

**EN**

**ANNEX**  
**Part 1/2**

**EUROPEAN JOINT STRATEGY IN  
SUPPORT OF PALESTINE<sup>1</sup>**

**2017-2020**

**Towards a democratic and  
accountable Palestinian State**

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

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## Acronyms and abbreviations

ACRI	Association for Civil Rights in Israel
AHLC	Ad Hoc Liaison Committee
ASWG	Agriculture Sector Working Group
CAT	Convention Against Torture
CBO	Community Based Organisation
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CEPS	Centre for European Policy Studies
COGAT	Coordinator of Government Activities in the Territories
CRC	Convention on the Rights of the Child
CRPD	Convention on the Rights of Persons with Disabilities
CSO	Civil Society Organisation
CTP	Cash Transfer Programme
DEEP	Deprived Families Economic Empowerment Programme
DNA	Detailed Needs Assessment
EAPPI	Ecumenical Accompaniment Programme in Palestine and Israel
EC	European Commission
EDSP	Education Development Strategic Plan
EIB	European Investment Bank
ENP	European Neighbourhood Policy
ETC	European Training and Research Center
EU	European Union
EU MS	European Union Member States
EUREP	Office of the European Union Representative
ESG	Economic Policy Strategy Group
GDP	Gross Domestic Product
GEMM	Governance for Employability in the Mediterranean
GER	Gross Enrolment Rate
GCG	Global Gender Gap
GHA	Global Humanitarian Assistance
GHI	Governmental Health Insurance
GPC	General Personnel Council
HoC	Head of Cooperation
HoM	Head of Mission
HRBA	Human Rights Based Approach
HR	Human Rights
ICA	Israeli Civil Administration
ICC	International Criminal Court
ICCPR	International Covenant on Civil and Political Rights

ICESCR	International Covenant on Economic, Social and Cultural Rights
ICHR	Independent Commission for Human Rights
ICJ	International Court of Justice
IDB	Islamic Development Bank
IHL	International Humanitarian Law
IMF	International Monetary Fund
ISG	Infrastructure Strategy Group
JFA	Joint Financing Arrangement
JMCC	Jerusalem Media and Communication Centre
JP	Joint Programming
JWC	Joint Water Committee
LACS	Local Aid Coordination Secretariat
LDS	Local Development Strategy
LED	Local Economic Development
LGU	Local Government Units
MDP	Municipality Development Programme
MDLF	Municipal Development and Lending Fund
MEPP	Middle East Peace Process
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
MoEHE	Ministry of Education & Higher Education
MoFA	Ministry of Foreign Affairs
MoFP	Ministry of Finance and Planning
MoH	Ministry of Health
MoI	Ministry of Interior
MoL	Ministry of Labour
MoLG	Ministry of Local Governance
MoNE	Minister of National Economy
MoPWH	Ministry of Public Works and Housing
MoSD	Ministry of Social Development
MS	Member States
MSME	Micro, Small and Medium Enterprises
NCD	Non-Communicable Disease
NGO	Non-Governmental Organisation
NPA	National Policy Agenda
OECD	Organisation for Economic Co-operation and Development
oPt	occupied Palestinian territory
OQ	Office of the Quartet
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PEA	Palestinian Energy Authority
PECS	Palestinian Expenditure Consumption Survey

PERC	Palestinian Electricity Regulatory Council
PETL	Palestinian Electricity Transmission Company
PFM	Public Financial Management
PHC	Primary Health Care
PLO	Palestine Liberation Organisation
PLC	Palestinian Legislative Council
PMA	Palestine Monetary Authority
PPFI	Palestinian Public Financial Institute
PSD	Private Sector Development
PWA	Palestinian Water Authority
RBA	Rights Based Approach
RCHRS	Ramallah Center for Human Rights Studies
ROF	Results-Oriented Framework
RoL	Rule of Law
SDG	Sustainable Development Goals
SEFSec	Socio Economic and Food Security Review
SPS	Sanitary and Phyto-Sanitary
SRHR	Sexual and Reproductive Health and Rights
SWG	Sector Working Group
TES	Teacher Education Strategy
TVET	Technical Vocational Education and Training
TWW	Treated Waste Water
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNSC	United Nations Security Council
UNSCO	Office of the UN Special Coordinator for the Middle East Peace Process
UPWSP	Union of Palestinian Water Service Providers
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value-Added Tax
WB	World Bank
WBTF	World Bank Trust Fund
WHO	World Health Organisation
WSRC	Water Sector Regulatory Council

## 1. Executive Summary

*A unique context that questions traditional development tools and limits the impact of EU's political commitment and substantial financial assistance*

**The Palestinian context (a territory under 50 years of occupation) is unique in many ways.** The lack of control over land, water, physical boundaries and revenue; the administrative and political fragmentation; a discriminatory planning environment of fundamental uncertainty; and the regular and persistent violations of human rights and international humanitarian law prevent the Palestinian society and economy from realising their potential in all respects. In addition, the narrative about Palestine is only to a very limited extent controlled by Palestinians themselves.

The application of traditional development instruments in an environment, which is far removed from a normal and reasonably stable development situation, proves extremely challenging. **Palestine is a *sui generis* case for aid delivery and cooperation.** In line with the EU's political objective of achieving the two-state solution, and under these constraining conditions, much of the support provided so far by the EU has focussed on offering protection, improving the livelihoods of Palestinians, as well as preparing their institutions for statehood.

Against this background, **the generous flow of aid that has accompanied EU's commitment and numerous interventions since the last two decades remain far beyond expectations.**<sup>2</sup> The deterioration of the situation, the lack of trust and of hope (in particular amongst Palestinian youth), accompanied by a continuing cycle of violence, are acknowledged. The Strategy assumes that the context will continue to be challenging and that **Palestine will stay under occupation in the coming four years.** The protection of the viability of the two-state solution remains a common priority.

*EU Joint Programming in Palestine: a valuable process with a strong political dimension*

In this context, and despite the respective national positions of Member States (MS),<sup>3</sup> the Office of the European Union Representative and European Union Member States (EU MS) have worked towards an **EU Joint Programming (EU JP) in Palestine since 2011.** Two like-minded countries (Norway and Switzerland) joined the process and joint work in October 2013.

EU JP has been understood in Palestine in its two dimensions: (i) **aid effectiveness** (how to improve the efficiency and effectiveness of the substantial EU/MS financial effort in Palestine) and (ii) **political dimension** (affirm and defend the shared vision of European actors in Palestine and ensure the convergence between the development work and the political objectives of the EU). This second dimension explains why the European Joint Strategy puts a lot of emphasis on the EU's principles and values, on explaining the political nature of EU's cooperation in Palestine and on why, despite a strong political commitment and a predictable and substantial aid, the EU's has been failing Palestinians in many ways.

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<sup>2</sup> According to the Centre for European Policy Studies (CEPS), "motivated by the dual aims of strengthening the Middle East Peace Process and contributing to Palestinian state-building, the European Union and its member states have been the biggest donors of financial assistance to the Palestinians. But these efforts have not managed to achieve the desired change, as the EU failed to develop a coherent strategy to address Israel's violations of international humanitarian law and it has accepted practices that undermine its political objectives". Herremans, 2016: 1.

<sup>3</sup> Nine EU MS recognise the State of Palestine: Bulgaria, Cyprus, Czech Republic, Hungary, Malta, Poland, Romania, Slovakia and Sweden.

The preliminary findings of the "Thematic Evaluation of the EU JP process of development cooperation (2011-2015)"<sup>4</sup> confirmed that the EU JP process in Palestine is considered unanimously relevant, including with regards the coherence between the political and development dimensions, and overwhelmingly found to be worthwhile.

The EU JP approach adopted in Palestine has been from the very beginning **pragmatic, transparent, gradual** and based on the adoption of **locally-owned, flexible, and solid tools**. The European Joint Strategy is seen as an additional EU/MS tools to "step-up" and strengthen the coherence between the political objective of the EU in Palestine (the two-state solution) and the development policy goals. It has also been developed with the purpose of proposing new influencing strategies that could **go beyond traditional development tools and bring about a change** in the way EU's development partners address the Palestinian context and priorities.

### *The National Policy Agenda 2017-2022 and the European Joint Strategy 2017-2020: two interlinked planning processes*

Since 2015, **EU/MS and the Palestinian Authority (PA) have worked very closely on their respective and highly interlinked planning processes** – i.e. the Palestinian National Policy Agenda (NPA) 2017-2022 and the European Joint Strategy 2017-2020 – so as to ensure that the planning cycles of both partners are synchronised<sup>5</sup> and that the European Joint Strategy is able to align its priorities and interventions to the NPA, as well as reinforce its EU values and messages on the ground. Both the PA and EU/MS are aiming to develop **strategic and more result/performance-based documents with fewer and more focussed priorities**.

All through 2016, and in particular during June-November 2016, several meetings related to the European Joint Strategy were organised with the PA, local and international Civil Society Organisations (CSOs), the business community, multi-lateral organisations, such as the United Nations (UN) Family, the World Bank, the International Monetary Fund, and many other key actors. These meetings were organised by EU/MS in Gaza, Ramallah and East Jerusalem, so as to ensure that different voices could be heard and taken into consideration while drafting the European Joint Strategy. The **consultative process** has therefore been conducted in a **transparent and inclusive way**.<sup>6</sup>

The European Joint Strategy should serve as a **strategic umbrella** to participating European's bilateral programming and implementation plans. In line with the Council Conclusions on Stepping-up Joint Programming of 12 May 2016, a **progressive alignment** is envisaged. The Office of the European Union Representative will be substituting its bilateral programming with the European Joint Strategy. Others will gradually align, also in view of synchronisation issues.

### *EU's guiding principles and areas of interventions in 2017-2020 (five mainstreamed Pillars)*

Based on the context and consultations described above, the European Joint Strategy proposes to follow a number of **guiding principles** and to focus EU's interventions under the following **five Pillars**, which are closely interrelated and are seen to best represent the confluence of the EU and Palestinian priorities. Cross-cutting issues are mainstreamed in the five Pillars:

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<sup>4</sup> The DEVCO Evaluation Unit commissioned this independent evaluation, whose main objectives are to provide the EU and the wider public with an independent assessment and to identify key lessons in order to produce recommendations to improve the current and future joint programming process. Twelve country level case studies have been selected, including Palestine.

<sup>5</sup> In line with the Multi-Annual Financial Framework 2014-2020, the European Joint Strategy is able to cover four years only (2017-2020) – and therefore not the whole period of the National Policy Agenda (2017-2022).

<sup>6</sup> See the full list of consultations in Annex 4.



- (1) Governance Reform, Fiscal Consolidation and Policy**
- (2) Rule of Law, Justice, Citizen Safety and Human Rights**
- (3) Sustainable Service Delivery**
- (4) Access to Self-Sufficient Water and Energy Services**
- (5) Sustainable Economic Development**

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"**, so as to ensure that the geographical fragmentation (separation between East Jerusalem, the rest of the West Bank and the Gaza Strip, as well as division of the West Bank into three areas) is not further reinforced. 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.

The **support to Palestine refugees across the Middle-East region** is also strongly reaffirmed in the European Joint Strategy.

As far as the five Pillars of the European Joint Strategy are concerned, they are aligned to the three Pillars of the NPA's Matrix<sup>7</sup> and to EU's political objective. The two first Pillars focus on supporting the **Palestinian aspirations for Statehood**, the consolidation of the state-building exercise and the delivery of accountable institutions, while the third Pillar puts special attention on **service-delivery to Palestinians, particularly to the most vulnerable**, in line with the 2030 Development Agenda's objective of leaving no one behind. The two final Pillars are mainly about **the sustainable economic development of Palestine with focus on** inclusive economic growth and **seizing opportunities** for Palestinians and in particular its burgeoning young population.

### ***A challenging process and an implementation that will be crucial***

As the European Joint Strategy represents the **first-ever Joint Programming document in Palestine**, its development faced a **set of challenges** – that should be further reflected upon during its implementation and after 2020. These include:

(1) The European Joint Strategy offers the **opportunity for European development partners to be more coherent and to reinforce some of EU's non-negotiable principles** (accountability, democratic principles, etc.). The following is however clearly acknowledged: (i) **only a political solution with the lifting of the occupation can unlock all the levers to improve livelihood for all Palestinian people in a sustainable manner**; and (ii) **EU MS have different domestic agendas and internal political cycles**. The **implementation** of the European Joint Strategy will therefore be crucial and should ensure a **good balance between ambition and realism**.

(2) **Developing the European Joint Strategy in parallel to the new Palestinian Plan provided great opportunities, but was challenging** in terms of timing constraints. It included considerable pressure especially at the time of the elaboration of the Joint Response and Joint Results Framework. It was arduous to develop the Pillar Fiches (Cfr. Annex 5) without sufficient knowledge of the NPA's Strategy and related Sector Strategies, which were developed with delays. A revision of the expected results and indicators included in the five Pillars is therefore foreseen in 2017.

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<sup>7</sup> The three Pillars of the NPA Matrix are: (i) Path to Independence; (ii) Government Reform; and (iii) Sustainable Development.

(3) Further addressing the issue of **substitution (full or partial substitution)** will be needed during the implementation of the European Joint Strategy and during the elaboration of the next Strategy. This is important, as there is currently very little guidance from Headquarters and capitals on how to **monitor the use and the complementarity between the European Joint Strategy and EU MS bilateral programming documents**. In addition, the fact that the Office of the European Union Representative is currently the only actor fully substituting its bilateral programming document entailed additional pressure in terms of deadlines and calendars, and therefore divergent pressures in terms of timing.

(4) Attempting to limit the **number of sectors of intervention** to three sectors per donor (in line with aid effectiveness principles) also proved challenging in the Palestinian context, where there are several geographic and political specific areas of interest (e.g.: Area C, East Jerusalem, the Gaza Strip, refugees, etc.) in addition to considerable development priorities.

(5) Despite a very good and regularly updated division of labour, **youth** remains an orphan cross-cutting issue. The fact that there is **currently no EU lead donor** has been detrimental during the drafting of the European Joint Response.

(6) The **multi-annual financial allocations** are indicative. Several EU MS are still programming on an annual basis. Additionally, it has to be recognised that funding is dependent on political decisions made at capital level, which are also linked to **electoral processes**.

(7) Additional reflection on the linkages between the **humanitarian and development work** in Palestine should also be considered during the implementation of the Strategy.

## 2. Principles of the Palestine-European Development Partnership

**The EU is founded on a set of principles and values that put the emphasis on the respect for human dignity and human rights.<sup>8</sup>** EU partners in Palestine (the EU and EU Member States)<sup>9</sup> are committed to ensuring that these values are translated into their partnership with Palestinians and reflected in the present European Joint Strategy. Norway and Switzerland are also associated to the Joint Programming process and will closely coordinate and align with the Strategy to the maximum extent possible. This Strategy intends to become a **reference and guidance document for European actors working in Palestine.**

The European Joint Strategy is part of a broader European partnership with Palestine that includes support to the PA's national development plan, the **National Policy Agenda for 2017-2022.** The European Joint Strategy aims at ensuring the **harmonisation and increased coherence of EU's approaches** by reducing inefficiencies, facilitating policy dialogue, identifying gaps and opportunities in programming and in jointly addressing Palestinian key priorities. Therefore, this document represents a considerable **opportunity to affirm and defend the shared vision of European actors in Palestine.**

European development partners have a **shared commitment to upholding International Humanitarian Law (IHL) and Human Rights (HR) Law.** In the context of the ongoing occupation, development cooperation partnership voices the imperative of guaranteeing the **rights of Palestinians**, including economic, social, political and cultural.

