

# RESULT ORIENTED FRAMEWORK

OF THE EUROPEAN JOINT STRATEGY  
IN SUPPORT OF PALESTINE

2017-2020



**ANNUAL REPORT**  
2020

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

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DECEMBER 2021

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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 individual positions of the EU Member States on this issue

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## List of acronyms

AGO	ATTORNEY GENERAL'S OFFICE
AHLC	AD HOC LIAISON COMMITTEE
APLA	ASSOCIATION OF PALESTINIAN LOCAL AUTHORITIES
CS	CABINET SECRETARIAT
CEDAW	CONVENTION ON THE ELIMINATION OF ALL FORMS OF DISCRIMINATION AGAINST WOMEN
CERD	COMMITTEE ON THE ELIMINATION OF RACIAL DISCRIMINATION
CTP	CASH TRANSFER PROGRAMME
CVET	CONTINUOUS VOCATIONAL EDUCATION AND TRAINING
CWA	COOPERATION WORKS AGENCY
EDPS	EUROPEAN DEVELOPMENT PARTNERS
EGD	EUROPEAN GREEN DEAL
EJS	EUROPEAN JOINT STRATEGY IN SUPPORT OF PALESTINE 2017-2020 – TOWARDS A DEMOCRATIC AND ACCOUNTABLE PALESTINIAN STATE
EQA	ENVIRONMENT QUALITY AGENCY
GAP	GENDER ACTION PLAN
GBV	GENDER-BASED VIOLENCE
GER	GROSS ENROLMENT RATE
GOI	GOVERNMENT OF ISRAEL
GPC	GENERAL PERSONNEL COUNCIL
HCYS	HIGHER COUNCIL FOR YOUTH AND SPORT (PLO)
HJC	HIGH JUDICIAL COUNCIL
HRW	HUMAN RIGHTS WATCH
ICCPR	INTERNATIONAL COVENANT ON CIVIL AND POLITICAL RIGHTS
ICESCR	INTERNATIONAL COVENANT ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS
ICHR	INDEPENDENT COMMISSION FOR HUMAN RIGHTS
IEC	ISRAEL ELECTRICITY CORPORATION
IPIEA	INVESTMENT AND PROMOTION OF INDUSTRIAL ESTATES AGENCY
JFA	JOINT FINANCING ARRANGEMENT
JPG	JOINT PLANNING GROUP
LACS	LOCAL AID COORDINATION SECRETARIAT
LED	LOCAL ECONOMIC DEVELOPMENT
LGSIG	LOCAL GOVERNMENT SERVICE IMPROVEMENT PROGRAMME

LGUS	LOCAL GOVERNMENT UNITS
MDP	MUNICIPAL DEVELOPMENT PROGRAMME
MENA	MIDDLE EAST AND NORTH AFRICA
MFA	MINISTRY OF FOREIGN AFFAIRS
MOA	MINISTRY OF AGRICULTURE
MOE	MINISTRY OF EDUCATION
MOFP	MINISTRY OF FINANCE AND PLANNING
MOHESR	MINISTRY OF HIGHER EDUCATION AND SCIENTIFIC RESEARCH
MOH	MINISTRY OF HEALTH
MOI	MINISTRY OF INTERIOR
MOJ	MINISTRY OF JUSTICE
MOL	MINISTRY OF LABOUR
MOLG	MINISTRY OF LOCAL GOVERNMENT
MONE	MINISTRY OF NATIONAL ECONOMY
MOSD	MINISTRY OF SOCIAL DEVELOPMENT
MOTIT	MINISTRY OF TELECOMMUNICATION AND INFORMATION TECHNOLOGY
MOTA	MINISTRY OF TOURISM AND ANTIQUITIES
MOWA	MINISTRY OF WOMEN'S AFFAIRS
NDC	NATIONAL DETERMINED CONTRIBUTION
NEETS	NOT IN EDUCATION, EMPLOYMENT OR TRAINING
NPA	NATIONAL POLICY AGENDA 2017-2022 – PUTTING CITIZENS FIRST
NPM	NATIONAL PREVENTIVE MECHANISM
NRSS	NATIONAL REFERRAL SERVICES SYSTEM
NWC	NATIONAL WATER COMPANY
OSH	OCCUPATIONAL HEALTH AND SAFETY
PA	PALESTINIAN AUTHORITY
PACC	PALESTINIAN ANTI-CORRUPTION COMMISSION
PADRRIF	PALESTINIAN AGRICULTURAL DISASTER RISK REDUCTION AND INSURANCE FUND
PCMA	PALESTINE CAPITAL MARKET AUTHORITY
PEGASE	MÉCANISME, "PALESTINO - EUROPÉEN DE GESTION ET D'AIDE SOCIO-ECONOMIQUE" (PALESTINIAN-EUROPEAN, SOCIO-ECONOMIC MANAGEMENT AND ASSISTANCE MECHANISM)
PCBS	PALESTINIAN CENTRAL BUREAU OF STATISTICS

