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ENP Country Progress Report 2010 – the occupied Palestinian territory

The European Commission and the High Representative of the Union for Foreign Affairs and Security Policy published on 26 May 2011 the annual “neighbourhood package”, consisting of a communication proposing a reviewed European Neighbourhood Policy (ENP), 12 country reports on developments in 2010, including one on the occupied Palestinian territory, a sector report and a report on the Eastern Partnership.

In 2010 the Palestinian Authority (PA) made steadfast progress in building its capacity to run the future State of Palestine in line with Prime Minister Fayyad's two year state building plan as acknowledged by the World Bank in its report to the Ad Hoc Liaison Committee in September 2010. Progress in many areas (governance, public finance management) was achieved in a context of occupation with continued Israeli incursions into areas that are formally under the control of the PA. There was also some progress on the rule of law. However, concerns remain about human rights violations and further efforts are needed to strengthen the judiciary.

Reforms were limited to institutions in the West Bank. In the Gaza Strip, the Hamas-led de facto authority imposed a strict military regime and reports confirm a steady deterioration of humanitarian indicators there. The economic and social situation in Gaza remains grim due to the blockade. The EU has proposed a comprehensive package to upgrade the Kerem Shalom crossing, and intends to further contribute to the eventual opening of all Gaza crossings for aid, trade and persons.

The economy of the occupied Palestinian territory continued to grow in 2010 by 9,3%. In this period, the Palestinian Authority, through fiscal performance broadly in line with the 2010 budget, reduced its fiscal deficit. There was also progress in the implementation of the structural reforms set out in the Palestinian Reform and Development Plan, and reflected in the AP, in particular on improving financial accountability and on sound management of public finances.

The EU and the Palestinian Authority took further steps towards enhancing political dialogue and reform within the framework of the ENP. Work has started on a new Action Plan which is expected to be concluded during the course of 2011. The EU continued to provide considerable support to the PA with a view to contributing to the implementation of the two-state solution.

Situation in the Middle East and political dialogue

- Negotiations between Israelis and Palestinians were launched on 2 September, following a 4-month period of proximity talks mediated by the USA. Talks reached an impasse shortly after the decision of the Israeli government to end the settlement moratorium on 27 September.
- The PA continues to be ruled under the emergency powers conferred to the government by President Abbas. Legislation is adopted by Presidential decree without passing through the Palestinian Legislative Council (PLC).

- The Hamas PLC members in the Gaza Strip claim legitimate representation and hold regular sessions, in which laws have been adopted that have further widened the divide between the West Bank and the Gaza Strip.
- In December, the Higher Judicial Council ruled that the Cabinet's decision to postpone local elections in July was illegal but did not provide clear guidance on how and when to organise new elections. The EU continued to financially support the development of the Central Elections Commission and launched a new capacity-building programme to prepare for an effective resumption of parliamentary business.
- There is still little evidence of greater integration of security services, under the umbrella of the Ministry of the Interior. The EU Police and Rule of Law Mission in the occupied Palestinian Territory (EUPOL COPPS) continued to provide training, including on human rights, and to help build a professional civil police.
- Demolitions continued in the West Bank including in East Jerusalem reaching a total of 431 Palestinian structures demolished in 2010. Most of the demolitions took place in the Jordan Valley while 78 structures were demolished in East Jerusalem.
- The EU expressed its deep concern about this and urged the Israeli authorities to prevent the demolition of Palestinian homes and the issuing of eviction orders in East Jerusalem and the rest of the West Bank; the EU has called on the Israeli authorities to suspend these, considering them as an obstacle to peace, contrary to the Israeli Roadmap obligations and to international law.
- There have been some improvements in access and movement in the West Bank. The closure of the Gaza Strip continued.

Economic integration and trade

- In 2010, the GDP of the occupied Palestinian territory (oPt) rose by 8% compared to 6.8% in 2009. Growth was due to significant amounts of international donor assistance, to further relaxation of restrictions on movement of goods and access to people in the West Bank, and to the lifting of certain import controls in the Gaza Strip.
- The economies of both the West Bank and Gaza still remain severely constrained. Real GDP is more than 10% below the level of 1999 in the West Bank and at least 40% below in Gaza.
- After 2 years of contraction, bilateral trade between the EU and the oPt increased during the reporting period: exports from the oPt to the EU increased by 43.7% while EU exports to the oPt increased by 56.8%. OPt trade with the EU and other partners in the region remains very limited.
- The standard of living in the oPt is exceptionally low in comparison to other partner countries, with an overall poverty rate of 55%; an estimated 80% of people are living below the poverty line in the Gaza Strip. From July to December 2010, the EU contributed €16 million to the Vulnerable Palestinian Families (VPF) programme.

Sector cooperation - examples

- **Energy:** The occupied Palestinian territory remained heavily dependent on energy imports from Israel. In 2010, the PA initiated, with EU support, preparations for the electrification of fifty isolated West Bank villages through the development of photovoltaic solar projects. The European Union remains committed to re-activating the trilateral energy cooperation with the Palestinian Authority and Israel, which is stalled due to the regional conflict. The aim remains to establish a joint energy office and facilitate the development of projects of common interest, such as the joint Solar for Peace initiative.

- **Environment:** The state of the environment in the Gaza Strip remains a serious concern. Works on the first phase of the Northern Gaza wastewater treatment plant were concluded and preparations for the second phase are underway. In the West Bank, preparations for the construction of waste-water treatment plants and landfills continued.
- **Research:** The participation by Palestinian researchers in FP7 in 2010 is still relatively low (55 Palestinian applicants, of which 10 are mainlisted) - mainly in agriculture, environment and socio-economic-humanities - for a contribution of about €0.8 million.
- **Education:** Education accounts for over 30% of PA expenditure with plans for rapid expansion, though investment remains heavily dependent on donor support. No Palestinian students or scholars benefited from scholarships under Erasmus Mundus Action 1 in 2010 but student and academic mobility was enhanced through the expected award of 37 grants for the academic year 2010-11 under Action 2. Greater effort is required to ensure Palestinian participation in all actions.
- **Culture:** Palestinian organisations continued active participation in the regional Euromed Heritage IV. In addition, three Palestinian cultural organizations were selected under the Call for Proposals of the 2010 ENP Special Action under the Culture Programme.
- **Health:** the PA adopted a new health strategy covering 2011-2013 and progressed, with EU support, on health reform. The EU and the PA established communication channels for the exchange of epidemiological information in the event of a health crisis.

EU-oPt – BACKGROUND

FACTS AND FIGURES

1997: The Palestinian Authority and the EU concluded an Interim Association Agreement on trade and cooperation.

2005: The EU-PA ENP Action Plan was approved.

Due to the continuing emergency situation in the West Bank and Gaza there is no National Indicative Programme (NIP) under the European Neighborhood and Partnership Instrument (ENPI) covering the period 2011-2013. Funding committed under the bilateral envelope of the ENPI to the occupied Palestinian territory for 2010 amounted to €377.9 million.

2004-2010: EU Financial Assistance to the Palestinian people from the EU budget amounted to €2.923 billion, mainly in the form of direct and indirect financial support to the PA, as well as to UNRWA, humanitarian and food aid. Most assistance is channelled through the EU PEGASE Mechanism (« Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique »).

For more information:

http://ec.europa.eu/world/enp/documents_en.htm

http://ec.europa.eu/external_relations/occupied_palestinian_territory/index_en.htm

http://ec.europa.eu/world/enp/index_en.htm

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