The European Joint Strategy is enshrined in the European and internationally subscribed values of **protecting human rights<sup>10</sup> (including the right to development), upholding international law, and promoting democratic, transparent and accountable governance.** European values also emphasise **inclusive, equitable and sustainable development** with a special focus on those worst affected by poverty and violence, particularly **women, children and youth.** Moreover, the **inclusion and protection of minorities**, such as Christians and Bedouins, is anchored in a Human Rights Based Approach (HRBA).

Under IHL, **deporting and/or forcibly transferring the civilian population** of an occupied territory are strictly prohibited.<sup>11</sup> This prohibition includes individual and mass transfers, and transfers within an occupied territory. **Annexation of occupied territory (e.g. East Jerusalem) and settlements are also illegal under IHL.** European partners are committed to promote compliance with IHL and HR obligations of all duty-bearers,<sup>12</sup> and to ensure that **humanitarian assistance** (including the acceptance and facilitation of relief operations) as well as the welfare of Palestinian civilians<sup>13</sup> are not impeded by the occupying power.

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<sup>8</sup> "The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail", Art. 2 of the Treaty on European Union, 2012.

<sup>9</sup> The EU is also represented by two civilian missions mandated by the Council (the EU Police and Rule of Law Mission in the Palestinian Territories and the EU Border Assistance Mission at the Rafah Crossing Point) as well as a EU Special Representative for the Middle East Peace Process. The EU is also part of the Quartet.

<sup>10</sup> The European Joint Strategy acknowledges the centrality of the *Human Rights Country Strategy* for Palestine.

<sup>11</sup> This prohibition is set out in Article 49 of the Fourth Geneva Convention and confirmed as customary international law by Rule 129 of the International Committee of the Red Cross Customary International Law Study.

<sup>12</sup> These include Israel, the Palestinian Authority, Hamas Movement and Third States. Third States are States that are not parties to the conflict and that have an important role in ensuring compliance with the rules concerning humanitarian assistance.

<sup>13</sup> According to the legal expert opinion on "The right to provide and receive humanitarian assistance in occupied territories" by Michael Bothe, "International law provides a solid basis for humanitarian assistance. The core of the legal issue is the general obligation of the Occupying Power to provide for the wellbeing of the population of the occupied territory". Bothe, 2015.

European partners recognise that sustainable development in Palestine hinges on “*achieving a **two-state solution** based on parameters set out in the Council Conclusions of July 2014 that meets Israeli and Palestinian security needs and Palestinian aspirations for statehood and sovereignty, ends the occupation that began in 1967, and resolves all permanent status issues in order to end the conflict*”.<sup>14</sup> In order to safeguard a future sovereign Palestinian State, the **contiguity of its territory** should be promoted, while responding to needs and priorities of all Palestinians.

Building a viable Palestinian State requires an enabling environment for peaceful and inclusive development. To achieve this objective, European development partners recognise and support the following **peace-building priorities**:

- (1) Social cohesion in the Palestinian territories, stopping the widening of regional and social disparities, and halting territorial disintegration.
- (2) Improving the possibilities for political and social participation for the entire Palestinian population and contributing towards strengthening the legitimacy and accountability of the PA.
- (3) Halting the erosion of social and economic life and safeguarding the welfare and the well-being of the Palestinian civilians.

**Palestine refugees** are a large portion of the Palestinian population. Investing in the human capital of refugees contributes to state building and stability in the region. Continued support to the refugees and to the **United Nations Relief and Works Agency for Palestine Refugees in the Near East** (UNRWA) is a cornerstone of humanitarian and development cooperation and needs to feature in political and policy dialogue if a **fair and just solution** (in accordance with international law and UN resolutions) is to be found.

**Violations of HR and IHL and lack of accountability are obstacles to development and peace promotion** in Palestine. European development partners are committed to protecting civilian populations, and particularly children and youth, from intimidation and violence, whilst recognising that **only the reestablishment of a political horizon and resumption of dialogue can pave the way for a lasting solution**. **Violence and trauma** undermine development at national, societal, family and personal levels in the short and long term. **Perceptions of impunity and impunity** resulting from application of different judicial criteria both contribute to the cycle of violence, and undermine confidence in and support for public institutions. **Combating incitement and hate speech** and investing in dialogue and trust, coupled with the promotion of accountability in programming is part of European development cooperation in Palestine. European partners acknowledge the importance of the **"do no harm" principle** but are aware that additional steps need to be taken to effectively implement it. The sustainability of any intervention is at risk because of the fragile and conflict prone context making sustainable development dependent on political progress. This requires enhanced coherence and alignment of political and development interventions, especially in regards to **agenda setting and messaging**.

The Council Conclusions on the Middle East Peace Process highlighted the fact that a “***fundamental change of policy by Israel** with regard to the occupied Palestinian territory, particularly in **Area C**, will significantly increase economic opportunities, empower Palestinian institutions and enhance stability and security for both Israelis and Palestinians*”<sup>15</sup> and that “*settlement activity in East Jerusalem seriously jeopardises the possibility of Jerusalem serving as the future capital of both States*”.<sup>16</sup> An **urgent change in the political, security and economic situation in the Gaza Strip** is vital, including the end of the closure and a full opening of the crossing points, whilst also protecting Israel’s legitimate security concerns. The risk of further

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<sup>14</sup> Paragraph 4 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

<sup>15</sup> Paragraph 3 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

<sup>16</sup> Paragraph 7 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

deterioration of livelihoods and social cohesion in the Gaza Strip is critical and needs urgent redress for security and humanitarian reasons.

**Equitable participation of women, youth and vulnerable communities in development** is a policy priority shared by all EU MS, which is mainstreamed in the design, implementation, monitoring and evaluation of their activities. Policy and decision making processes should be based on gender responsive and human rights based approaches, improving inclusiveness, ending discrimination and ensuring full participation.

Both **Rule of Law (RoL) and democratic governance (including democratic renewal with the holding of elections, and fight against corruption<sup>17</sup>)** promote human rights and enable sustainable development. This is all the more crucial in the **absence of a functional Palestinian Legislative Council** and of **adequate representation for the Palestinians**. Efforts to enhance integrity, transparency and accountability are therefore key.

**Civil society and a growing and diversified private sector should be increasingly featured in implementation and play a stronger role in ensuring the accountability of development partners, as well as of national and local authorities.** The 2014 EU Civil Society Road Map<sup>18</sup> illustrates the importance of development cooperation in contributing to an enabling environment for civil society in Palestine. Implementing the Road Map in complement with this strategy contributes to strong, inclusive and democratic Palestinian institutions, based on RoL and respect for HR. This is also associated to the principle of **protecting social cohesion**, so that risks associated with fragmentation of the social fabric and national identity are contained.

In **April 2014**, the PLO became party to an additional 33 international legal instruments including 7 of the 9 core human rights conventions<sup>19</sup>, demonstrating commitment and creating opportunities for change in line with international standards. In total, Palestine acceded to date to 54 international treaties. European development partners acknowledge the **PA's commitment to delivering on global goods**. European development partners explicitly support institutions and civil society implementing, reporting on, monitoring and implementation of international commitments and treaties.

**Global development effectiveness principles** such as in the *Paris Declaration*, the *Accra Agenda for Action* and the *Busan Partnership Agreement* underpin strategy and programming decisions. Development cooperation is most effective when it aligns with the partner's development plans. This European Joint Strategy seeks to align with the upcoming Palestinian NPA 2017-2022.

**Policy coherence for development** also features strongly in the European Joint Strategy, in particular when it comes to addressing complementarity and challenges not only with Palestine, but also with Israel (notably through the political track and cooperation in a wide range of sectors, e.g. research and development). Policy coherence also applies in relation to trade, environment, migration and security cooperation, and third state responsibility. Policy coherence is equally important in support of peace and the establishment of a Palestinian State.

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<sup>17</sup> According to a recent Public Opinion Poll on Corruption, 92.1% believe that there is corruption in the Palestinian institutions. Aman. 2016.

<sup>18</sup> EU, 2014.

<sup>19</sup> These are: The Convention Against Torture And Other Cruel Inhuman or Degrading Treatment or Punishment, the Convention on the Elimination of All Forms of Discrimination Against Women, the Convention on the Rights of the Child, the Convention on the Rights of Persons With Disabilities, the International Covenant on Civil and Political Rights, the International Convention on the Elimination of All Forms of Racial Discrimination, the International Covenant on Economic Social and Cultural Rights, and the Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children In Armed Conflict.

### 3. Joint Analysis

#### 3.1. The political context

Palestine has been marked by the **ongoing Palestinian-Israeli conflict**, as well as by the disruption of **fifty years of occupation** and the progressive fragmentation of its territory. Following the 1967 occupation, **East Jerusalem was illegally annexed**.<sup>20</sup> Palestine has been characterised by **regular cycles of violence** and wars that have led, amongst others, to the construction of a **separation barrier** since 2002, the movement restrictions imposed by Israel on the **Gaza Strip** since the early 1990s and intensified in June 2007 with its **closure and imposition of the land, air and sea blockade** and **three Israeli military operations** in the Gaza Strip (2008/2009, 2012 and 2014)<sup>21</sup>. The separation barrier separates Palestinian communities from their relatives, agricultural lands, workplaces, health facilities, schools, religious sites and water wells<sup>22</sup> and is illegal under international law, where constructed beyond the 1967 border.<sup>23</sup>

The **Oslo Accords**, under which the PA was created in 1994, were intended to lead to a final negotiated settlement between the parties. These Accords led to **several administrative and security arrangements** for different parts of the West Bank (divided in Areas A, B and C) for a provisional period of five years, and pending a final negotiated settlement.<sup>24</sup> Permanent status negotiations between the Government of Israel and the Palestinian people's representatives<sup>25</sup> were to be started by the third year of this interim period.

More than twenty years after the Oslo Accords, the PA, which has operated as a transitional authority with limited jurisdiction since its creation, has full civil and security authority only in Area A (18% of the West Bank), while only the President of the Palestine Liberation Organisation (PLO) has access to East Jerusalem.

This takes place in the **context of a growing governance challenges on the Palestinian side**. The last general elections held in January 2006 led to the inter-Palestinian split between Fatah and Hamas. **After a violent confrontation in the summer of 2007, the Gaza Strip came under the de facto control of Hamas**, with whom the majority of the international community has adopted a no-contact policy. As a consequence of this split, the work of the Palestinian Legislative Council (PLC)<sup>26</sup> was suspended. No new legislative measures have been adopted by the PLC subsequently, with legal acts being promulgated instead by presidential decrees applicable only to the West Bank. In the Gaza Strip, Hamas has been enacting laws by convening a PLC through a proxy system. Enforcement of post 2007 West Bank Presidential decrees in the Gaza Strip is rare. Similarly, **national presidential and Legislative Council elections have not**

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<sup>20</sup> In June 1967, the government of Israel annexed territories in and around Jerusalem, which were occupied in the Six-Day war, by applying Israeli law to this territory and its residents. The international community does not acknowledge the Israeli annexation of East Jerusalem, and sees the area as an occupied territory.

<sup>21</sup> 65.000 people are still internally displaced since Operation Protective Edge, launched in July 2014, which was the longest and most destructive of the three operations. OCHA, 2016.

<sup>22</sup> Cfr. map of access restrictions in the West Bank in Annex 1.

<sup>23</sup> As stated in the 2004 ICJ Advisory Opinion on the "Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory", "the construction of the wall being built by Israel, the Occupying Power, in the Occupied Palestinian Territory, including in and around East Jerusalem, and its associated regime, are contrary to international law". ICJ, 2004.

<sup>24</sup> East Jerusalem and Hebron's H2 zone are however excluded from this, as there is no legal document clarifying the legal status of the first one and the second one, covering around one fifth of the municipal territory of Hebron and under the military control of Israel, was established by the 1997 Hebron Protocol.

<sup>25</sup> Covering issues such as Jerusalem, Palestine refugees, settlements, security arrangements, borders, relations and cooperation with other neighbours and other issues of common interest. Article 5 of the Declaration of Principles on Interim Self-Government Arrangements of 13 September 1993.

<sup>26</sup> The Palestinian Legislative Council (PLC) was formed as a result of the Oslo Peace Accords. It is an elected council that is meant to function as parliament of the PA.

**taken place** undermining the legitimacy of the Palestinian leadership. Local elections have taken place only in 2012 and were limited to the West Bank. In addition, the planned local elections due to be held in October 2016, expected to cover both the West Bank and the Gaza Strip and supported politically by the international community, failed in the midst of the intra-Palestinian feud.

In addition, governance reforms that were prioritised in the 2002 Roadmap for Peace have moved very slowly. **Democratic space is increasingly being challenged**, in particular for **CSOs operating in Palestine** from different angles: financial pressure, political pressure, cultural pressure but also violence and intimidation. In this particular moment, CSOs are marginalised by all sides: the PA, the *de facto* authority in the Gaza Strip and Israel. Israel is putting pressure especially on the CSOs present in East Jerusalem and the Israeli Human Rights NGOs. The charges brought during the summer 2016 against some international NGOs active in the Gaza Strip (and allegations of aid diversion) have also put at risk those who need humanitarian assistance most. Some CSOs are also questioning the effective implementation of the international human rights treaties and conventions.

**On the Middle East Peace Process, all attempts to resume the process have so far failed** (the last one being the Kerry initiative from August 2013 to April 2014), and no process is currently under way. On the Palestinian side, **reconciliation talks between Fatah and Hamas have produced no results**. The **risk of fragmentation at political, geographic, administrative, legal, social and personal levels** is elevated by the lack of progress on the political front regarding negotiations, which increasingly makes the political horizon seem further away. Growing geographical disparities, related to the particularities of occupation and especially in Area C, East Jerusalem and the Gaza Strip, are therefore a **major threat to social cohesion, thus fuelling further social and political fragmentation**.

In addition, it is estimated today that at least 570,000 settlers live in the West Bank, including East Jerusalem.<sup>27</sup> **The continuity of the Palestinian state is put in peril by the growing settlements policy and by settler violence**.

### 3.2. The demographic context

Palestine is home to **4.8 million people**, of which 2.9 million live in the West Bank (including East Jerusalem) and the remaining 1.8 million live in the Gaza Strip.<sup>28</sup> There are 300,200 Palestinian residents in Jerusalem, who constitute 36.8% of the city's population.<sup>29</sup> The current Palestinian population in Area C is estimated to 300,000 people. **Two out of five Palestinians living in Palestine are refugees**.<sup>30</sup> 40% of the population is under 14 years old and **almost 70% of the population is younger than 30**, while around 4% is over 65 years old. The society is characterised by a stark and risky generational gap, which is exacerbated by the lack of proportional participation and representation of youth and women in governance and policy-making. **Youth is particularly vulnerable** to exploitation (around 104,000 children are working)<sup>31</sup>, early marriage (one fifth of girls are married before turning 18),<sup>32</sup> Israeli detention

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<sup>27</sup> "There are currently at least 370,000 Israelis living in some 130 settlements in Area C, including at least 85,000 deep in the West Bank", and "approximately 100 settlement outposts in Area C have been built without formal Israeli Government approval. OQ, 2016.