PCP	PALESTINIAN CIVIL POLICE
PENRA	PALESTINIAN ENERGY AND NATURAL RESOURCES AUTHORITY
PETL	PALESTINIAN ELECTRICITY TRANSMISSION COMPANY LIMITED
PLC	PALESTINIAN LEGISLATIVE COUNCIL
PFM	PUBLIC FINANCE MANAGEMENT
PMDP	PALESTINIAN MARKET DEVELOPMENT PROGRAMME
PMO	OFFICE OF THE PRIME MINISTER
PMA	PALESTINIAN MONETARY AUTHORITY
PNSA	PALESTINIAN NATIONAL SCHOOL OF PUBLIC ADMINISTRATION
PPA	POWER PURCHASE AGREEMENT
PSI	PALESTINIAN STANDARDS INSTITUTION
PWA	PALESTINIAN WATER AUTHORITY
RE	RENEWABLE ENERGY
ROF	RESULTS-ORIENTED FRAMEWORK 2018-2020
SDG	SUSTAINABLE DEVELOPMENT GOAL
SIGMA	SUPPORT FOR IMPROVEMENT IN GOVERNANCE AND MANAGEMENT
SME	SMALL AND MEDIUM ENTERPRISE
SRF	STRATEGIC RESULTS FRAMEWORK
SWG	SECTOR WORKING GROUP
TAIEX	TECHNICAL ASSISTANCE AND INFORMATION EXCHANGE
TEI	TEAM EUROPE INITIATIVES
TVET	TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING
TWG	THEMATIC WORKING GROUP
UNCRC	UNITED NATION CHILD RIGHTS CONVENTION
WCLAC	WOMEN CENTER FOR LEGAL AID AND COUNSELLING
WSRC	WATER SECTOR REGULATORY COUNCIL
PADRRIF	PALESTINIAN AGRICULTURAL DISASTER RISK REDUCTION AND INSURANCE FUND
PCMA	PALESTINE CAPITAL MARKET AUTHORITY
PEGASE	MÉCANISME, "PALESTINO - EUROPÉEN DE GESTION ET D'AIDE SOCIO-ECONOMIQUE" (PALESTINIAN-EUROPEAN, SOCIO-ECONOMIC MANAGEMENT AND ASSISTANCE MECHANISM)

## Introduction

The 2020 Annual Report is the outcome of the third year of monitoring through the Result-Oriented Framework (ROF) under the European Joint Strategy in support of Palestine 2017-2020 (EJS) and is covering the period up to mid-2021.

The ROF serves the purpose of monitoring the implementation of the EJS, with the objective to increase the effectiveness of European financial support to Palestine by monitoring **progress towards planned joint development results, sectors changes, and reform processes**. It is promoting mutual accountability, transparency and predictability and is also a tool for policy dialogue with the Palestinian Authorities (PA) and evidence-based decision-making including for future programming. The ROF's focus is on **impact results** and progress towards SDGs, as well as outcome results (changes supported by EDPs interventions). It also highlights a series of sector **induced outputs**, which are necessary improvements and reforms in Palestinian public policies, instrumental to the achievement of the final results.

The ROF 2020 report reviewed the five pillars of the EJS, comprising of 12 sectors in addition to three selected crosscutting themes. It assesses the progress towards the identified indicators, milestones and targets and identifies priorities for the decision-makers to consider for the next period.

For this last reporting period, due to the special circumstances related to COVID-19, the annual PA-EU policy dialogue meeting did not take place. 2021 is considered a transition year during which both EDP sector leads and PA institutions were busy reviewing respectively the National Development Plan 2021-2023 and the new ROF 2021-2024.

In **Volume I**, the 2020-2021 Annual Report takes stock and analyses progress made towards agreed results in various sectors over the period. **Volume II** presents the detailed sector results chain, indicators, baselines, milestones and targets with traffic lights until 2020.







## Cross-Cutting themes



## Crosscutting Themes

The three selected crosscutting issues - gender, environment and youth – are to be addressed within each of the sectors of the EJS. Hence the name “crosscutting.”

The following challenges related to integrating the crosscutting issues that should be addressed in the future have been identified:

Overall, the absence of disaggregated indicators, the under-reporting of consistent disaggregated data, including geographic specifications, and related analysis, remain a concern for all crosscutting themes in all sectors. Furthermore, quantitative data should be coupled with qualitative data for a better informed decision-making process.

2020 has been marked by COVID-19 pandemic affecting youth and women but also creating opportunities for innovation and digitalisation, in line with the European Green Deal (EGD).

## Gender Equality

Lead: Italy/Ministry of Women Affairs (MoWA)

### A. Main progress and challenges at impact and outcome level in 2021/2021

The main impact that EDPs contribute to is 'equal rights and opportunities in the public and private sectors for women and girls'. Data available in 2020 refer mostly to 2019 and previous years and show that there are still significant difficulties in advancing gender equality in Palestine. The absence of gender disaggregated milestones, under-reporting of consistent disaggregated data, including geographic specifications, and their analysis remain a concern for gender mainstreaming in all sectors.

