse to the direct award of grants, rather than using alternative implementation modalities, such as a call for proposals. Direct awards allow the EU (i) to exercise the flexibility required to adapt the interventions to the specific socio-political context, (ii) to respond to the unique challenges of each priority sector, (iii) to provide support to the capacity development of Palestinian NGOs applying to the Programme, and (iv) to safeguard Palestinian NGOs which are still able to function in East Jerusalem.

In light of this fragile context, further deteriorated since October 2015 and confirmed by the repeated EU recognition of a crisis situation in Palestine for several years, an effective implementation of this programme calls for direct award of grants.

5.3.1 Grants: Direct Award (direct management)

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

It is proposed to award direct grants to approximately seven civil society organisations, with the objective to strengthen the resilience of the Palestinian residents of East Jerusalem and preserve the Palestinian character of the city.

The main areas of intervention are selected based on the following priority sectors: i) advocacy and protection (ii) youth and education, and (iii) private sector and economic development, which were identified in co-operation with the civil society and the Office of the President of the Palestinian Liberation Organisation (PLO), and in line with the recommendations of the 2015 EU Heads of Missions Report on Jerusalem as updated in late 2016.

(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 beneficiaries with a good track-record of working in East Jerusalem and of implementing the type of innovative projects outlined above (See section 4.2).

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because on the

one hand, Palestine has been acknowledged to be in a "crisis situation" as referred to in Article 190(2) RAP, allowing for the use of flexible procedures in accordance with applicable provisions; and on the other hand, because the specific actions have characteristics calling for implementing partners with a specific added-value, technical competence and a high degree of specialisation and administrative power that are able to deliver the highest level of quality.

(c) Eligibility conditions

The essential eligibility criterion for applicants is the type of entity. Formally established legal entities which are Non-Governmental Organisations (NGOs), international organisations, economic operators - among others - are equally eligible. Specific eligibility under this action will include strict compliance with the EU Framework Decision on racism and xenophobia.

(d) Essential selection and award criteria

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

The essential award criteria are relevance of the proposed action to the EU Joint Programme 2017-2020; 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% of the eligible costs of the action.

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

(f) Indicative trimester to conclude the grant agreement: First trimester 2018.

5.3.2 Procurement (direct management)

Services contracts for audit and evaluation in line with points 5.8 and 5.9.

5.3.3 Indirect management with an international organisation

A part of this action may be implemented in indirect management with the United Nations Office for Project Services (UNOPS) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the construction of the Jerusalem Innovation Park (JIP) which will be the first educational and entertainment complex specialized in science, technology, engineering and mathematics in Jerusalem. It will offer educational services and programmes through a specialized school as well as scientific and technological exhibitions and interactive displays that can be accessed by hundreds of school students. UNOPS is mandated by the United Nations General Assembly to be a central resource for the United Nations system in project management, procurement, contracts management, civil works and physical infrastructure development, including the related capacity development activities. This implementation is justified because of the innovative and strategic nature of the JIP and UNOPS's expertise in delivering infrastructure to high quality standards, within budget and on time has been proven in Palestine.

The entrusted entity would carry out the following budget-implementation tasks 1) Design Review and Construction Procurement; 2) Site Preliminaries, Shell and Core Works and 3) Finishes, Landscaping, Furniture and Equipment for the Jerusalem Innovation Park.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget table

	EU contribution in 2017 (EUR)	Indicative third party contribution (EUR)
5.3.1. Grants: direct awards	10,700,000	1,200,000
5.3.3. Indirect management with an international organisation	4,000,000	4,000,000
5.8 – Evaluation, 5.9 – Audit	100,000	N.A.
5.10 – Communication and visibility ⁹	-	N.A.
Contingencies	100,000	N.A.
Totals	14,900,000	5,200,000

5.6 Organisational set-up and responsibilities

The EU co-ordinates and consults with the Office of the President of the Palestine Liberation Organisation (PLO) and the Governor of Jerusalem, through a Joint Committee established in 2011 with regard to the sector analysis and priorities for East Jerusalem. Furthermore, whenever possible, activities are co-ordinated with line-ministries.

5.7 Performance 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 partners' responsibilities. To this aim, each implementing partner shall establish a permanent internal, technical and financial monitoring system for the action under their responsibility and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed, and of the budget details for

⁹. Communication and Visibility budget for the Action Document "Support to East Jerusalem" is not included as there are sufficient funds available under existing Financing Decisions to cover projected needs.

the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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

5.8 Evaluation

Having regard to the nature of the action, an ex-post evaluation will be carried out for this action or its components to be contracted by the Commission.

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 there is a governance vacuum in East Jerusalem.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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

Indicatively, one contract for evaluation services shall be concluded, possibly under a framework contract system, in the closure phase of the action.

5.9 Audit

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

Indicatively, one or more contracts for audit services shall be concluded, possibly under a framework contract system, during the operational implementation period or during the closure phase of this action.

5.10 Communication and visibility

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

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation. Visibility for this Action will be covered from funds under existing Financing Agreements.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, 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.

Funds for communication and visibility of this Action Document "Support to East Jerusalem" are available under other Financing Decisions.