<sup>28</sup> Palestine is home to 4,816,503, including 2,935,368 in the West Bank and 1,881,135 in the Gaza Strip. PCBS, 2016.  
<sup>29</sup> ACRI, 2015.

<sup>30</sup> Approximately 70% of the estimated population in Gaza are registered Palestine refugees.

<sup>31</sup> As of 2014, "there were approximately 104,000 children working in the West Bank and Gaza. Based on a labour survey conducted by various NGOs and financed by the EU, the three sectors in which most children worked were commerce (24.3%), agriculture (22.1%), and street vending (16.8%)." U.S. Department Of Labour, 2014.

<sup>32</sup> One out of five women in the age (20-49 year) are married before the age of 18, this percentage is higher in the Gaza Strip compared to the West Bank (28.6% and 21.4%) respectively. PCBS, 2015.



(414 children remain in Israeli jails),<sup>33</sup> intimidation, domestic violence and drugs (particularly in refugee camps and East Jerusalem).

According to a study on demographic transition in 2030 and 2050 conducted on behalf of the Prime Minister's Office and the United Nations Population Fund (UNFPA), **the population of Palestine might increase to an estimated 6.9 million in 2030 and would double to 9.5 million in 2050.**<sup>34</sup> By 2030, the Gaza Strip will accommodate 1.3 million more people and the West Bank will accommodate 860,000 more. In 35 years, Gaza's population (50.3%) will slightly exceed the West Bank (49.7%) and will remain younger on average. The total number of refugees in Palestine will increase to 3 million in 2030 and 4.5 million in 2050. Population growth will increase pressure for the delivery of basic services (notably health and education), but also access to employment opportunities and social safety nets for those in need. It is worth noting that the elderly (65 years and over) will almost double their share in 2030. As a result, there will be more patients with non-communicable diseases and multiple health problems common to elderly people.

### 3.3. The economic and fiscal context

**The Palestinian economy is operating under occupation.** Palestinian economic development and political relations with Israel are strictly linked. The 1994 Paris Protocol makes the Palestinian economy dependent on the Israeli economy. Palestine runs under the framework of a customs and monetary union with Israel. It has no control over its own borders, it does not collect its own taxes and suffers from restrictions and controls on the movement of its people, goods and resources (land, water, etc.). **The PA has therefore limited control over the majority of its revenues and suffers from substantial revenue losses under the current revenue sharing arrangements** outlined in the Paris Protocol and other subsequent agreements. The agreements defined specific arrangements through which the Government of Israel collects VAT, import duties and other income, or the so-called clearance revenues, on behalf of the PA and shares them with the latter on a monthly basis. These revenues account for 73% of the PA's total net revenues. Some of these arrangements have become outdated, while others have not been implemented as envisaged by the agreements, resulting in fiscal losses for the PA.<sup>35</sup> Moreover, PA authorities have shown limited capacity to undertake controls once the imported goods are released from Customs' surveillance, following the controls carried out by the Israel authorities. This situation prevents PA authorities from assessing the accuracy of the amount of import duties paid and in detecting possible fraud. In addition, Israel's intermittent withholding of clearance revenues (eight times since 1994)<sup>36</sup> hampers the predictability and service delivery by the PA and has had serious consequences, including delays in paying salaries. Arab banks/donors have been less willing to increase their exposure for the purpose of paying salaries, putting additional pressure on donors (including EU donors).

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<sup>33</sup> B'Tselem, 2016.

<sup>34</sup> The launch conference for the study "Palestine 2030 – Demographic Change: Opportunities for Development" took place in Ramallah on 5 December 2016. The full report can be retrieved from: <http://palestine.unfpa.org/publications/palestine-2030>

<sup>35</sup> The quantified annual loss (excluding revenues collected by the Government of Israel in Area C that could not be quantified due to data constraints) amounts to USD 285 million, or 2.2 percent of Palestinian GDP. In addition to the annual losses, considerable revenues owed to the PA and to Palestinian workers are not remitted. The stock of revenues currently retained by the Government of Israel is estimated at USD 669 million, or 5.3 percent of Palestinian GDP. World Bank Report to the AHLIC, April 2016.

<sup>36</sup> (1) Summer 1997, in response to a rise in terrorist activity in the West Bank and the Gaza Strip; (2) December 2000 to December 2002, in response to the outbreak of the second intifada in September 2000; (3) March 2006 to July 2007, following Hamas' victory in Palestinian legislative elections; (4) 2008, following tensions related to Israel's position at the Organisation for Economic Co-operation and Development; (5) May 2011, in response to Palestinian efforts to seek diplomatic recognition at the U.N.; (6) December 2012 to January 2013, in response to the PA's successful bid for non-member observer status at the U.N.; (7) 10 April 2014, in response to PA applications to join U.N. agencies as a state; and (8) 2 January 2015, following President Abbas' signature on 30 December 2014 of 20 international agreements and protocols including the Rome Statute for the International Criminal Court (ICC).



Despite challenges in calculating **Palestinian revenue losses due to the occupation**,<sup>37</sup> according to a 2016 Report published by the United Nations Conference on Trade and Development (UNCTAD),<sup>38</sup> *"the economy of the Occupied Palestinian Territory could easily produce twice the gross domestic product it generates now, while unemployment and poverty could recede significantly"*. The **blockade in the Gaza Strip** continues to hinder recovery and increased investment costs. Within the West Bank, the restrictions on movement and access, the non-contiguous control of land by the PA and the lack of access to Area C have led to the development of insular economies and increased poverty. **Restrictions on economic activity in Area C (where the majority of the West Bank's natural resources is) have been particularly detrimental** to the Palestinian economy.<sup>39</sup> The share of agriculture and industry, the two core sectors producing tradable goods, dropped by half, from 37% to 18%, while its contribution to employment decreased from 47% to 23%.<sup>40</sup> The value of exports to GDP is among the lowest in the world. The closure of the Gaza Strip has further affected its once vibrant export sector. **Trade between the West Bank and the Gaza Strip has today virtually disappeared, reinforcing Palestinian economic dependence on Israel.** Concerning **East Jerusalem**, it is not only **isolated from the rest of the West Bank**, but it is estimated that **one fourth of the Palestinian East Jerusalem residents are cut off from each other by the separation barrier**<sup>41 42</sup>, in addition to settlements and other barriers.<sup>43</sup> This has a huge negative impact on the economic situation in East Jerusalem. As a result, 75.4% of all Palestinian Jerusalemites (and 83.9% of children) are living below the poverty line.<sup>44</sup> An increase to work permits for Palestinians to work in Israel could contribute to decreasing unemployment, while increasing dependence on the Israeli economy.

Palestine is also subject to all aspects of **global change**, such as fluctuating prices of food and energy and the impact of climate change, as predictions for the Eastern Mediterranean indicate a serious reduction in rainfall and increasing temperatures in the mid and long-term.

**Given the severe development constraints of the Palestinian context, Palestine would currently not be viable without external funding from the international community.** Revenue is still **highly aid dependent**, with the Organisation for Economic Co-operation and Development (OECD) reporting around USD 2 billion annually coming from international donors (of which two thirds are from European development partners).<sup>45</sup> Compared to previous years, **budget support has however substantially decreased** (an estimated decrease by 50% since 2013), and a sharp decline in aid by certain donors has strongly been felt in 2016.<sup>46</sup>

**Political and security uncertainties weigh heavily on the growth prospects in Palestine.** Against the backdrop of the increasingly precarious political situation and despite substantial assistance to the Palestinian people, **the Palestinian economic situation is bleak and**

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<sup>37</sup> To date, attempts to estimate the economic cost of occupation remain partial and ad hoc. There is a need to establish a systematic, comprehensive and sustainable framework within the United Nations system to report to the General Assembly, as requested in its resolutions 69/20 and 70/12. UNCTAD, 2016.

<sup>38</sup> UNCTAD, 2016.

<sup>39</sup> *The alleviation of today's restrictions on Palestinian investment, movement and access in Area C could bring about significant expansion of many sectors of the Palestinian economy. Relatively conservative estimates show that the direct gains, in terms of potential value added in these sectors, would amount to at least USD 2.2 billion, equivalent to some 23% of 2011 Palestinian gross domestic product.* World Bank, 2014: 17

<sup>40</sup> UNCTAD, 2016: 8.

<sup>41</sup> ACRI, 2015.

<sup>42</sup> The Separation Barrier has already cost over one billion US dollars in damages resulting from direct loss of income in real terms for Jerusalemites, and it is estimated that these costs will continue at a magnitude of USD 194 million per year. Strategic Multi Sector Development Plan for East Jerusalem, 2010.

<sup>43</sup> Al Haq, East Jerusalem Exploiting Instability to Deepen the Occupation 2015.

<sup>44</sup> ACRI, 2015.

<sup>45</sup> See Stats.OECD.org/qwids for DAC disbursement data.

<sup>46</sup> According to data provided by the MoFP (2016 Funding Report, December 2016), expected budget support in 2016 amounts to around US\$ 614 million compared to around US\$ 1.236 million in 2013.

**declining.**<sup>47</sup> Its outlook is worrying, with a real GDP growth expected to reach 3.3% by end of 2016 (2.7% in the West Bank and 5.5% in the Gaza Strip).<sup>48</sup> Given the current economic structures, the budget/direct financial support to the PA has been the crucial driver of recent economic growth, essential service delivery and reform efforts. It has directly increased gross disposable income in the Palestinian economy through salary and other recurrent spending, but investment remains particularly low.

The PA is the largest sole employer<sup>49</sup> and employer of last resort (mainly in the West Bank). The **current revenue collection model is regressive**: 92% of tax revenue is from consumption and only 8% from income tax.<sup>50</sup> According to estimates, Palestinians spend 94% of their disposable income, and most growth in recent years has therefore been consumption driven. Corporate tax rates are low (they were reduced in May 2015 to 15%) and up to 40% of revenue is lost<sup>51</sup> through tax evasion, with the combined effect being that poorer Palestinians shoulder the lion's share of the cost of public services. Problematically this is accompanied with signs of sustained inequality: the 2013 Gini ratio was 35.5, which is worse than Egypt (30.8) but better than Israel (39.2).<sup>52</sup> Creating sustainable development and enabling the private sector to take the lead in generating economic activities is the opportunity cost of this model.

**Despite serious efforts by the PA, the current fiscal situation is fragile** and a USD 600 million financing gap is currently projected for the year 2016.<sup>53</sup> Given the large financing gap,<sup>54</sup> the PA has resorted to **accumulation of arrears and borrowing from domestic banks**. The PA's debt as of 31 December 2015 accounted to 40% of GDP<sup>55</sup>, and arrears to the private sector stood at around USD 685 million, arrears to the pension fund at over USD 1.5 billion.<sup>56</sup> The 'pay-as-you-go' pension system<sup>57</sup> costs the PA Treasury around USD 280 million annually.<sup>58</sup> Domestic banks are highly exposed to the PA and its employees as their share of loans given is over 40%.<sup>59</sup> As of September 2016, the domestic debt amounted to USD 1.5 billion, reaching the USD 1.5 billion ceiling set by the Palestinian Monetary Authority<sup>60</sup>. Despite the risks associated with the high exposure of banks to PA debt, the financial sector remains stable. PA revenues grew on an average 12% annually in the past 6 years, while PA collected revenues account for 27% of total net revenues. Revenues as percentage of GDP have been growing steadily reaching 21.8% in 2015. PA total expenditure grew on average 3.6% annually since 2009, with an annual wage bill increase of 4.5% on average. In 2016, the largest part of the PA budget has been allocated to social affairs with a share of 41.1%, including education, social protection, and health sectors. The PA spends 30% of its budget on the security sector.

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<sup>47</sup> Palestine currently ranks 129<sup>th</sup> out of 189 countries in the World Bank's 2016 *Doing Business*, World Bank, 2016.

<sup>48</sup> IMF, 2016.

<sup>49</sup> Public sector employees amount to 156,000 people, according to a World Bank wage bill review carried out in 2015. The numbers of employees in the public sector is in line with that of neighboring countries. However, large allowances added to the basic salary of employees are of concern.

<sup>50</sup> Nashashibi, 2015.

<sup>51</sup> Al Riyahi, 2014.

<sup>52</sup> World Bank, 2013.

<sup>53</sup> World Bank, 2016.

<sup>54</sup> The financing gap is the difference between the recurrent budget deficit and budget support.

<sup>55</sup> World Bank, 2016: "the authorities made a large one off revision of outstanding liabilities to the pension fund from about \$1.9 billion to \$1.5 billion as of June 2016 on the basis of an audit by PricewaterhouseCoopers. In the absence of this revision, staff estimates that the overall debt stock would have remained broadly stable in nominal terms, and would have declined as a share of GDP from 40 percent at end-2015 to 38 percent in June. However, after the revision of pension fund liabilities, the total public debt stock stood to 35 percent of GDP at end June".

<sup>56</sup> IMF, 2016.

<sup>57</sup> 'Pay-as-you-go' means that workers' current contributions pay for pensioners' current benefits.

<sup>58</sup> According to the World Bank this 'pay as you go' pension system can only be sustained until 2022.

<sup>59</sup> The Palestinian banking sector is otherwise healthy and generally liquid with one of the best 'lost non-performing loans' ratios in the region.

<sup>60</sup> This limit is prudential is set as a 100 percentage of total banks' equity.

A key issue in the PA's fiscal position is also the **political separation between the Gaza Strip and the West Bank**. The PA spends over 40% of its recurrent budget in the Gaza Strip (including to pay PA civil servants<sup>61</sup>), while it collects only 13% of its revenues from there. This budgetary situation (limited revenues; heavy expenditures) remains challenging in the present context.

Despite the specific challenges of the Palestinian context, **longer term reforms, which are key for the Palestinian economy and the PA's sustainability over time, still need to be addressed**. More efforts could be done with regards to expenditures. The relative size of the PA's wage bill (15% of the GDP) is almost the highest in the world. Recurrent spending should be decreased, and the pension system remains unsustainable. The PA should also develop contingency plans to mitigate the high fiscal risks.

**In the absence of substantial enablers for growth and employment opportunities, Palestinians will likely not be better off by 2020 compared to today**. Provided the economy grows on average by 3.5% annually in the period 2016-2022, unemployment is expected to remain stagnant or increase slightly but will remain above 20% among the youth. For the youth unemployment to decrease to reasonable levels, the economy would have to grow on average by 12% annually in the period 2016-2022 (an unrealistic scenario). As such, **without a political breakthrough** (ease of restrictions, lifting of the blockade on the Gaza Strip, permanent peace agreement), **the Palestinian economy will continue to perform below its potential** and not be able to experience sustainable growth and development. The current economic development model (i.e. budget/direct financial support being the main driver of growth) cannot become effective in sustaining socio-economic development and creating jobs. The **reconstruction of the Gaza Strip also remains hampered by administrative delays and Israeli restrictions** on the import of construction materials, as well as slow donor aid disbursement.

### 3.4. The socio-economic context (de-development)

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 (it is ranked 113 out of 188 countries in 2015). Along-side Yemen, it is the poorest territory in the Middle East and the poorest in the 'neighbourhood'. Poverty rates are higher in the Gaza Strip, East Jerusalem and Area C, and refugees tend to be poorer (in particular those living in refugee camps). Poverty in the Gaza Strip stood at 39% in 2014, which is almost 2.5 times higher than that in the West Bank. Based on the 2016 Humanitarian Response Plan, 70% of the Gaza Strip's population is in need of assistance. For the first time in 50 years, the infant mortality rate has increased<sup>62</sup>. According to the Association for Civil Rights in Israel (ACRI), 75.4% of all Palestinian residents in Jerusalem live under the poverty line, 83.9% of Palestinian children<sup>63</sup>.