The analysis of all indicators must be framed within the overall COVID-19 outbreak, which affected the socio-economic situation and deepened gender inequality globally and in Palestine.

In terms of progress in systematic monitoring and measuring system of the progress towards Gender Equity and Equality, data to measure the Gender Inequality Index (GII), which reflects gender-based inequalities in three dimensions – reproductive health, empowerment, and economic activity – is still not constantly available. Specifically, UNDP 2020 Human Development Index Report on Palestine indicated that the GII in 2020 could not be calculated due to lack of relevant data<sup>2</sup>. However, PCBS continues to monitor progress against SDG 5 indicators but some remain unavailable and not all have updated data for 2020 (<https://pcbs.gov.ps/SDGs.aspx?pagelid=5>).

The **first outcome** monitors the **reduction of violence against Palestinian women in all**

**its forms** (reflecting the European Gender Action Plan (GAP II) priority 'Ensuring girls' and women's physical and psychological integrity'). According to the results of the **National Violence Survey**, launched in November 2019 by the Palestinian Central Bureau of Statistics (PCBS), 29% of the currently married or ever married women in Palestine experienced at least one form of violence (such as psychological, physical, sexual, social or economic) by their husbands. Data reflect a decrease in the percentage compared to 37% of 2011 (last survey realized), but is still far from the target of 23,2% and there are no data available for 2020. However, the exposure of women and girls to gender-based violence has increase due to the COVID-19 pandemic and accompanying governmental restrictions, as reported by several actors globally and in Palestine: for example, the Women Centre for Legal Aid and Counselling (WCLAC) reported a 69% increase in GBV consultations in April 2020, compared to the previous month. According to SAWA helpline, calls related to abuse and violence also increased by 20% on a weekly basis, between the last week of March and 9 April 2020. The week after, a 43% increase of such cases was reported, with 54 calls from women and 26 calls from men, the vast majority of which originated from the Gaza Strip.<sup>3</sup> Furthermore, women and girls had to face additional challenges in accessing protection services due to movement restrictions, quarantine and lockdown: face-to-face interaction and access to GBV services in safe spaces were significantly reduced or were suspended; governmental shelters were closed in the Gaza Strip and access to the West Bank shelters were

2- <http://hdr.undp.org/sites/default/files/Country-Profiles/PSE.pdf>

3- <https://www.ochaopt.org/content/crisis-within-crisis-fighting-gender-based-violence-gbv-during-covid19->

conditioned with a quarantine of 14 days, which was impossible to implement.<sup>4</sup>

In addition, the rate of reporting remains low and the silence over domestic violence is reinforced by a non-supportive legal system that fails to criminalize it, considering it a private issue instead of a global concern.

**The second outcome monitors women participation in decision-making positions** (reflecting the GAP II priority 'Strengthening girls' and women's voice and participation'): According to 2020 data, the participation of women in decision making positions is still limited. The Election Law was amended in 2021, raising the quota for women in the Palestinian Legislative Council from 20% to 26% (not the promised 30%). The percentage of women members in local councils is equal to 2019 (20%), not achieving the target of 28%. Additional efforts to increase the participation of women in decision making processes is required: in 2020, only 5% of the Palestinian Central Council members, 11% of the Palestinian National Council members, 13% of the Council of Ministers members and 11% of ambassadors are women. Moreover, one woman holds the governor position out of a total of 16.<sup>5</sup>

**The third outcome monitors women participation in the economic sector** (reflecting the GAP II priority 'Promoting the economic and social rights/empowerment of girls and women'): women were among those hardest impacted by the COVID-19 pandemic, including in terms of labour force participation, already among the lowest in the world in Palestine before the crisis. The participation of women in the labour market decreased to 16% in 2020 compared to 18.1% and 20.7% in 2019 and 2018 respectively. However, the unemployment rate among women decreased to 40% in 2020, compared to 41.2% in 2019 and 51.2% in 2018. The salary gap between women and men remains significant with women's wage amounting to 75% of the correspondent

male one, against a designated target of 81%.

**The fourth outcome monitors gender equality and equity in public institutions** (GAP II horizontal priority of Shifting the Institutional Culture) using the indicator of number of gender audits carried out by ministries. Five were carried out in 2019 and no information is available for 2020.

## B. Policy dialogue and reform process in 2020/2021

In 2021, a new **Gender Sector Working Group (GSWG)** was established under the LACS, chaired by MoWA and with Italy as Deputy Chair. This is an opportunity to improve decision-making and mutual accountability, ensuring that the dialogue focuses on strategic and policy issues. The Gender Technical Working Group and the ROF process will allow to have a European common voice at the GSWG.