The communication and visibility measures will be implemented by way of procurement and/or Framework contracts. The objectives of all communication and visibility efforts will be:

- Raising awareness and enhance visibility of the EU support to East Jerusalem.
- Facilitating EU's co-ordination on and in East Jerusalem.

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APPENDIX - LOGFRAME MATRIX (FOR PROJECT MODALITY) ¹⁰

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing Decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets ¹¹ (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To maintain the viability of the two state solution with Jerusalem as the capital of the two states by strengthening the resilience of the Palestinian East Jerusalem residents and preserve the Palestinian character of the city.	Palestinian population living in East Jerusalem. Palestinian population living under poverty line in Jerusalem.	323,700 Palestinians living in Jerusalem (37%) ¹² 76% living under the poverty line ¹³	To be refined jointly with the grant partners	Partners' reports and log-frames Statistics from PCBS Other independent sources including Israeli NGOs and governmental organisations	No further deterioration in the political situation No further obstacles imposed on local and International NGOs by either the Palestinian Authority or Israel
	SO1: Advocacy and protection is improved	Number of men and women, especially youth, who are effectively engaged in international and local advocacy	125 East Jerusalem youth (age 20-30) (79 women, 46 men) ¹⁴	Additional 180 young Jerusalemites (minimum 50% women), indirect target	Partners' reports and log-frames	The political situation does not further deteriorate. The Israeli de facto authorities do not penalize youth for their advocacy

¹⁰. Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

¹¹. The East Jerusalem programme has for many years been multi –sectoral and has therefore acquired experience in the proposed sectors. The baselines and targets are therefore drawn from past and on-going projects with partner organisations with a proven expertise and reliable data.

¹². Association for Civil Rights in Israel (ACRI): East Jerusalem -Facts-and-Figures-2017.

¹³. Ibid.

¹⁴. Accomplished under the ongoing project with Danish Church Aid (interim narrative report).

		<p>Number of children (m/f), with disabilities (boys & girls), enjoy improved living conditions and rights</p> <p>Number of families of people with disabilities who enjoy improved living conditions and rights</p> <p>Number of families whose residence rights are legally protected</p>	<p>Baseline 0 West Bank and Gaza university students</p> <p>301 children (68girls/233boys)¹⁵</p> <p>20 couples 59 families¹⁶</p> <p>464 cases (385 men and 79 women)¹⁷</p>	<p>1140 Palestinian community members from East Jerusalem,¹⁸</p> <p>West Bank and Gaza 600 Palestinian university students¹⁹</p> <p>To be developed jointly with the grant partners</p> <p>To be developed jointly with the grant partners</p> <p>544 cases (with an increase in the number of women)</p>		<p>efforts</p> <p>Families with children with special needs/disabilities request the services of the related specialized organisations for legal defence, awareness raising sessions, and counselling</p> <p>Israeli courts respect basic "Rule of Law principles"</p>
	SO2: Youth empowerment (Education and Youth)	Number of youth with improved access to inclusive quality education	Shortage of 2000 classrooms ²⁰	14 new classrooms with 500 new places will be created (50% girls) ²¹	Partners' reports and log-frames	No new obstacles are introduced to the final construction permit and/or the license for the school to be part of the Innovation

¹⁵. Accomplished under the ongoing project with Diakonia reports.

¹⁶. Ibid.

¹⁷. Accomplished under the ongoing project with Norwegian Refugees Council.

¹⁸. Danish Church Aid.

¹⁹. Students from the three territorial areas of Palestine will be engaged in local and international advocacy for awareness raising of the rights of East Jerusalemites.

²⁰. ACRI: East Jerusalem Facts and Figures 2017.

²¹. UNOPS & Al Nayzak.

						Park.
	SO3: social economic resilience of East Jerusalemites is enhanced	<p>Number of businesses that benefit from stronger and more accessible economic development services in EJ. ²² *</p> <p>Number of men and women who benefit from the development of their professional skills, sustainable job creation and employment opportunities.. ²³ *</p>	<p>468²⁴ (50% women) Small and Micro (SM) entrepreneurs and 23 SM businesses²⁵</p> <p>110 direct jobs created²⁶</p>	<p>6 tourism Business Intermediary Organisations (BIOs) in East Jerusalem 300 tourism related SMEs in East Jerusalem²⁷</p> <p>To be developed jointly with the grant partners</p>	Partners' reports and log-frames	The political situation does not deteriorate any further.

22. According to the Palestinian Central Bureau of Statistics Statistical Yearbook (2015) the total number of registered businesses in EJ was 10,464 in 2012.

23. Unemployment rate in East Jerusalem 40% for men and 85% for women: <http://www.acri.org.il/en/wp-content/uploads/2013/03/EastJlem-Poverty-ENG-web.pdf>.

24. Ending project Institute Europeen Co-operation Development (IECD)'s EU funded "Support to under-privileged households in East-Jerusalem through the reinforcement of their economic capacities" project (2013-2016), (final narrative report).

25. Ongoing project Palestine Investment Fund EU funded "Jerusalem Grant Facility".

26. Ibid.

27. ACTED.