**Unemployment, especially among youth and recent graduates, is increasing**. According to the IMF Report to the AHLC of September 2016, overall unemployment reached 26.9% in June 2016.<sup>64</sup> According to a recent poll on youth, 54.5% of people interviewed said the biggest problem they faced was unemployment, and 43.7% stated that restrictions from the occupation were the main reason for unemployment.<sup>65</sup> Two-thirds of young people living in the Gaza Strip

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<sup>61</sup> EU MS and like-minded partners support payment of salaries, mainly through the World Bank Trust Fund and the EU PEGASE Direct Financial Support (DFS) Mechanism. PEGASE DFS also provide contributions to social allowances, as well as the payment of the costs of referral to the East Jerusalem Hospitals that help ensuring access to quality health for all Palestinians.

<sup>62</sup> UNCTAD, 2016.

<sup>63</sup> ACRI, 2015.

<sup>64</sup> IMF, 2016.

<sup>65</sup> 31.5% insisted on the "PA's shortcomings" and 22.9% on "the incompatibility of university majors with the needs of the labour market, JMCC/FES, 2016.

are unemployed, while 40% of the male Arab population in Jerusalem does not participate in the labour market, and 85% of Palestinian women in Jerusalem do not participate in the workforce<sup>66</sup>. The **particularly distressed condition of East Jerusalemites** is demonstrated in extreme poverty rates, limited employment opportunities, a severely depleted educational system, and a systematic lack of physical and economic infrastructure<sup>67</sup> and planning. Higher level of poverty and unemployment are straining the population<sup>68</sup>. Palestinian de-development is progressing. **The situation in the Gaza Strip is particularly critical**. Ten years after the blockade, 1.8 million Gazans continue to be deprived of their *economic, civil, social and cultural rights, as well as the right to development*.<sup>69</sup> The 2012 UN Country Team (UNCT) Report "Gaza in 2020: A liveable place?"<sup>70</sup> underlines the worsening of the socio-economic well-being of Gazans and indicates that they are now worse off than they were in the 1990s. This report was published before the 2014 Israeli military operations, which represented the most devastating round of hostilities since the beginning of the occupation in 1967 and led to an aggravation of "Gaza's de-development spiral".<sup>71</sup>

**Delivery of basic services provided to Palestinians is also deteriorating.** In the context of the occupation, the **education** sector is notably facing several **protection (and safety) related issues**, including settlers' attacks, military presence and attacks particularly flagrant in some locations (e.g.: Hebron H2). According to the Ecumenical Accompaniment Programme in Palestine and Israel (EAPPI), incidents involving school children and schools almost tripled in West Bank, including East Jerusalem, from 2013 to 2014, affecting nearly 25,000 Palestinian children in 2014.<sup>72</sup> According to the Ministry of Education and Higher Education, between 2015-2016 about 109 Palestinian children/youth from East Jerusalem were held in Israeli prisons, and 103 were under home arrest. The total shortage of classrooms in East Jerusalem is 2,247<sup>73</sup>, while the rates of drop-out are high, especially among boys and in the secondary cycle (26% in 11<sup>th</sup> grade and 33% in grade 12<sup>74</sup>). Moreover, the latest JMCC/FES Youth Poll highlighted "a drop in the overall level of confidence among youths regarding university education in Palestine", while over half of the people interviewed "do not believe that vocational training graduates found (good) job opportunities", adding they "were not highly regarded by society".<sup>75</sup> **Area C communities suffer from a number of cumbersome administrative processes and physical restrictions for education and health.** The situation in the **Gaza Strip** is particularly critical. **Access to water and energy, if not properly addressed, may result in a humanitarian crisis.** Despite some progress made on the repair of damages related to the 2014 hostilities, only 45% of the Gaza Strip's needs are being met, resulting in 16-18 hours of daily power cuts<sup>76</sup> and very limited piped water supplies. The Gaza Strip also continues to suffer a **significant lack of adequate education and health facilities**.<sup>77</sup>

**The worsening conditions and increased vulnerability of Palestinians have led to a high level of frustrations, a lack of cohesion, recurrent high-level waves of violence and a stronger sense of despair, in particular amongst youth.** The 2015 cycle of violence has largely been attributed to this lack of hope, which also reflects the increased disengagement of Palestinians from formal politics. The level of control that Israel exercises on Palestine makes

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<sup>66</sup> ACRI, 2012.

<sup>67</sup> ACRI, 2012.

<sup>68</sup> In the Gaza Strip, according to the UNSCO Report to the AHLC in April 2016, the levels of poverty and unemployment respectively reach 39% and 38%. UNSCO, 2016.

<sup>69</sup> UNCTAD, 2016: 7.

<sup>70</sup> UNCT, 2012.

<sup>71</sup> UNCT, 2016.

<sup>72</sup> EAPPI, 2015.

<sup>73</sup> Ir Amim, 2015

<sup>74</sup> ACRI, 2015.

<sup>75</sup> JMCC/FES, 2016.

<sup>76</sup> OCHA, 2016.

<sup>77</sup> In Gaza, 252 UNRWA schools serve over 240,000 students. 75% of UNRWA school campuses operate on double or triple shift basis.

any significant improvements very unlikely in the Palestinian's economy and competitiveness. As recalled in the Council Conclusions on the Middle East Peace Process of 18 January 2016: "**a fundamental change of policy by Israel with regard to the occupied Palestinian territory, particularly in Area C, will significantly increase economic opportunities, empower Palestinian institutions and enhance stability and security for both Israelis and Palestinians**".<sup>78</sup>

The situation of refugees remains an unresolved final status issue. EU support to refugees is provided via UNRWA, which was established as a subsidiary organ of the United Nations General Assembly on 8 December 1949 and became operational on 1 May 1950. With more than 30,000 staff, UNRWA is the largest UN operation in the Near East and a major employer in the region. **Created as a temporary agency, sixty-five years later, the Agency continues to provide essential services for the well-being, human development and protection of Palestine refugees, pending a just solution.** UNRWA operates one of the largest school systems in the Middle East, teaching nearly half a million children in more than 600 schools. Among other services, the Agency also provides around 9 million health consultations in its 143 primary health centers across the region every year. Overall, UNRWA's operations provide a critical lifeline for millions of Palestine Refugees and the Agency remains **key pillar of stability** in the region.

### 3.5. The planning context

The European development relationship with the PA builds on a **long-standing and strong partnership**. This partnership promotes, *inter alia*, mutual accountability (which also means that **the PA should be first accountable to its own citizens** and serve the needs of its population, in particular the most vulnerable), transparency, strengthening and aligning with national systems, reducing duplication and a comprehensive partnership including civil society<sup>79</sup> and the private sector.

**The PA is one of the drivers of development** (in particular in the limited areas where it has authority), informed by its NPA 2017-2022 and related Sector Strategies, as well as the National Advocacy Strategy for Planning and Development in Area C (2016-2018) and the forthcoming Public Financial Management Strategy.

The emphasis laid down in the European Joint Strategy on aligning with and supporting Palestinian national and sector plans acknowledges that **national authorities are best suited to lead social and economic development**.

Following an important public sector reform process (end of 2015), it is the Prime Minister's Office (PMO) that has been overseeing the work related to the **NPA** and the **macroeconomic fiscal framework**. The new **21 Sector Strategies** are overseen by the Ministry of Finance and Planning (MoFP), which has closely worked with Line Ministries<sup>80</sup>. Together with the PMO, the MoFP has been aiming at ensuring consistent linkages between the NPA, the Sectoral Strategies and the Budget. The strategic objectives of the Sector Strategies are linked to the policy interventions of the NPA. The Sector Strategies are also expected to be a costed plan with clear

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<sup>78</sup> Paragraph 3 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

<sup>79</sup> In the case of civil society, it is recognised that the current approach of ear-marking and piece-meal actions is not in line with the principles (and needs) of supporting civil society as a central pillar of society. A more effective approach in line with the current context implies the need for a programme wide or sector type approach to supporting and developing the capacity of civil society as a whole.

<sup>80</sup> Line Ministries received a Training Manual in August 2016. Additional trainings were also provided to Deputy Heads of the Planning and Budgeting Teams of the various Line Ministries.

indicators and the basis for results-based monitoring.<sup>81</sup> **It will be crucial to integrate the NPA within a realistic budget and financing envelope to ensure effective prioritisation and implementation of measures.** The absence of these conditions impeded the success of previous Palestinian national development strategies.

The NPA rests on two key assumptions: (1) it is **citizens' centred** and focuses on meeting citizens' daily needs; (2) it acknowledges that **Palestine is not yet independent**. In addition, it includes an **international component** with the implementation of the **2030 Agenda for Sustainable Development** and the **Palestinian accession to international HR treaties**. It also recognises the importance of including a **strong monitoring and evaluation component with the establishment of the General's Secretariat**. This Secretariat is currently being assessed and is expected to be well-equipped and trained by June 2017. Strengthening monitoring and reporting capacities will enable the PA to meet its commitments to reporting on relevant international conventions (e.g. on climate change and violence against children). Regular and effective monitoring and reporting is also critical to identify and find remedies to challenges related to the inclusion of women and vulnerable groups, combatting extreme poverty, promoting transparency and a disincentive to corruption.

In addition, the PA has taken important steps in establishing **mechanisms to consult with its key partners (CSOs, donors, private sector, academics, etc.) in its policy planning process**, which includes the **NPA**, the work on the **Gaza Strip** (e.g.: set-up of the Gaza Reconstruction Office) and on **Area C** (e.g.: set-up of the Ministerial and Technical Committees on Area C, and of the Area C Coordination Office). Efforts have also been undertaken to include the **Sustainable Development Goals (SDGs)** in the NPA<sup>82</sup>, as well as to mainstream **cross-cutting issues** (gender equality, environment protection, etc.).

Activity-based budgeting, good public financial management and monitoring for results and obligations related to IHL and HR treaties and conventions ratified by the PLO will be essential for **evidence-based policy-making**. The **challenging context** both in Palestine (**fiscal gap**) and for European partners (**decline in budget, donors' fatigue in Palestine, multiplicity of crises**, etc.) should however not be underestimated, as **donors' predictability and funding of the new policy interventions cannot be guaranteed** at the same level of previous years.

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<sup>81</sup> The EU has agreed on a Results Oriented Framework (the indicators of which should ideally also feature prominently in the NPA) for its budget support strategy with the PA that initially covered 2015, but has been extended to end 2016.

<sup>82</sup> Following a Cabinet's decision adopted on 16 February 2016, a National Team has been formed to coordinate the implementation of the 2030 Agenda and to ensure the successful implementation of the SDGs and their integration into the currently drafted National Policy Agenda for 2017-2022 and new National Sector Strategies.

## 4. Joint Response

### 4.1. The political nature of the EU's cooperation in Palestine

The EU Council's position is to **protect the viability of the two-state solution** with an independent, democratic, contiguous and viable Palestinian State, living side by side in peace and security with the State of Israel.

In order to support this vision, for more than twenty years, the EU has been a **strong supporter of the Palestinians and their quest for self-determination**. Since 2007 the EU, EU MS, Norway and Switzerland have disbursed **USD 1.2 billion<sup>83</sup> annually** in development assistance to Palestine. European aid accounts for almost two thirds of donor financing, and the majority of bilateral development partners in Palestine.<sup>84</sup> This support has covered all areas (West Bank, including East Jerusalem and Area C, as well as the Gaza Strip) and all Palestinians (including Palestine refugees). **The nature and volume of EU's development cooperation in Palestine has therefore been closely linked to the political situation and the EU position with regards to the Middle East Peace Process.**

**The modality of development cooperation has also largely been influenced by the limitations and obstacles imposed by the context** and persistently specified and condemned by EU declarations at the highest level. However, as indicated in the Final Report of the "Evaluation of the EU's Cooperation with the occupied Palestinian territory and support to the Palestinian people": *"the EU has not been willing or able to address these constraints upfront with an effective political response. While Member States have reached consensus on the Council Conclusions' declaratory Policies, they refrained from taking practical steps further, avoiding confrontational or adversarial measures with Israel and to a lesser extend with the PA"*.<sup>85</sup>

### 4.2. Existing joint programming tools, limitations and negative trends

#### a) Existing tools

Since the establishment of the PA in the mid-1990s, donors – including EU/MS – have played an important part in **building the institutions of the future Palestinian State and have been the largest contributor to Palestinian welfare**, including through PEGASE Direct Financial Support to the PA provided by EU and Member States. European development partners have been the most **transparent and predictable partners** for Palestine, with regards to the very high amounts of funding provided by the EU/MS to support the viability of the PA and its institutions.

In line with the major orientations set out in the European Consensus in Development (2005) and the Agenda for Change (2011), European development partners have also aimed at **developing policies in a spirit of complementarity and in alignment with the national needs and priorities**. For the last nine years, the EU therefore addressed **three subsequent Palestinian planning cycles**, i.e. the Palestinian Reform and Development Plan 2008-2010, the Palestinian National Development Plan 2011-2013 and the Palestinian National Development Plan 2014-2016.

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<sup>83</sup> See Stats.OECD.org/qwids for DAC disbursement data.

<sup>84</sup> According to the Global Humanitarian Assistance Report 2015, Palestine is one of the biggest receivers of international aid per capita, GHA, 2015.

<sup>85</sup> Final Report. Volume 1; May 2014. Executive Summary, page VIII.

**Several tools have been developed**, in line with the post-Busan context and principles of effective development cooperation:

1. Since a decade, the **Heads of Cooperation of EU/MS have been meeting regularly**. Currently, they meet on a bimonthly basis. Heads of Cooperation from **Switzerland and Norway** have been attending these meetings as like-minded donors since 2013. It should be underlined that the establishments of the **Ad-hoc Liaison Committee** (AHLC) in the 1990s and of the **Local Aid Coordination Secretariat** (LACs) in 2006, as mechanisms to ensure close donors coordination in Palestine, have undoubtedly created a fertile ground for EU/MS to align their policies and working practices.

2. At the end of 2011, EU/MS elaborated an EU Local Development Strategy (EU LDS), which was revised in mid-2013. This EU LDS clarified **EU/MS priority sectors of intervention** (in line with the Palestinian National Development Plan 2011-2013) and **in-country the division of labour amongst European donors** (lead<sup>86</sup> and active.<sup>87</sup>)

3. In 2014, 16 **EU/MS rolling Sector Strategy Fiches**<sup>88</sup> (based on a Division of Labour) were prepared to be used as **policy-dialogue tools** with Palestinian counterparts.

4. In 2015, 6 out of these 16 sectors<sup>89</sup> were included in a pilot **EU/MS Results-Oriented Framework** (covering April to December 2015 and extended until December 2016), aiming to steer/formalise a more structured and **coherent results-oriented policy dialogue**, with a stronger monitoring and evaluation of the PA's achievements in key areas.

5. Besides the meetings of Heads of Cooperation, several **Informal Working Groups** have been set up and chaired by the sectoral leads in order to achieve more coherence in certain areas (e.g. East Jerusalem, the Gaza Strip, Area C, private sector development, gender, PEGASE Direct Financial Support, civil society, water and energy, etc.).