In 2021, Italy and MoWA started the implementation of a pilot programme to improve the **National Gender Equality Machinery within the Palestinian Governmental institutions**: "OIL - Pilot programme to strengthen gender mainstreaming in Palestine". The initiative intends to be a pilot intervention to support the Palestinian institutions in strengthening its existing structures and mechanisms for an effective implementation of gender mainstreaming in all the country's development sectors. The enhancement of the institutional leadership of MoWA in terms of gender mainstreaming will contribute to the achievement of equal opportunities in Palestine.

**Gender Based Violence (GBV) and COVID-19 response plan.** In April 2020, GBV increased under the situation of lockdown imposed by the PA to tackle the spread of COVID-19. GBV survivors could not access shelters without doing 14 days of

4- <https://www.ochaopt.org/content/crisis-within-crisis-fighting-gender-based-violence-gbv-during-covid19>

5- <https://www.pcbs.gov.ps/post.aspx?lang=en&itemID=3934>

quarantine before, and no arrangement was made on where they could be quarantined. Italy hosted a meeting with representatives of the Ministry of Health (MoH), Ministry of Women's Affairs (MoWA) and Ministry of Social Development (MoSD - also representing Mehwar Center in Beit Sahour), as well as members of the Women's Centre for Legal Aid and Counselling (WCLAC), representing the Emergency Centre in Jericho (ECJ), and the Director of the Safe Home in Nablus, from Family Defense Society (FDS), in order to discuss the situation and possible remedial actions. It was agreed that there is a need to include a gender perspective in the COVID-19 response plan. The High Judicial Council and the Attorney General Office developed emergency plans to respond to the needs of female victims of violence during the pandemic. To increase women's access to support services, a Council of Ministers decision of 28 April 2020 regulated the referral of women survivors of violence during the state of emergency.<sup>6</sup>

**Family Protection Bill.** Throughout 2020, Italy and the international donors' community reiterated that the Family Protection Bill needs to be inclusive and participatory (developed in consultation with civil society organisations, such as Tawasol centers and WCLAC). Considering the urgency to have a national policy to protect women, girls and boys from violence, the approval of the law, even if not completely aligned with international human rights standards, should be accelerated. Italy and the members of the Gender Technical Working Group stand ready to continue advocating for the Law to be approved, as well as to provide financial and technical support to ensure its prompt implementation. However, as of today the Family Protection Bill remains in a draft form.

Palestine acceded to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in April 2014, without submitting reservations to any of its articles. However, CEDAW has not been

published in the Official Gazette yet and the provisions of the Convention have not been incorporated into national law yet, which is necessary to have it translated in binding domestic law. Furthermore, Palestine has not ratified the Optional Protocol, which is a critical accountability mechanism. In 2020, efforts to review and harmonize legislation to ensure compliance with the CEDAW stagnated.

Overall, local and international actors, including the National Committee for Women's Employment and the Independent Commission for Human Rights, continue to express concerns over legal obstacles to gender equality and equal pay for work of equal value, to promotion of women's employment, and to protection from gender-based violence.<sup>7</sup>

### C. Theory of Change in 2021 – proposed adaptation

The Gender ROF matrix for 2021-2024 has been extensively revised and amended, in consultation with the relevant members of the Gender Technical Working Group and MoWA, in order to ensure alignment with the National 2017-2022 Cross-Sectoral Strategy to Promote Gender Equality and Equity and the Empowerment of Women. The main priorities of MoWA at policy level are to reduce the incidence of violence against Palestinian women in all its forms; increase women's participation in decision-making positions in government and non-governmental institutions; institutionalize gender equality and equity and empower women in all official institutions, and foster women's participation in the economic sector. On the side of EU, the newly adopted Gender GAP III, translated into the Country Level Implementation Plan for Palestine, aims at supporting the PA gender transformative agenda focusing on the priorities identified in the National Cross-Sectoral Strategy and using green and digital transition.

6- The situation of workers of the occupied Arab territories International Labour Conference 109th session 2021 p 43 - [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_793285.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_793285.pdf)

7- See footnote above

## D. Priorities for policy dialogue and future programming

### 1. Gender Mainstreaming

Gender mainstreaming, as a strategy to achieve gender equality and combating discrimination, aims at ensuring that gender considerations are taken into account and integrated into the preparation, design, implementation, monitoring and evaluation of policies and programmes. It is therefore particularly critical to ensure gender disaggregated data collection and gender sector analysis to design gender-sensitive policies as well as identify relevant indicators to measure progress.

Need of qualitative methods: quantitative indicators (numbers and percentages) are indeed seductive in their promise of providing concrete knowledge about how the world works, but they are implemented most successfully when paired with context-rich qualitative accounts grounded in local knowledge. The need of qualitative methods capture people's experiences, opinions, attitudes and feelings — for example, women's experiences of the constraints or advantages of working in the informal sector, or men's and women's views on the causes and consequences of underrepresentation of women in senior positions in the economy or in politics, or people's perception of international agreements about gender equality. Often participatory methods such as focus group discussions and social mapping tools are used to collect data for qualitative indicators. Qualitative data can also be collected through in-depth surveys measuring perceptions and opinions.

All these aspects remain a constant component of policy dialogue in each sector of the European Joint Strategy.