6. Additionally, **Interest Groups** have been set up with the aim of bringing together as appropriate the different strands of EU presence in Palestine (primarily development and political). This is the case of the Interest Group on UNRWA (which also prepares the EU common statement to be delivered at meetings of the Advisory Commission twice a year) as well as of the Interest Groups on East Jerusalem and Area C. The latter also involves coordination between EU/MS on humanitarian activities in Area C.

7. In addition, over the past years, **several existing EU/MS (funding) mechanisms** have been developed, also opened to non-EU/MS donors (e.g.: PEGASE Direct Financial Support,<sup>90</sup> the Joint Financing Arrangement,<sup>91</sup> the Municipal Development and Lending Fund,<sup>92</sup> etc.).

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<sup>86</sup> "Lead" donors should contribute a substantial amount of development assistance to the sector. To fulfil their specific role, they should be able to contribute sufficient capacities (human resources, institutional structure on-site), have the trust of other donors, the partner government and commit themselves to be active in the sector throughout the foreseeable future.

<sup>87</sup> "Active" donors remain operationally visible in a given sector but allow the lead donor to serve as the primary conduit for communication and dialogue between the donor community and the partner government.

<sup>88</sup> Agriculture, East Jerusalem, Education, Energy, Gender, Health, Justice, Local Governance, Macroeconomic Support, Private Sector, Public Administration Reform, Public Finance Management Refugees, Security, Social Protection and Water.

<sup>89</sup> These six sectors fall into two pillars: (i) fiscal consolidation and policy reforms with Macroeconomic Support, Public Finance Management, Public Administration Reform and (ii) service delivery with Education, Health and Social Protection.

<sup>90</sup> Launched in 2008, PEGASE DFS is a mechanism channelling significant amounts of support from the European Commission (EC) and donors to the Palestinian Authority, in order to support sustained delivery of basic public services and a number of initiatives in support to the private sector the West Bank and the Gaza Strip. 18 donors (incl. 2 non EU MS) are currently contributing to this mechanism (AT, BE, DK, EL, ES, EUREP/EC, FI, HU, IE, IT, LU, MT, NL, SE, SI, UK + CH + JP). FR and UK are also contributing to the World Bank Trust Fund (WBTF).



8. Shared visions/policies (e.g.: in the water and agriculture sectors) as well as **joint efforts deployed in cross-cutting issues** (e.g.: Gender equality, Youth, Environment Protection, Human Rights and Support to Civil Society) and Palestinian areas facing special needs and challenges (e.g.: Area C, East Jerusalem, Gaza Strip) have also been developed.

9. Policy dialogue takes place within the context of the **EU-Palestine Joint Committee** and the **six ENP Sub-committees**, within the framework of the Action Plan with Palestine.

#### ***b) Mixed results and limitations of the EU's assistance for Palestinian development***

European-funded interventions have had **mixed success with some results**, including sustaining the welfare for Palestinians, building the capacities of several Palestinian institutions, ensuring stability and security, as well as preventing fiscal and economic collapse. In Spring 2011, the meeting of the AHLC concluded that Palestinian institutions were **ready for statehood**.<sup>93</sup> Improvement since this meeting has however been extremely limited and led to considerable **disappointments and fatigue** (starting with the Palestinians themselves).

**Palestinian dependency on donors' aid remains.** International aid to Palestinians is one of the highest per capita aid disbursements in the world. Donors have to a certain extent contributed to the **management of the conflict** rather than to the achievement of a lasting and inclusive solution.

**Economic recovery, a viable economic system to finance government services and investments, sustainable development and accountability can indeed only be achieved when the occupation comes to an end** and Palestine becomes fully sovereign and gains control over its land and resources.<sup>94</sup> The unsustainability of the current situation is recognised by the EU and its MS and much more needs to be done from European partners to *"remove the most significant obstacles to sustainable Cooperation outcomes and the achievement of a viable, democratic and contiguous Two-State solution, particularly Israeli occupation and settlement policies and the political division of the West Bank and Gaza"*.<sup>95</sup> **"Settlement activity in East Jerusalem seriously jeopardizes the possibility of Jerusalem serving as the future capital of both States"**.<sup>96</sup>

**The protracted occupation not only undermines the considerable state-building achievements of the last twenty years, but also puts into question EU principles and**

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<sup>91</sup> In line with the Palestinian Ministry of Education and Higher education's priorities in basic education, the JFA is a pooled funding mechanism initiated in 2010 in the education sector through which 5 donors (BE, DE, FI, IE, and 1 non EU MS) contribute to the implementation of the Palestinian five-year strategic plan for education (EDSP). The JFA is an important step in aid effectiveness and harmonisation in Palestine as it enhances sector-wide approach to educational planning, management and implementation, and further strengthens ministry ownership.

<sup>92</sup> The MDLF is a Palestinian semi-governmental institution, which is implementing the Municipality Development Programme (MDP). The MDP allocates grants to municipalities for capacity development interventions and capital investment projects. 9 donors (incl. 2 non EU MS) are currently contributing to the second Phase of the Municipal Development Programme (MDP II – BE, DE, DK, EUREP/EC, FR, NL, SE + CH + World Bank) via the MDLF.

<sup>93</sup> UNSCO's 2011 report to the AHLC concludes that "in the limited territory under its control and within the constraints on the ground imposed by unresolved political issues, the PA has accelerated progress in improving its governmental functions. In six areas where the UN is most engaged, governmental functions are now sufficient for a functioning government of a state. This reaffirms the World Bank's assessment in September 2010, noted by the Quartet, that 'if the PA maintains its current performance in institution-building and delivery of public services, it is well positioned for the establishment of a state at any point in the near future'. UNSCO, 2011.

<sup>94</sup> Final Report of the "Evaluation of the EU's Cooperation with the occupied Palestinian territory and support to the Palestinian people: "The Evaluation collected abundant evidence that the goals of the EU have been seriously hampered by "binding constraints," the most significant being the Israeli restrictions of occupation and allocation of resources for settlements, but also including Palestinian political divisions and the absence of democratic process". Volume 1. Executive Summary, page viii.

<sup>95</sup> EC, 2014.

<sup>96</sup> Paragraph 7 of the Council Conclusions on the Middle East Peace Process of 18 January 2016.

**credibility.**<sup>97</sup> As mentioned by UNCTAD: *"The Palestinian economy is the economy of an occupied territory, and therefore – contrary to the claims of some observers – the efficacy of donor support has been undermined by occupation, not by the inadequacy of Palestinian National Authority policies or poor donor coordination. The fiscal burden of the humanitarian crises and the occupation-related fiscal losses have diverted donor aid from development to humanitarian interventions and budget support. No amount of aid would have been sufficient to put any economy on a path of sustainable development under conditions of frequent military strikes".*<sup>98</sup>

In order to address these concerns the EU needs to act decisively to preserve the very possibility of a two-state solution. In addition, *"the lack of a complementary and effective political track involving Israel - what this Evaluation refers to as **"triangulation"** - has limited the Cooperation's sustainable impact in achievement of the EU's overarching goals."*<sup>99</sup>

**The Government of Israel therefore plays a central role with regards to the key enablers of Palestine's development** (e.g. borders, development in Area C, transfer of fiscal revenues). A large amount of the PA's potential financial resources cannot be accessible due to a **lack of implementation of certain provisions of the Paris Protocol by Israel.**<sup>100</sup> Israel imposes a planning and zoning regime in Area C and East Jerusalem, which the UN Secretary General has defined as restrictive, discriminatory and incompatible with requirements under international law<sup>101</sup> which also hinders donors support in development projects in Area C.

Additionally, the **operational space required by humanitarian and development actors** supported by donors to successfully implement their activities (movement of materials, permits for personnel, etc.) is **to a large extent determined by Israeli practices**, which are unpredictable and change over time, and a **worsening** of the situation has been observed. This is the case for example in the Gaza Strip where, against IHL that foresees that an occupying power should not prevent assistance from reaching protected population, part of EU's support has been in some cases prevented by Israel to reach vulnerable Palestinians.<sup>102</sup> Some reports also point out on how international aid efforts can in some cases **reinforce the Israeli economy** – leading to the following question raised in Aid Watch Report of 2015: *"The question that arises is not only whether aid is effective, but whether it also causes harm".*<sup>103</sup>

Policy makers and development partners therefore need to balance developmental ambitions with **measures to mitigate the adverse effects of the occupation**, providing basic services and **upholding Palestinian rights to live and move freely, in particular in Area C, East Jerusalem and the Gaza Strip** (e.g.: closure of the Rafah Border Crossing, which is perceived by many Gazans as a collective punishment and violation of their human dignity). The continued occupation (the major obstacle to poverty reduction as previously mentioned) also explains that programming in Palestine **increasingly needs relief type activities** (e.g. for food security) more typical of low income countries or fragile states.

A political horizon (with peace prospect) and political stability are imperative for social and economic development, but **also need to be accompanied with responsive and accountable institutions**. Many achievements have also being eroded with **Palestine slowing down the pace of reforms** or halting in a number of areas. The lack of democratic renewal has contributed

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<sup>97</sup> "The European answer to date has been: no impact at all. True, statements condemning demolitions have taken an increasingly clearer tone of late, but the bottom line remains the same: statements alone, absent of action, continue to serve as an implicit green light for Israel to proceed unchecked. And Israel does." El-Ad, 2016.

<sup>98</sup> UNCTAD, 2015.

<sup>99</sup> EC, 2014.

<sup>100</sup> World Bank, 2016.

<sup>101</sup> OHCHR, 2014: § 11-20.

<sup>102</sup> As third-party states, the EU and its MS also have legal obligations to "respect and ensure respect for IHL in the West Bank and the Gaza Strip, on the basis of their obligations under the common Article 1 of all four Geneva Conventions.

<sup>103</sup> Hever. 2015.

to the reversal of positive trends in the state building process. **Continued strengthening of the capacity of PA's institutions is thus central to stability and service delivery and accountability** (as well as to being a competent and credible partner in the two-state solution). State audit functions need to be significantly strengthened and expanded, land registration and tax collection should be improved and Palestinians pro-actively brought into public decision-making through democratic processes. The PA also needs to continue addressing challenges associated with the **growing needs of the Palestinian population, especially in the social sector**.<sup>104</sup> European development partners note however the PA's continued progress in some areas, for example increasing revenue collection by 9% in 2015.<sup>105</sup>

Over the years, UNRWA has made substantial contributions to the development and humanitarian needs of Palestine refugees, even under the challenging circumstances. UNRWA's reform efforts in the areas of education and health have enhanced the quality of services being delivered and have had greater impact on the refugee population. However, UNRWA's role as a pillar of stability in the region was put at risk in 2015 when severe funding shortfalls threatened to close down UNRWA's educational programme and delay the return to school of some 500,000 children. Thanks to exceptional additional contributions from donors including from the EU, the school year could begin according to schedule with 685 schools benefiting half a million pupils across the region. In 2016, UNRWA's financial challenges continued despite an Agency commitment to a zero growth in budget, reform initiatives and cost containment measures. Overall, successive funding shortages and subsequent austerity measures and cost reductions have prevented UNRWA programmes from expanding in tandem with the growth in the refugee population and their needs. The challenge UNRWA faces in the coming years to improve financial stability while continuing to address critical needs and ensuring quality services is enormous. Nevertheless, there is agreement that UNRWA's core services in terms of ensuring children's access to quality education, providing quality primary health care and providing an appropriate level of assistance to Palestine refugees who cannot meet basic needs must be protected and sustained.

#### 4.3. Rationale of the first European Joint Strategy

The achieved mixed results lead EU/MS to reflect on the **relevance and effectiveness of the approach and development tools used in the past years**. Most importantly, traditional development tools in such a unique context cannot remove the fundamental obstacle to Palestinian development.

Despite these constraints, the key objective of European development cooperation remains the **contribution towards the establishment of a future Palestinian State**. As for the Palestinian NPA, the working assumption for the first European Joint Strategy is that this goal will not be achieved by 2020 and that Palestine will remain under occupation over the next years.

The European development partners **commit to the present European Joint Strategy**, which is a first attempt to **bring about a change** in the way we **collectively** address Palestinian development priorities and needs. It fully seeks to respond to the **NPA** that sets out a unified vision for social and economic development in Palestine from 2017 to 2022. It is therefore an **opportunity for us to come together in one team** in support of Palestine's own planning.

The uniqueness of the context explains that the **political dimension** of the European Joint Strategy is so strong. It aims at affirming and defending the **shared vision of European actors** in Palestine, as well as ensuring the **convergence** between the development work and the political objectives of the EU. Together with the NPA, both strategic documents are also solid

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<sup>104</sup> The Palestinian population projections show that the population will double between 2015 and 2050, even with decreasing fertility rates, UNFPA, 2016.

<sup>105</sup> World Bank, 2015.

foundation for a strong dialogue on **fundamental human rights, environmental protection, democratic governance and gender equality**.

European development partners agreed that this European Joint Strategy should **be more focused and result-oriented**. Substantial efforts have been made to ensure that **fewer and more closely linked sectors** are covered and that **more synergies** between the various sectors and priorities are achieved.

European development partners commit to the following principles to guide our work in the coming four years:

- To implement as much as possible the **Agenda 2030 for Sustainable Development** and ensure close linkages with strategies developed by other international partners on the ground;
- To take a **citizen-oriented approach** and include more systematically and closely **vulnerable members** of society such as vulnerable women, refugees, marginalised communities, people living under the poverty line, also in line with our duty bearers responsibilities;
- To ensure that **delivering more for children/youth** (at a cultural, economic and political level) increasingly features in our public policy and programme design. During the implementation of the European Joint Strategy, additional focus should in particular be devoted to address the needs of children/youth (including with disabilities), **as one of the most vulnerable groups, especially in relation to protection and violence issues**. Additional interventions could be planned to protect adolescent/youth and promote their participation and empowerment (e.g. through adolescent/youth-led community-based initiatives and entrepreneurial learning).
- To **mainstream persons with disabilities' needs**. The promotion of the rights of persons with disabilities requires interventions at different level: from support to the national efforts of the PA for the implementation of the 2011 UN Convention to awareness of EU staff on disability matters. Mainstreaming of persons with disabilities needs will be introduced within the different sectors of EU intervention, with a special attention to different kinds of infrastructure and education projects;
- To ensure that, in line with the EU Country Roadmap for Engagement with Civil Society,<sup>106</sup> the **participation of civil society in public policy formulation and monitoring of public policies implementation and delivery** is embedded in our approach. In addition, the EU and its Member States will continue to **empower local civil society efforts to enhance their internal governance, transparency and accountability**, as well as contribute to strengthen their ability to act as a watchdog. They will also contribute to strengthen their **financial stability** as well as to **enhance networking, interaction and communication between local Non-Governmental Organisations (NGO) located in West Bank (including Area C and East Jerusalem) and the Gaza Strip** (especially support to platforms and networks);
- To **adopt progressively a Rights Based Approach (RBA)** to our development programming.<sup>107</sup> Human rights based programming should develop the capacity of **duty-**

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<sup>106</sup> EU, 2014.

<sup>107</sup> "The Council underlines that respect for and protection and fulfilment of human rights is a prerequisite for achieving sustainable development... [a rights-based approach] is promised on human rights principles and standards bring both a means and a goal of effective development operation" foreign Affairs (Development) Council meeting, Brussels, 19 May 2014.