### 2. Gender-Based Violence

Increased service response: During the COVID-19 crisis, support services to GBV survivors and individuals at risk were halted

in Palestine. Specific measures to facilitate women and girls' access to protection and security services at all times are required. Overall, there is a need to increase the quality and availability of GBV prevention and response services in Palestine, as well as to strengthen the gender component throughout the emergency response.

Improve data collection: Establishing a centralized tool for a comprehensive collection and analysis of GBV incidents and data on women and girls accessing governmental and non-governmental services is key in order to inform policy and programmatic interventions.

Improved access to justice and improved gender component in all justice sectors, starting from the police: Trainings for police officers (who most often are not specialised) on what intimate partner violence is and how to recognise and record such incidents; how to address and receive women's reports in an adequate way and without judging or discouraging women to report.

Involving young people: targeting male and female young people as agents of change to advance gender equality throughout dedicated programming and through enhancing their participation at decision-making processes.

Targeting men and boys: engaging men and boys to transform harmful gender social norms and prevent gender-based violence is critical in Palestine and will constitute a priority, including through investing in "generation equality", raising awareness on new masculinities, mentorship activities, peer-to-peer education and other community-based GBV prevention intervention.

Targeting perpetrators: involving perpetrators in psycho-educative programmes to raise men's awareness of the consequences that the violence has on women and children; re-education in a culture of respect and gender equality.

Legal framework – Cabinet Approval of the Family Protection Bill and CEDAW to be published on the National Gazette and an Action Plan for implementation to be approved.

### **3. Women Economic Empowerment:**

Genderise data collection and analysis of the informal sector and unpaid work (SDG 5.4), especially considering the negative socio-economic implications of the COVID-19 pandemic.



## Environment

Lead: Sweden/Environment Quality Agency (EQA)

### A. Main progress and challenges at impact and outcome level in 2020/2021

The revised NPA 2021-2024 sets the foundation for the prioritised areas for Sustainable Development, including 'Ensuring a Sustainable Environment and Adapting to Climate Change'. National Priority 10, 'Resilient Communities', highlights the importance of providing a clean, healthy and sustainable environment with the following specific goals:

- Reduce and effectively control pollution and greenhouse gas emissions,
- Expand solid waste management and recycling,
- Expand wastewater management, treatment and reuse,
- Manage, protect and promote sustainable use and conservation of natural resources (land, water and energy),
- Keep Palestine green (conserve biodiversity, establish nature preserves and expand green spaces),
- Increase energy efficiency and reliance on renewable energy.

While the political, financial and economic challenges are immense, the environmental challenges cannot be overlooked. Climate change and environmental degradation exacerbate existing vulnerabilities and threaten resilience-building efforts. The endorsed European Green Deal (December 2019) underscores the need for a global response, by integrating climate action in

EDPs diplomacy, trade and development cooperation. Thus, to address the aforementioned growing concerns and advance climate action, EDPs should consider to play a more prominent role in holding the duty bearers (both the PA and Israel) accountable for the operational and financial sustainability of a green water and energy sector in Palestine, by setting clear parameters to both sides.

When it comes to mainstreaming/integrating environment in all operations, the EDP sector leads have reported the following results for year 2020:

**PFM and PAR:** no green indicators identified in the sector matrix. Indirectly, however, the effort on digitalisation transformation and e-procurement may have positive effects on the environment (if the digital is done right). It is recommended to identify a green indicator to monitor the contribution of PAR and PFM to the green transformation.

**Local Government:** in 2020, the ROF for Local Government was improved for crosscutting environment and climate with new indicators. There are three relevant indicators on: solid waste collected, PPPs on climate change adaptation through green investments, and status of mitigation and adaptation of climate change policy. For 'increased coverage of sanitary landfill for solid waste disposal in the West Bank': in 2020, the Joint Service Councils (JSC) operated four Palestinian sanitary landfills in the West Bank. 62% of the total waste generated was collected by JSCs. LGUs managed the remaining quantity. The transportation distance to landfills is a challenge. Except for Jericho and Bethlehem

governorates, the average transportation distance to landfills is 25 km minimum and in some cases more than 80 km, which put a heavy burden on JSCs' operational costs.

**Education:** no green indicators in the sector matrix. However, one of the priority identified for discussion and programming is to use education more effectively to improve the youth awareness on environment and climate change. A specific indicator could be considered for the coming 2021-2024 ROF report as education is one of the most important vehicles for promoting and bringing awareness on environmental issues. The share of schools meeting health environment standards, measured only in the West Bank, was on average 68.1 %, with little change from the previous year.

**Health:** an indicator on medical waste management by hospitals and health facilities is included to measure 'environment safeguarded and occupational health risk factors reduced with community participation': During 2020, only 40% of the health facilities in West Bank, have integrated the medical waste management system complying with the endorsed health protocols (compared to 32% in 2019). MoH needs to invest more for this sector and for improving their medical waste management data collection too, particularly with the COVID-19 crisis, which generated a lot of medical waste.

**Water:** The whole water/wastewater matrix is environment related. Proper handling of water and wastewater has positive environmental effects. All the indicators are environment related (since there is an emphasis on sustainable management).

**Energy:** The whole energy matrix is environment related. Proper handling of energy and energy production has a substantial positive environmental effect. Most of the indicators are environment related (for example energy savings, renewable energy, losses in distribution system).

**Private Sector** the matrix foresees 'build[ing] the path towards a green economy' with an indicator on the share of renewable energy in energy mix (examples of interventions are AfD/EU SUNREF and the EU/UNIDO programme). In 2020, the share of renewable energy in the energy mix increased to 3% compared to 2.3% in 2019. Palestine will however, need to get access to area C to be able to increase its production of renewable energy more significantly.

**Labour:** no indicators related to environment. The future EDP support could consider to establish an indicator on labour employability and the skills (TVET) in the green sector.

**Agriculture:** in 2020, the ROF for the agriculture sector was improved for crosscutting environment and climate with new indicators. Some indicators on "Status of the plant health law", "Status of pesticide by-law", "Plant and animal diseases are controlled" can partly be related to environment. The outcome on "Supported farmers out of those who have registered damages as a result of natural disasters" is indirectly relating to the effects caused by environment/climate change. The outcome on "The area of land cultivated or protected from degradation is expanded" is also linked to environment effects. The agriculture sector reports that the use of treated wastewater is slowly increasing (the management of the local treatment plants remains the main challenge). Furthermore, the ROF includes the monitoring of "Climate-smart and adaptive, biodiversity-protecting and desertification-combating agricultural technologies". Climate change is being addressed with the introduction of smart agriculture and cultivation techniques (hydroponics, irrigation, seasonal crop adaptation) and the incorporation of agriculture by the Environmental Quality Agency (EQA) as a priority sector for adaptation and mitigation plans. Solar generated energy supply systems are becoming the norm for agricultural installations (wells, water treatment units,

poultry farms) in all EDPs sponsored interventions. A transition to a more “smart” and sustainable agriculture seems to be starting. Considering that such significant environmental work is being done in the agriculture sector, the next ROF 2021-2024 would benefit from more emphasis about it.

**Conclusion:** It is mainly the reporting from the local government, water, energy and agriculture sectors that present indicators related to environment/climate action. The next EJS ROF 2021-2024 need to better include indicators on the mainstreaming of environment and climate action in all EDP supported sectors in Palestine. The level of environment mainstreaming in the ROF is acceptable as it addresses approximately 60% of the goals of the NPA – namely ‘expand solid waste management’; ‘expand wastewater management, treatment and reuse’; ‘water and energy as natural resources’; and ‘increase energy efficiency and reliance on renewable energy. However, EDPs should consider further support the PA in some of its priorities such as ‘reduce and effectively control pollution and greenhouse gas emissions’; ‘recycling’; ‘land as natural resource’; ‘Keep Palestine Green’ (conserve biodiversity, establish nature preserves and expand green spaces).

## B. Policy dialogue and reform process in 2020

The crosscutting theme environment is under the leadership of the EQA. Many achievements and challenges have been presented and discussed over the years at the meetings of the LACS Environment Sector Working Group (ESWG), for which Sweden is the deputy Chair. In 2020 there were no formal meetings hosted by the ESWG due to the effects of the COVID-19 pandemic. Only ad hoc interaction between the donors and the Palestinian stakeholders have taken place. Finally, the UNEP State of Environment and Outlook Report for the occupied Palestinian territory 2020 was issued.

## C. Theory of Change in 2020 – proposed adaptation

The ROF approach on mainstreaming environment is in most parts applicable for 2020. However, the Intervention Logic will require a review of the direct relations between the ROF and the environmental priorities of the NPA to improve coherence as well as to mainstream the Green Deal requirements.

A long-term targeted programme for capacity building of EQA - Strengthening EQA Environmental Action Programme 2018 to 2021 - serve as one of the cornerstones for EDP support. The programme is funded by Sweden and includes support from the Swedish Environmental Protection Agency (SEPA). In previous years, Belgium also supported EQA with a Project to Support the Implementation of Palestine's Nationally Determined Contributions (NDCs). This enhances Palestine's access to climate finance opportunities thereby ensuring successful implementation and delivery of the NDCs. In November 2019 the Palestinian “Water Banking and Adaptation of Agriculture to Climate Change in Gaza” project received support from the Green Climate Fund (GCF) with support from Agence Française de Développement (AFD). This is the first climate funding provided to Palestine through the GCF which is the world's largest dedicated fund set up by the United Nations Framework Convention on Climate Change (UNFCCC). Possible future new joint EDP interventions and support could build on/link to these programmes. Furthermore, it is assessed that a much stronger involvement from the Palestinian civil society in the future work on strengthening/improving the environment will be necessary (for example on promoting the implementation of good environmental practices in the most vulnerable communities, and holding the duty bearers accountable – both PA and Israel).