**bearers** to fulfill their obligations and of **rights-holders** to claim their rights; it also means to focus more on vulnerable groups and does align very well with the Agenda 2030 “living no one behind”. The EU Joint Strategy's RBA is facilitated by the circumstance that **Palestine has joined several human rights treaties as a state without reservations**. This also means that strong practical support is required for the implementation of these treaties by the Palestinian authorities. For this purpose, the use of the “Manual for Human Rights Education: Understanding Human Rights”<sup>108</sup> should be encouraged, which has been issued on the initiative of the group of the UN member states united in the Human Security Network”<sup>109</sup>;

- To increase the **quality, effectiveness, and coherence of sector-specific policy dialogue** and reduce transactions costs to the government of donor assistance – in line with the Aid effectiveness principles set out in Paris and Accra Agenda as well as the Busan Partnership;
- To deliver better value for money by focusing more on addressing systemic and immediate operational challenges. This necessitates greater attention on strengthening **good governance, accountability and transparency**, as well as improving policy dialogue on shared challenges. Policy dialogue is central to supporting national planning and oversight mechanisms, as well as strengthening donor alignment and harmonisation;
- To ensure that the **projected population trends** and their impact on economic growth and social services in Palestine are well-integrated in our interventions;
- To **remain flexible in terms of approaches and choice of instruments**, so that we are still able to act in the event of unforeseen developments. In this connection, the approach that is followed under European development cooperation is one that is **context- and conflict-sensitive**, based also on the **principle of “do no harm”** – and the EU partners will need to ensure that this principle can be as much as possible implemented in the Palestinian context;
- To **monitor experiences of CSOs on a regular basis**, to stay informed about the enabling and disabling trends in Palestine and Israel, to conduct separate research on the enabling environment for civil society in the Gaza Strip;
- To **encourage the PA to improve its consultation mechanisms to involve CSOs** in the design, content and implement of development plans and other policies and measures of national importance;
- To **encourage the PA to respect the freedom of assembly, freedom of association and the right to physical integrity**;
- To **support the PA** in ensuring that it increases **transparency on government budget and decision making**;
- To ensure that the **Government of Israel complies with international human rights law and international humanitarian law**, to **respect the freedom of expression, of assembly, of association and the right to physical integrity for all**, including for voices within civil society that advocate against the occupation and for the rights of Palestinians.

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<sup>108</sup> RCHRS/ETC-GRAZ, 2014.

<sup>109</sup> Austria, Chile, Greece, Ireland, Jordan, Costa Rica, Mali, Norway, Panama, Slovenia, Switzerland, Thailand, and the Republic of South Africa (as an observer).

#### 4.4. New approach and influencing strategies (tools)

The very specific and unique context in which European development practitioners operate in Palestine has led us to reflect on our role, the tools at our disposal (including their limitations) and on the **balance that should be kept between what can be realistically achieved on the ground and the need to ensure that Palestinians are still able to realise their civil, political, social, economic and cultural rights**.

In order to achieve sustainable outcomes, the EU should more than ever formulate joint responses that address key obstacles and that can **help reverse the negative trends** witnessed in the last decades.

On top of existing traditional developing tools, other existing and/or new tools should be developed/enhanced, aiming at a **closer alignment between the political and development dimensions of the work of European partners** in Palestine.

These new tools should specifically target the following five groups

- (1) **European actors** in Palestine and how to work together more efficiently to enhance coherence between the various strands of our work (development, political and humanitarian dimensions);
- (2) The **Palestinian Authority and Palestinian institutions** and how to further improve our policy-dialogue and reinforce common key messages;
- (3) **The Government of Israel** and how to increase consistency and speak with one voice in addressing Israel's failure to deliver on its obligations under international law, the de-development impact of its policies, the revenue collection system, etc.;
- (4) **International partners**, other key players such as the UN Family and regional actors on the ground and the region, in order to ensure wider coherence with their policies and approaches towards Palestine, as well as to prevent duplication, curb fragmentation and address how to mutually reinforce messages, advocacy and actions;
- (5) **The wider public**, both in Europe, Palestine and Israel, including civil society, so that the narrative of the European engagement and limitations in Palestine is properly conveyed and understood.

##### *a) European actors*

Our own working practices will need to be stepped up if the full potential of the first European Joint Strategy is to be exploited. This will require reconsidering the roles and responsibilities of each European actor with a revisited division of labour according to which each of us will have a clear defined role and stake in the implementation of the Strategy. There is also an understanding that at least two donors should be actively involved in each sector and that no sector or area should be left "orphan". The following tools will be considered:

- A **stronger framework for monitoring and evaluation** through: (i) yearly assessment conducted by the Pillar and Cross-Cutting Leads, as regards the implementation of the five pillars and the cross cutting themes; (ii) through an Annual Monitoring Report; and (iii) through a mid-term evaluation of the European Joint Strategy (in early 2019).
- A more systematic and regular development of **common messages** which can be used to advocate with various interlocutors: In the HoCs yearly workplan, more time will be devoted to discuss key issues affecting development work. The **role of the EU Informal Working Groups** will be enhanced with their work feeding also the development of common messages. These common messages will be brought to the attention to the

HoMs for their consideration and use. They should be brought to the attention of capitals by each EU MS to keep the focus on key issues and limitations of our cooperation in Palestine;

- An enhanced presence of Heads of Cooperation in the field with more **joint visits** to priority areas and adequate follow up to maximise visibility (e.g. press releases, newsletters, social media, etc.).

#### ***b) The Palestinian Authority and Palestinian Institutions***

European development partners recognise the substantial and inclusive work the PA is undertaking through its new planning cycle 2017-2022, its commitment to enhance its own monitoring and evaluation system, its citizens' centered approach and its will to implement its international obligations. We acknowledge the implication of an overcrowded donors' context with a multiplicity of reporting, funding streams and implementation. For this to happen, we propose the following tools:

- An extension of the ongoing **Results Oriented Framework (RoF)** to cover all pillars of the European Joint Strategy as a tool to support and encourage Palestinian institutions with regards to their reform plans. As part of the RoF, a **high level policy dialogue** will be organised once a year to review the attainment of results under the RoF;
- A more systematic use of the **Rights-Based Approach to development**. The adoption by the PA of seven core human rights treaties in 2015 represent a great opportunity to strengthen the shift towards a more citizens' approach. European development partners commit a) to support the PA in the implementation of these human rights treaties, and b) to progressively adopt a rights based approach when designing bilateral programmes and projects. The first four Reports currently being finalised should provide a useful baseline;
- A commitment to **harmonise and align reporting mechanisms** and develop **joint implementation tools** to provide a more coherent voice and reduce transaction costs. There will be a reflection on the type of funding allocated to partners (including CSOs)<sup>110</sup>;
- A **continuous presence in Area C, East Jerusalem and the Gaza Strip** supporting Palestinian resilience and presence in these areas as well as preserving the Palestinian identity of East Jerusalem and the viability of the two state solution with Jerusalem serving as the future capital of both states in line with relevant Council Conclusions and HoMs reports.

#### ***c) The Government of Israel***

European development partners are increasingly reflecting on their **obligations as third party with regards to the respect of international law**. The **military occupation** by the Government of Israel limits tremendously the impact of donors' aid and challenges our accountability towards our respective constituencies and beneficiaries. The occupation puts at risks the overall investments of the EU, as there is no sustainability, as well as the economic development and state-building. **Increased demolitions and confiscations of EU/MS-funded humanitarian and development assets** (notably in Area C) exemplify the damage to the

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<sup>110</sup> The issue of core funding, often excluded from EU/MS funding, is for instance often identified as a key challenge during our consultations with civil society organisations, notably in East Jerusalem.



donors' financial interests, create acute protection crisis for protected population and threaten to weaken IHL. A number of evaluations carried out by some partners highlight that the **lack of a complementary and effective political track involving Israel** - what is referred to as "triangulation" - has limited the cooperation's sustainable impact in achievement of the EU's overarching goals.<sup>111</sup> We will commit to:

- **Policy coherence**, so that we ensure that our various policies vis-à-vis Palestine and Israel are not conflicting with each other;
- A **stepped up approach** vis-à-vis the Government of Israel (in particular COGAT/Coordination of Government Activities in the Territories) in terms of **systematic and coordinated joint demarches** on various key issues affecting development cooperation (e.g. operational space for development actors, water and energy in the Gaza Strip, Area C, restitution of confiscated items, etc.). European development partners will regularly share information amongst each other, develop common messages and involve where appropriate missions in Tel Aviv;
- **Support Palestinian beneficiaries** by providing protection to Palestinian civilians, including humanitarian aid, respect of basic human rights (health, water, education, etc.) and legal assistance. In addition, when it comes to development in Area C, we will work towards a monitoring system enabling us to collect updated data (figures and related costs, trends, etc.);
- **Monitor and raise concerns** over the Israeli campaigns that discredit the work of human rights organisations, condemn the violence of groups of settlers in Area C against grassroots activists and CSOs active in the settlements and request secure transparent consultation mechanisms to involve CSOs in the design, content and implementation of policies and development plans, especially in East Jerusalem;
- Develop, in cooperation with our capitals, **legal and political/financial means** to deal with the actual demolition of European funded investments.

#### ***d) International partners***

The European Joint Strategy is **not an exclusive process**. European Development partners work in Palestine alongside other important players on the ground, including donor countries, international agencies and International Non-Governmental Organisations. A number of important parallel processes are taking place at the same time. For instance, the UN family in Palestine is developing its new UN Development Assistance Framework (UNDAF 2018-2022) in partnership with the PA and also seeking alignment with the NPA. Donors' coordination through the current aid coordination has achieved a lot but partners recognise that the implementation of the NPA will require adjustments to the current set up to ensure greater coherence as well stronger reach out to non-traditional donors. We also recognise that joining forces with other international partners is important to progress the ambitious vision of our European Joint Strategy, in particular through the following:

- The development of **aligned advocacy messages** also based on solid Palestinian and international data and analysis that some of our partners can produce (e.g.: the NPA monitoring mechanism to be consolidated in 2017, Palestinian Central Bureau of Statistics, the Ministry for Foreign Affairs with regards the preparation of the HR Treaties reports, the bi-annual AHLIC Reports prepared by the IMF, the World Bank, the

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<sup>111</sup> EC, 2014.



Office of the Quartet and UNSCO, as well as OCHA, UNHCHR, UNRWA and others). The impact of advocacy increases when it is done jointly;

- **Support the work of partners when implementing projects funded by European donors** in such a complex environment (with regards to the shrinking space for NGOs in Palestine and the operational impediments posed by the occupying power). European partners emphasize that they are **confident in their programmes and staff** and **maintain rigorous mechanisms to ensure assistance reaches those who need it most**;
- **Support the operations of UNRWA** in fulfillment of its mandate;
- **Reaching out to non-traditional donors** including regional actors strongly engaged in Palestine.

#### *e) The wider public (Palestinians and Europeans)*

As European Development partners we are accountable to both the **Palestinian people** we aim to support as well as our **own constituencies in Europe**. This requires us to be consistent over time in terms of our messaging and actions and reporting. Joint Programming should help **enhance our consistency**. With regards to Palestinians, our message is that despite our constraints and limitations, we are supporting their quest for self-determination and their aspiration for a better life. With regard to our own European citizens, we have the task to put forward a non-distorted narrative related to our engagement to Palestine and the asymmetrical relations between Palestine and Israel in the Middle East Peace Process (MEPP). **Palestinians themselves hardly controls the narrative and communication about Palestine**. These messages and narratives that can help enhance our credibility will be communicated as follows:

- A **more concerted advocacy campaign** both towards the Palestinian and the European public (including the Palestinian diaspora) explaining why Europe is doing what it is doing, what are the objectives of its aid and what is happening to its aid through wider use of publications, media tools, press releases, social media as well as exhibitions in Europe. European tax payers need to be explained **obstacles to development and humanitarian aid, and the risks regarding the two-state solution**. In addition, as the EU has a state-building agenda, it is also important that we describe **why this goal is currently at risk** (and increasingly so). The protection challenges faced on a daily basis by Palestinian civilians under occupation, in particular risks of forcible transfers and demolitions, should also be explained. **This also means that limited sustainability and greater risks have to be understood and accepted**;
- Through **engaging in culture**. In a society deeply affected by the occupation, **creativity and freedom of expression** are vital elements in keeping hope alive and providing an opportunity – especially for the young – to express themselves and to have a positive image of their culture/identity. We should promote Palestinian culture by supporting Palestinians – to reflect on their cultural and artistic traditions and heritage and the different narratives that have shaped the past and will determine the future; by encouraging wide participation in cultural activities as part and parcel of **greater civic engagement** and by **promoting values** such as tolerance, respect for diversity and respect for human rights and fundamental freedoms.

## 5. Choice of areas of interventions and priorities

A lot of attention has been put to come up with a more **focused and result-oriented** Joint Strategy. European development partners agree that the **NPA and its related Sectoral Strategies** are the key reference documents to support the establishment of a viable Palestinian State. The **2030 Agenda for Sustainable Development** also represents a new common reference point to engage with our partners and frame global support towards sustainable development and poverty eradication.

The choice of areas of interventions and priorities is based on previous and current engagements and addresses mainly the PA and Palestinians, and to a certain extent the Government of Israel as a duty bearer. It is fully aligned with the NPA three Pillars:

(i) Support to the **establishment of an independent, democratic, contiguous and viable Palestinian State**, living side by side in peace and security with the State of Israel (the two-state solution). These efforts will focus on building the capacity and credibility of state institutions and will therefore contribute to the achievement of the first Pillar of the Palestinian NPA "**Path to Independence**" (that includes three national priorities: *1. Ending the occupation, achieving our independence; 2. National unity; and 3. Strengthening Palestine's international status*) and to the second one "**Government reform**" (that includes two national priorities: *1. Citizen-centered government; and 2. Effective Government*);

(ii) Support to the **welfare to all Palestinians**. These efforts will focus on assisting the achievement of the third Pillar of the Palestinian NPA "**Sustainable development**" (that includes five national priorities: *1. Economic independence; 2. Social justice and Rule of Law; 3. Quality education for all; 4. Quality healthcare for all; and 5. Resilient communities*).

Based on the above, the European donors will be focusing their programming on the following five **Pillars that best represent the confluence of European and Palestinian priorities**. These Pillars are **closely interrelated**:

1. Governance Reform, Fiscal Consolidation and Policy
2. Rule of Law, Justice, Citizen Safety and Human Rights
3. Sustainable Service Delivery
4. Access to Self-Sufficient Water and Energy Services
5. Sustainable Economic Development

The first two Pillars (1 and 2) focus on building the capacity and credibility of state institutions for a viable Palestinian State. Pillar 3 focuses on protection and service delivery to citizens, particularly the most vulnerable and those most affected by the occupation. The final Pillars (4 and 5) focuses on addressing the key water and energy security bottlenecks and investing in economic opportunities and agriculture with clear attention to give ownership, enable control and create opportunities to Palestinians and particularly its burgeoning young population.

The Pillars improve **democratic governance** *inter alia* through partnerships with the civil society and the private sector, improving transparency and accountability of state and civil society institutions. This approach also mainstreams the **EU's gender action plan and civil society road map**, based on extensive consultations. Additionally, the human rights approach has been mainstreamed in all five Pillars, as well as a **conflict sensitive/peace building approach** that addresses the state of fragility and fragmentation in Palestine. Pillars were selected based on **comparative advantage of European donors** based on historical and current division of labour arrangements and a European donor consensus on the priority of promoting the use of a **Results Oriented Framework**.

**One land:** The Pillars also cater for concrete interventions across the whole of Palestine.

European development partners do acknowledge the challenges posed by the fragmentation of the territory (between Area A, B, C and East Jerusalem in the West Bank, and between the West Bank and the Gaza Strip). They commit to ensure the cohesiveness of the Palestinian territory and treat Palestine as one land. They call for the end of the closure in the Gaza Strip, as the main impediment to its social and economic development. They reiterate the necessity of continued EU engagement in **Area C**, of crucial importance for the political and economic viability of a future Palestinian State. Jerusalem as the future capital of two states remains a key objective aiming to strengthen the resilience of **East Jerusalem** residents – nonetheless as an important as economic hub – and preserve the Palestinian character of the city.

**Support to Palestine refugees:** European development partners will continue to provide extensive support to Palestine refugees through funding allocated to UNRWA and its operations across the Agency's five fields of operations (West Bank, Gaza Strip, Jordan, Syria, and Lebanon) as a key partner in the European Joint Strategy.

***Pillar 1: Governance Reform, Fiscal Consolidation and Policy (Macroeconomic Support and Public Finance Management, Public Administration Reform and Local Government Reform)***

European development partners will support the PA to **build capable, accountable, and responsive institutions which are fiscally sustainable**. This will help to sustain the institutions of a future Palestinian state, which will be a **partner for peace** in any negotiations so helping to preserve the viability of the two-state solution. It will also strengthen the ability of the PA to **continue to deliver basic services in an equitable manner** and to **fulfil its obligations in line with the international human rights treaties and conventions it has signed up to**.

The Pillar is divided into three sub-sectors: (i) **Macroeconomic Support and Public Financial Management**; (ii) **Public Administration Reform**; and (iii) **Local Government Reform**.

(i) **Macroeconomic Support and Public Financial Management:** The PA faces a severe and growing fiscal crisis, and remains vulnerable to major fiscal shocks. It urgently needs to introduce further PFM reforms, cut expenditure and raise revenue. It has made good progress in reducing the recurrent deficit in recent years, including through controlling the wage bill and expanding the tax base. It has also made progress on PFM and anti-corruption reforms, although significant challenges remain including a failure to sufficiently formalise and institutionalise these achievements. Tax revenues remain substantially below potential. A PEFA assessment is due to be carried out in 2017, which will help guide PA reforms and donor support.

(ii) **Public Administration Reform:** The effort to strengthen public administration is hampered by the split between the West Bank and the Gaza Strip, which has led to two separate legal and administrative setups. There have been repeated efforts to reintegrate the two administrations, which have so far failed. Civil servants in the Gaza Strip employed by the Hamas post-2007 are paid infrequently, which impacts service delivery. The PA needs to undertake public administration reforms to help build capability and accountability at all levels of the PA's institutions. This includes institution-building at the centre-of-government to strengthen policy and planning, long-term training of civil servants at the local and the central levels, and strengthening of social sector line ministries to underpin improved service delivery. It also includes reforming the civil service to ensure it is a modern, efficient and merit-based organisation. Reintegration (and sequenced reforms) of the West Bank and the Gaza Strip administrations should remain a priority although progress will likely largely depend on movement at the political level. However, without overcoming the intra-Palestinian split, these reforms will have only limited impact, particularly in the Gaza Strip.

(iii) **Local Government Reform:** Local Government Units (LGUs) form the backbone of public administration. They play a crucial role in facilitating local development and supporting Palestinian state-building. Legally mandated to provide 27 essential services and other functions, they are often the level of government citizens interact with most frequently,

impacting local living standards and influencing public perceptions of the PA. While the sector has benefitted from a number of initiatives and programmes, it continues to face considerable challenges: lack of fiscal resources, territorial and jurisdictional fragmentation, inadequate planning frameworks, lack of clarity with regards the roles, responsibilities and relationship between central and local government, etc. Efforts to foster greater functional and institutional inter-municipal cooperation and to merge smaller LGUs are also weakened by different approaches. Basic infrastructure needs remain a key priority, while the existence of rival authorities in the West Bank and the Gaza Strip hamper sector cohesion and performance. Room for improvement exists in policy formulation, sector oversight and donor coordination. Financial, legal, and administrative reforms that facilitate greater decentralisation remain a cornerstone of sector dialogue.

This Pillar addresses several **cross-cutting issues**. These include the promotion of human rights principles embodied in international treaties signed by the PA, such as participation, accountability and transparency. To do this, support to the civil society to more effectively exercise its oversight role will be key. Youth, women and girls are particularly marginalised. Ensuring their improved participation, including through increased representation in national and local decision-making bodies and gender responsive budgeting, will be key.

## ***Pillar 2: Rule of Law, Justice, Citizen Safety and Human Rights (Justice, Safety and Human Rights legislation)***

**Viable, capable and accountable Palestinian Security and Justice Sectors are key elements of a future Palestinian State** ensuring that its **citizens are safe and secure while living in peace** alongside Israel. Moreover, a growing body of evidence has demonstrated that the lack of safety, security and justice directly leads to poverty and underdevelopment. Safety, security and justice are fundamental to ensure economic development and the legitimacy of a state and foster societal trust in conflict-affected countries. The occupation of Palestine and Palestinian internal political divisions contribute to a situation where the PA Security and Justice Sectors face unparalleled complex arrangements and responsibilities, both in terms of: (i) access and movement restrictions; and (ii) the legislative frameworks applicable to Palestinians.

The Pillar is divided into two sub-sectors: (i) support to the **Justice Sector**; and (ii) support to the **Security Sector**. Both are **closely inter-related** and will focus on:

**(i) Clarifying the legislative and institutional framework to ensure sustainability of the justice and security sectors:** There is still a need to design a comprehensive reform approach related to the sectors. Despite efforts to rationalise the legal framework of the PA Security Forces and the Justice system, the framework remains incomplete and lacks coherence. There is a need to clarify and define further justice and security sector governance (e.g. status of the public prosecution, status of the police, family courts, mandates of the Ministry of Justice (MoJ) and the High Judicial Council). Further steps should be taken to institutionalise the legislative process including systematic consultation on draft laws and legal initiatives, especially with relevant stakeholders and civil society institutions. Laws also need to be checked on their compatibility with the international treaties to which Palestine has acceded and arrangements have to be made to make the system work in line with international requirements.

**(ii) Enhancing accountability and transparency of the security and justice sectors:** The PA Security Forces employ an estimated 64,000 personnel. Addressing the sustainability of the PA security apparatus will take time and will require steps to improve the financial accountability of the PA Security Sector and sector-wide human resources management. At the same time, there is a need for increased personnel, in particular women, in both the Civilian Police and Judicial Police. The justice sector is smaller both in terms of personnel as well as allocated budget, and suffers from understaffing in most of its institutions. Structural organisational reform is needed, in particular at the level of MoJ, for the ministry to be able to fulfil the full spectrum of its role and functions, and to lead the adoption and implementation of key structural reforms in order to

improve governance, oversight and accountability in the sector. In this regard as well as from the point of view of increased transparency in sector governance, the ability to investigate and prosecute cases of corruption with full transparency is key. There is also a need to build an enhanced capacity to investigate and prosecute security related crimes while adhering to international standards of due process and the rule of law.

**(iii) Strengthening the protection and promotion of human rights of all Palestinians, including the most vulnerable groups:** While emphasis was placed on meeting the reporting obligations, Palestine needs to step up the implementation of the obligations deriving from the human rights treaty accession. This will facilitate overcoming current human rights concerns such as the right to a fair trial from the justice perspective and accountability and transparency from the security perspective. Since security, justice and human rights are closely interlinked there is a need for better cooperation and coordination between the security and justice sector, leading to increased human rights compliant service delivery of both sectors.

This Pillar addresses several **cross-cutting issues**. CSOs play a key role in holding duty bearers in the justice and security sector accountable and need to be supported in their efforts to increase transparency and combat corruption. In all institutions, there is a need to increase the number of women at the frontline of service delivery as police officers, prosecutors and judges. By applying a human rights based approach, emphasis should be placed on enhancing the human rights of the most vulnerable groups such as women and children. Notwithstanding the PA's will to strengthen gender equality and women's rights, women and girls continue to experience violence at home and within the society.

### ***Pillar 3: Sustainable Service Delivery (Education, Health and Social Protection)***

**Major barriers to the provision of quality services in health, education and social assistance remain associated to the PA's fiscal difficulties, limited capacities and skills, institutional constraints and the state of the infrastructure.** External factors such as the fragmentation of service delivery (geographically and amongst service providers), the provision of services under occupation and high income and social inequalities represent **additional constraints**. At current growth levels, the Palestinian population is expected to increase by over half a million over the next decade, which will in turn increase pressure for the delivery of health and education services but also for access to employment opportunities and safety nets to cushion the effects of the underlying socio-economic crisis. Recognising the **role played by social services as a key institution of the Palestinian State**, the priorities of the NPA articulate around a **responsive government** that promotes locally-based service delivery with increased public-private partnership, a social protection framework that focuses on the **socio-economic inclusion of the poorest and most vulnerable and quality education and health for all**. In line with these national priorities, **ensuring the equitable and inclusive access of all Palestinians to quality social services remains a priority**.

The Pillar is divided into three sub-sectors: (i) support to the **Education Sector**; (ii) support to the **Health Sector**; (iii) support to **Social Protection**.

**(i) Education sector:** The overall aim is to provide quality education services for all Palestinian children in a safe and protected environment. The provision of inclusive and equitable access to education all levels is a key strategy towards achieving this. At the same time, there is a need to improve the quality of education through the development of a student-centred teaching and learning pedagogy and environment. These two sector objectives can only be achieved with an enhanced, accountable and results-based management and governance of the sector.

**(ii) Health sector:** Interventions will seek to strengthen the health system functions and to reinforce the healthcare service provision. The achievement of universal health coverage requires reforming the governmental insurance scheme with financial risk protection for people who need to use the services, and improving efficiency in strategic purchasing. The Primary Health Care system should adopt the Family Medicine approach with integration of vertical services to assure the continuity of care and reinforce the prevention programs to better tackle



non-communicable diseases and multi-morbidity. Moreover, enhanced quality of women and child healthcare, improved access to services for marginalised groups, and a better control of environmental and social risk factors are envisaged to promote health as a fundamental human right – a priority need for Palestinians under occupation.

(iii) **Social protection:** enhancing the social protection framework remains an important investment for the EU. In line with national and sector strategies, priority interventions will build on and continue the work of previous achievements, including regular and predictable support to the budget of the cash transfer programme as a means of helping the PA meet its recurrent expenditure whilst it moves ahead with structural and policy reforms and reinforce the capacity of the Ministry of Social Development at institutional and policy levels to meet best practices in the area of social policy and poverty reduction - with a focus on strengthening policy planning and monitoring, the direct service delivery at the local level (including de-concentration) and rationalisation of local partnerships (including social accountability).

This Pillar addresses several **cross-cutting issues**. It will focus on access to services by the most vulnerable strata of the population in line with the Right-Based Approach. Particular attention will be given to women and girls, children, elderly and persons with disabilities.

#### ***Pillar 4: Access to Self-Sufficient Water and Energy (Infrastructure and Institutional Focus)***

The **provision of self-sufficient, equitable, affordable and sustainable access to energy, safe water and sanitation services for all** will be supported with the explicit target of improving access to water and waste water services particularly with a particular focus on vulnerable and marginalised populations. Additionally, access to electricity will be improved and expanded through increasing predictability and improving the use of renewable electricity generation and energy efficiency. Moreover, Palestinian statehood heavily relies on the control, predictability and availability of energy as a key enabling factor to all sectors. Since the 1995 Oslo II Accord, Israel has taken control of over 80%, of all water resources in the West Bank, and the limited access to water and sanitation in the West Bank and the Gaza Strip is a growing concern, with the management of transboundary waters a key unresolved issue. European donors will support: (i) Palestinian national institutions and service providers to improve the operation of water and wastewater infrastructure to ensure adoption and application of quality standards, affordable and cost-covering water tariff systems, and improved collection rates. With regard to electricity, Palestine is fundamentally dependent on Israeli imports in a context of limited generation capacity and constrained control over its land and borders; and (ii) the PA to improve energy security and increase independence in the energy sector, amongst others through developing renewable energy.

This Pillar is divided into two sub-sectors: (i) support to the **Water Sector**; and (ii) support to the **Energy Sector**.

(i) **Water sector:** In response to Policy Priorities of the NPA and on the basis of the Palestinian Water Law, EU and MS will continue to support national institutions and service providers in: improving the sustainable operation of water and wastewater infrastructure and the management of water resources, as well as improving sustainable access to water supply and wastewater systems by contributing to the rehabilitation and construction of water wells and distribution/collection systems, sewerage networks, desalination and wastewater treatment plants.

(ii) **Energy sector:** In response to Policy Priorities of the NPA, EU and MS will focus on providing access to affordable, reliable and resilient energy services to end consumers, improving the financial sustainability and regulation of the energy sector and putting forward specific policies and innovative actions to promote the green economy, access to energy services for marginalised groups and participation in the decision-making process.

This Pillar addresses several **cross-cutting issues**. By connecting peripheral communities to water networks and centralised wastewater treatment plants as well as focusing on the Gaza Strip, European development cooperation also supports the PA in giving priority to marginalised localities and low-income areas thereby addressing distributive justice and the rights of vulnerable groups, also taking into account the gender implications of care burdens. By supporting the PA in implementing the Palestinian Gender Strategy in the Environment Sector focusing on Water and Solid Waste Management (2013-2017), the EU and its MS aim at promoting gender participation equality and equity in the sector on the policy level, the institutional level, and the project planning processes at the local level. The EU and its MS also support the PA to implement recommendations of Human Rights reports related to water and sanitation in particular in relation to the International Covenant on Economic, Social and Cultural Rights and Convention on the Rights of the Child treaties.

### ***Pillar 5: Sustainable Economic Development (Private Sector Development and Agriculture)***

The **Palestinian economy is heavily dependent** on donor support, the public sector, and trade with Israel. In addition, **access to natural resources and property is limited and exposed to gender based discriminations**. The EU will address these issues by promoting inclusive, sustainable and private sector led development across all economic sectors and in accordance with the objective set out in the NPA. The EU and its MS will **promote inclusive, sustainable and private sector led development and equitable access to natural resources, paving the way to economic independence**.

This Pillar is divided into two sub-sectors: (i) **Private Sector Development**; and (ii) **Agriculture**.

**Private Sector Development:** The Palestinian private sector is characterised by a small number of large holding companies and many small size firms with limited productivity, low investment and scarce competition, in spite of remarkable capacity of local entrepreneurs to adapt to the wide-ranging political and economic constraints. The restrictions on access and movement imposed on goods and persons by the Government of Israel, the non-contiguous control of land by the PA and the lack of access to Area C have contributed to the development of small "insular" economies. The share in the economy of the two core sectors producing tradable goods (manufacturing and agriculture) has considerably shrunk over the last decades. The percentage value of exports to GDP of the Palestinian economy is among the lowest in the world. Exports are highly concentrated in low value-added goods and services, and trade is highly reliant on Imports from Israel. Gender based inequalities are still widespread. The EU support will focus on improving MSMEs competitiveness at the local and international levels, contributing to professional skills development, sustainable job creation and decent work and improving the participation of women in the economy and building the path towards a green economy.