#### D. Priorities for policy dialogue and programming in 2021

The main priority is to introduce the European Green Deal priorities into the strategic EDP partnership with Palestine. The following issues are both NPA and EDPs priority and provide opportunity for enhanced partnerships:

1. Sustainable Environment and Adapting to Climate Change.
2. Reduce and effectively control pollution and greenhouse gas emissions.
3. Recycling; Land as a natural resource; Keep Palestine Green (conserve biodiversity, establish nature preserves and expand green spaces).

The following items should be discussed at policy dialogue meetings:

1. **Climate change:** Climate models anticipate that the mean temperatures will increase significantly. EDPs support EQA with the Nationally Determined Contributions (NDCs), but the PA and EDPs need to do more and better. In addition, it is recommended that EQA present the NDCs to all sectors and related Ministries and PA Institutions. It is also encouraged that all programmes have NDC result oriented indicators.
2. **Water scarcity:** By 2030, the World Bank estimates that Palestine will face a large water supply- and wastewater treatment gap. There is a need to address these water management issues, which are already acute in Gaza, in terms of water efficiency, awareness building and public campaigns, as well as the environmental concerns regarding the increasing desalination of water. Treated wastewater should be used for irrigation and other productive purposes.
3. **Water, energy and food security nexus:** Water, energy and food security are linked and this needs to be further explored. One such example is desalination of water, being provided with energy from solar panels, and how this would impact the agriculture sector.
4. **Environmental governance:** Environmental governance needs to be strengthened in Palestine as well as coordination between the local governments and EQA.
5. **Waste:** It is necessary to improve the handling of waste as regional and global common interest (e.g., the antibiotic resistant bacteria in Gaza, pollution affecting the whole of the Mediterranean including the nearby desalination plants in Israel, transfer of medical and electronic waste, vehicles and other kinds of hazardous waste, etc) with the involvement of the Union for the Mediterranean dealing with environment issues. Several joint interests on cross border environmental issues could potentially trigger dialogue.
6. **Green economy:** Encourage investment in green technology production to enhance competitive positioning in the global supply chain. Take measures including relevant policies and regulations to promote sustainable energy investments in industrial enterprises, including energy efficiency, renewable energy and clean technology while promoting a low-carbon, energy-efficient economy. Promote integration exports of green value-added production from Palestine into regional and global value chains through providing related incentive packages. Promote implementation of green standards.
7. **Agriculture:** "Green" adjustment required by climate change has been more of a priority for agriculture.

Agriculture will have to be responsive to innovation in energy efficiency, water saving and reduction of chemicals, among other measures that are already included in the NDC plan. It could be a necessary addition to establish a direct link to the NDC via joint indicators and “green” targets. The EGD prioritises in its action plan two lines, which could be emphasised in agriculture development: investing in environmentally friendly technologies and supporting industry to innovate. The ROF needs to be improved with indicators on crosscutting environment and climate change adaptation. A proposal could be to develop an indicator on organic/ecological farming (access to the “organic/ecological” high segment niche market) and environment friendly agricultural practices.

## Youth

Lead: Denmark/Higher Council for Youth and Sports (HCYS)

### A. Main progress and challenges at impact and outcome level in 2020-2021

At impact level, efforts to empower and equip Palestinian youth to meaningfully participate in public life and state building and provide them with opportunities for a successful future remain critical.

About 30% of the Palestinian population is between 15 and 29 years-old. They are caught in the protracted conflict and suffer from its consequences. In 2020, the COVID-19 pandemic exacerbated the challenges faced by youth, contributing to high unemployment, low levels of political participation, and inadequate access to health care. According to the UN, the situation has led to a sense of despair and hopelessness among the youth. Data on the impact indicator “increase youth satisfaction with opportunities and quality of life” was not available at the time of reporting.

The first expected outcome on participation of Palestinian youth in civil and political life has seen a deterioration. With the postponement of the presidential and parliamentary elections, the Palestinian youth has not yet had the opportunity to participate in democratic elections at national level. University student council elections were cancelled because of the COVID-19 pandemic. Most elections for youth organisations, clubs and centres were also postponed. The Higher Council for Youth and Sports (HCYS) reported that elections were held at 11 out of about 360 centres. The participation rate was 80%, which could indicate that when elections are

held, there is a desire among the youth to take part. Leadership programmes for youth in local universities and workshops on youth engagement in local government were cancelled due to COVID-19 restrictions.

The changes under the second outcome are also negative as Palestinian youth continues to face challenges in accessing economic opportunities and improved economic conditions. The economic challenges are, according to a 2020 study on youth in Palestine, an obstacle to young Palestinians’ participation in civil and political life. Unemployment among Palestinian youth (15-29 years-old) remained high throughout the reporting period, standing at 36.3% in the fourth quarter of 2020. The youth in Gaza are particularly at risk of unemployment, with unemployment rates reaching 65.5% in 2020 compared to 23.6% in the West Bank. Young women are disproportionately hit by unemployment with 61.6% being unemployed compared to 30.3% of the young men. The digital platform [www.palvol.ps](http://www.palvol.ps) intended to provide youth with information on available work, internships and training opportunities is still limited to listing volunteer opportunities. HCYS reported that they are in the process of developing the platform but fell short of its 2020 target, with no additional services added to the platform. Youth employment-counselling services aimed at better matching the students’ skills with the labour market’s demands were cancelled because of COVID-19.