**Agriculture:** Agriculture continues to play an important role in the lives of the Palestinian people, being a source of steadfastness, food security, livelihood resilience, economic growth, employment and social stability. It remains vitally important for all Palestinians, independent of the political environment and prospects, in particular for the expectation of economic recovery in a very non conducive environment. The EU support seeks to combine two simultaneous approaches: facilitate the conditions for equal and fair participation of small farmers in the competitive market-oriented agricultural and livestock system, mainly through reinforcing and reforming associations and cooperatives; and improve the capacity of the public sector and private businesses to produce and process agricultural products to international standards through work with the PA and a number of international organisations and donors. This includes working towards sanitary and phyto-sanitary standards and systems that meet the World Trade Organisation's expectations. Contesting the limitations of access to natural resources is an important component in the EU strategy, but a closer link to environmental

impact and water sector governance could be explored in the future to emphasise the weight of agriculture in those two sectors.

This Pillar addresses several **cross-cutting issues**. Gender based inequalities are clearly taken into consideration. The EU strategy for rural development also accommodates the pressing needs of populations in Area C, including humanitarian and emergency considerations, to prevent the forced displacement of entire populations in the Jordan Valley, the periphery of East Jerusalem and the South Hebron Hills mainly.

### *Monitoring and Evaluation*

The European Joint Strategy includes a **framework for joint monitoring of implementation and results against agreed indicators** (see Joint Results Framework and the five Pillar Fiches), which are, and will be, predominantly drawn from the NPA and its Sectoral Strategies defined indicators and targets, in order to ensure alignment. The European development partners will support, and actively participate to, the monitoring and evaluation of the NPA as it will be the main mechanism for the monitoring and evaluation of this Joint Strategy. In addition, existing bilateral review mechanisms between European partners and Palestine will be maintained. A **mid-term review** or monitoring exercise will be carried out in 2019.

## 6. Conclusion

Despite the EU's declarations expressing concerns about the fragile situation in Palestine and the EU's commitment to the Middle East Peace Process, **some of the most significant obstacles to sustainable cooperation are far from being lifted**, leading to the *de facto* deterioration of the Palestinian situation. Attempts to achieve a long-standing political solution have so far failed. The achievement of the two-state solution is constantly being obstructed by new facts on the ground. These include illegal demolitions and settlement expansion, condemned at the EU's highest level, which are progressing with an alarming regularity.<sup>112</sup> As highlighted in the Report of the Middle East Quartet of 1 July 2016: *"This raises legitimate questions about Israel's long-term intentions, which are compounded by the statements of some Israeli ministers that there should never be a Palestinian State"*.<sup>113</sup>

More innovative approaches and development tools will therefore not be enough to reverse these negative trends, give back a meaning to the two-state solution, and rebuild trust between all parties. Only a **credible, realistic and brave political solution** can put an end to this protracted occupation and ensure that European development practitioners are able to effectively contribute to the two-state solution and to build sustainable livelihoods for all Palestinians.

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<sup>112</sup> Plus 40% between 2015 and 2016, according to Peace Now.

<sup>113</sup> OQ, 2016: 4.



## 7. Indicative Multi-annual Financial Allocations by Donor and Sector for 2017-2020 (in EUR million)

	Governance Reform, Fiscal Consolidation and Policy	Sustainable Service Delivery	Rule of Law, Justice and Citizen Safety	sustainable Economic Development	Access to Self- Sufficient Water and Energy	Refugees/ UNRWA	Other Sectors (East Jerusalem, civil society etc.)	Total
<b>Austria</b>	-	-	-	-	-	-	-	-
<b>Belgium<sup>114</sup></b>	14.5	17.4	-	-	1	8	5.9	46.8
<b>Bulgaria</b>	-	-	-	-	-	-	-	-
<b>Cyprus</b>	-	-	-	-	-	-	-	-
<b>Czech Republic<sup>115</sup></b>	-	-	-	0.04	0.5	0.1	0,2	0.84
<b>Denmark</b>	20	-	15	22	-	40	-	97
<b>EU<sup>116</sup></b>	322-393	233-285	-	78-95	100-122	300-366	78-95	1,110-1,356
<b>Finland</b>	-	15	-	-	2	18	4.5	39.5
<b>France</b>	36.5	-	-	53	25	24	65	203.5
<b>Germany</b>	60	-	-	55	125	-	-	240
<b>Greece</b>	-	-	-	-	-	-	-	-
<b>Hungary</b>	-	-	-	-	-	-	-	-
<b>Ireland<sup>117</sup></b>	-	5.7	-	-	-	8	2.3	16
<b>Italy<sup>118</sup></b>	-	-	-	-	-	24	-	85.5
<b>Lithuania</b>	-	-	-	-	-	-	-	-
<b>Malta</b>	-	-	-	-	-	-	-	-
<b>Netherlands</b>	-	-	55	35	20	75	25	210
<b>Norway</b>	80	20	-	-	10	80	150	340
<b>Poland<sup>119</sup></b>	-	0.5	-	0.98	0.03	0.5 <sup>120</sup>	0.4 <sup>121</sup>	2.41
<b>Romania</b>	-	-	-	-	-	-	-	-
<b>Slovenia</b>	-	-	-	-	-	-	-	-
<b>Spain<sup>122</sup></b>	1	-	1.79	2.17	-	1	1.24 <sup>123</sup>	11
<b>Sweden<sup>124</sup></b>	-	15	35	15	30	140	-	235
<b>Switzerland<sup>125</sup></b>	16.7	-	22 <sup>126</sup>	16.7	-	86	-	147.7
<b>United Kingdom<sup>127</sup></b>	-	-	-	-	-	-	-	169.8

<sup>114</sup> These figures are estimative and do not take into consideration the planned new bilateral programming from 2018 onwards. Regarding UNRWA/refugees, it only covers 2017.

<sup>115</sup> Covering the period 2017.

<sup>116</sup> Approximately EUR 310 million per year

<sup>117</sup> Covering the period 2017-2018.

<sup>118</sup> 2017-2020: EUR 24 million for UNRWA and EUR 61.5 million for other Pillars (i.e. EUR 15.4 million per year).

<sup>119</sup> Period covering 2017-2019

<sup>120</sup> Covering only 2017

<sup>121</sup> Support for EJ is mainstreamed into thematic pillars. Allocated amount to be distributed among the pillars in 2018-2019.

<sup>122</sup> Covering the period 2017: Annual estimation for AECID and decentralised contribution.

<sup>123</sup> Devoted to gender issues.

<sup>124</sup> Covering the period 2017-2019. The calculation is based on EUR 1 = 10 SEK (December 2016).

<sup>125</sup> In Swiss francs, projections on the basis of existing Cooperation Strategy 2015-2018; support to EJ or civil society is mainstreamed in the thematic pillars.

<sup>126</sup> 53% of support to UNRWA is for Palestine.

## 8. Joint Results Framework<sup>128</sup>

Overall objective	Specific objectives	Overall indicators	Baseline	Target
<b>Pillar 1: Governance Reform, Fiscal Consolidation and Policy Reform</b> <i>To support the PA to build capable, accountable, and responsive institutions, which are fiscally sustainable</i>	Support Macroeconomic and Public Financial Management (SO 1.1.1)	PFM Strategy developed, approved, and implemented.	2016: 0	2020: 1
		Domestic revenue as percentage of the total PA expenditure.	2015: 21.4%	2020: TBC
	Support the implementation of public administration reform (SO 1.1.2)	NPA and sector strategies implemented are reviewed on an annual basis with appropriate consultation levels.	2016: 0	2020: 20
	Improve fiscal sustainability of LGUs and strengthen citizen participation in local governance (SO 1.1.3)	Number of LGUs using integrated financial management information system or a system providing the same core functions.	2016: 20	2020: 50
		Percentage of citizen satisfaction with LGU performance and service delivery.	2016: Assessment on-going	2020: 15% increase
<b>Pillar 2: Rule of Law, Justice, Citizen Safety and Human Rights</b> <i>To support viable, capable and accountable Palestinian Security and Justice Sectors</i>	Ensure access to fair justice and alignment of national and international legislations (SO 2.2.1)	Mainstreaming of the right to fair trial.	2016: 0	2020: 1
		Number of legislative initiatives advancing gender equality and human rights.	2016: No baseline	2020: TBC
	An accountable and affordable security sector, compliant with international human rights standards (SO 2.2.2)	Adoption of a legal framework defining mandates, roles and responsibilities.	2016: 4 laws covering PSO, GI, CD and the Law of Service	2020: Comprehensive legal framework covering all services
		Development of a clear community engagement strategy.	2016: 0	2020: 1
<b>Pillar 3: Sustainable Service Delivery</b> <i>To ensure the equitable and inclusive access of all Palestinians to quality social services</i>	Ensure access to quality education (SO 3.2.1)	Percentage of the gross Enrolment Rate (GER) in pre-school.	2016: 56.1%	2019: 70%
		Approval of a new curriculum framework integrating cross-cutting priorities.	2016: 0	2020: 1
	Improve equitable access to health coverage (SO 3.2.2)	Percentage of persons benefiting from governmental health insurance.	2015: 65.6%	2020: 85%
		Decrease of the maternal mortality rate.	2014: WB: 20% GS: 31%	2020: WB: 15% GS: 20%
	Reduce poverty through access to social protection (SO 3.2.3)	Poverty rate in Palestine.	2011: 25.8%	2020: TBC
		Proportion of vulnerable people receiving social services.	2016: TBC	2020: TBC
<b>Pillar 4: Self-Sufficient Water and Energy Services</b> <i>To ensure the provision of self-sufficient, equitable, affordable and sustainable access to energy, safe water and sanitation services for all</i>	Improve equitable access to quality water sources (SO 4.2.1)	Quantity of water from conventional and unconventional water resources (in mcm).	2014: WB: 103,8 mcm GS: 175,4 mcm	2020: WB: 235 mcm GS: 205 mcm
		Percentage of households connected to wastewater system or suitable on-site sanitation system.	2014: WB: 31% GS: 72%	2020: WB: 50% GS: 90%
	Improve equitable access to sustainable energy (SO 4.2.2)	Household expenditure on energy/GDP per household.	2015: 11.40%	2020: 10.40%
		Share of renewable energies in the national energy mix.	2012: 16.60%	2020: 17.60%

<sup>127</sup> Covering the period 2016-2018: (a) £72 million for 1.04.2016 – 31.03.2017 and (b) £72 million for 1.04.2017 – 31.03.2018. According to the "inforEuro" rate of December 2016, £72 million amounts to EUR 84.9 million.

<sup>128</sup> The specific indicators will be reviewed following the PA publication of its sector strategies, in order to ensure the alignment of results.

<b>Pillar 5: Sustainable Economic Development</b> <i>To promote inclusive, sustainable and private sector led development and equitable access to natural resources, paving the way to economic independence.</i>	Revitalize the national economy through private sector development (SO 5.2.1)	Cumulated share of industry and agriculture in the GDP.	2016: 13.7%	2020:
		Unemployment rate.	2016: 26.9%	2020: TBC
	Reduce food insecurity through agriculture (SO 5.2.1)	Number of water sources for agriculture.	2011: 146 mcm	2020: TBC
		Percentage of food insecure households.	2014: 27%	2020: TBC
<b>All Pillars</b>	Process indicator	The European Joint Strategy is monitored regularly through inclusive and accessible processes, which reflect the participative nature of the Strategy and focus on the most marginalised groups.	2016: 0	2020: 4

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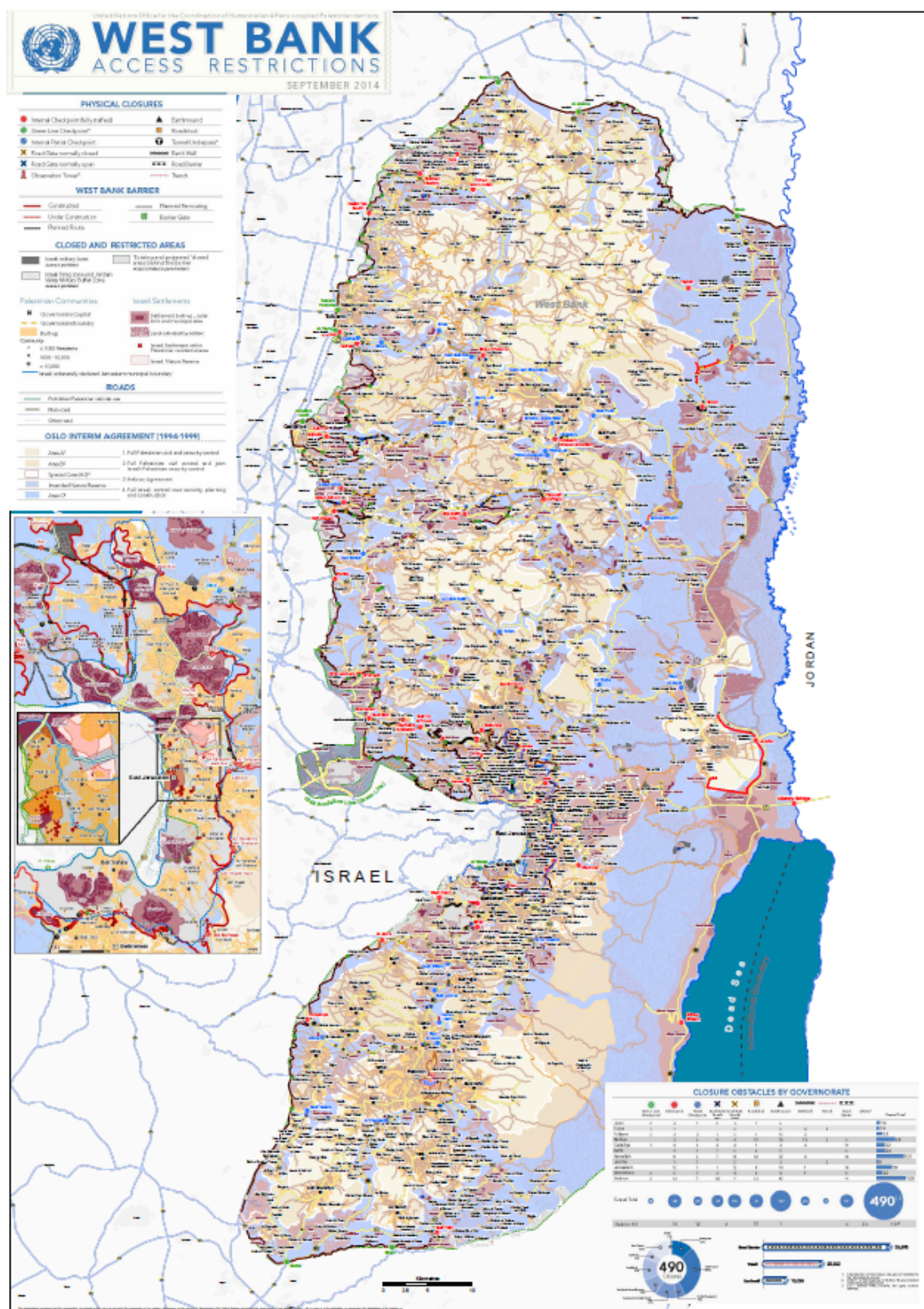
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## Annexes

## Annex 1: Maps



**Map 1: West Bank Access Restrictions** (Source: OCHA, September 2014)