The third expected outcome supporting efforts to ensure that Palestinian youth enjoy greater access to sporting and

8- <https://palestine.unfpa.org/en/news/statement-United-nations-humanitarian-coordinator-and-resident-coordinator-jamie-mcgoldrick>

9- Youth study, December 2020

**cultural activities** show mixed results. The HCYS verified that all sports facilities built in 2020 catered for youth with disabilities and provided adequate facilities for females in keeping with regulations endorsed by the PA. The number of Palestinian youth benefiting from cultural exchange programmes dropped from 150 in 2019 to 38 in 2020. The 38 participants included 13 young women and 25 young men, 80% were from the West Bank and 20% from Gaza. The HCYS reported that the percentage of females elected to the general assembly of youth clubs in the West Bank decreased from 12% in 2019 to 8% in 2020, missing the target of 20%.

In 2020, the **fourth expected outcome supporting efforts to strengthen healthy behaviours and availability of healthcare for youth** focused on COVID-19. 16 health workshops were conducted for youth, focusing on raising awareness of COVID-19 prevention. Most of the workshops were held virtually.

Some progress was made in relation to the process of strengthening youth-related national laws so they incorporate children's rights and youth empowerment focused articles and/or clauses that are aligned with international norms and standards. To date, Palestine has submitted the initial reports on all of the treaties to which it is a party. In 2020, Palestine submitted four reports to human rights treaty bodies, including one report on the implementation of the International Covenant on Civil and Political Rights (ICCPR), one report on the International Covenant on Economic Social and Cultural Rights (ICESCR), one report on Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) follow-up procedure, and one report on the Convention on the Elimination of Racial Discrimination (CERD) follow-up procedure. The reports provide a basis for dialogue on the implementation of the treaties by the PA, including the alignment of the legal framework with the treaty provisions. In 2020, Palestine also presented its report on

the Convention on the Rights of the Child (CRC) to the relevant Treaty Body. In terms of legal steps, as of November 2021, only the CRC and CERD have been published in the official gazette. In terms the youth law and sports law, both are still being drafted.

## B. Policy dialogue and reform process in 2020-2021

Policy dialogue on efforts to support Palestinian youth took place with the HCYS in October 2020 and at the annual EU-Palestine Subcommittee on Social Affairs and Health. The discussions focused on mitigating the impact of COVID-19, addressing youth unemployment, enhancing political participation, and ensuring access to health services and information for youth. As indicated above, these issues remain critical to address. This is also reflected in both the updated sector strategy for youth 2021-2023 and the EJS for 2021-2024.

## C. Theory of change in 2021 – proposed adaptation

The intervention logic and results chain, indicators and targets underwent a review in 2020 in consultations with the HCYS, UN agencies and EDPs. It focuses on three key intervention areas that are aligned with the updated sector strategy for youth 2021-2023 and the updated EJS 2021-2024. Three areas of intervention have been identified by Palestinian youth as key priorities:

- Increased participation of Palestinian youth in civil and political life;
- Palestinian youth have better access to economic opportunities and decent work;
- Youth have better access to local health services, in particular in the area of mental health and sexual and reproductive health and rights.

The revised theory of change and intervention logic should provide for more focused policy dialogue and decision-making and more robust monitoring and evaluation of the sector.

#### D. Priorities for policy dialogue and future programming

1. **Impact of COVID-19:** EDPs should continue to support the PA in mitigating the short- and medium impact of COVID-19 on the Palestinian youth. In doing so, integration and mainstreaming of youth should be considered within each sector.
2. **Youth mainstreaming,** including the PCBS role in collecting, aggregating and disseminating data on youth is important and should underpin analysis and the development of youth sensitive policies and programmes within the pillars of the EJS.
3. **Participation:** It is critical to ensure participation and involvement of youth in public decision-making, as well as law and policy and programme formulation effectively and inclusively. In addition to public consultations, establishing a Youth Sounding Board would be an important step.
4. **Youth employment:** Increase efforts to address youth unemployment in the West Bank, Gaza and East Jerusalem. Unemployment rates among Palestinian youth were already high before the COVID-19 crises. The negative economic impact of the pandemic has made it even more critical to prioritise efforts to create decent job opportunities for the youth. It is vital that, under the lead of the Prime Minister Office, the Ministry of Labour, the Ministry of Education, the Higher Council for Youth and Sports, planning and coordination on how to tackle youth unemployment is discussed with the private sector and EDPs. Particular focus should be given to young women and unemployed graduates from Technical and Vocational Education and Training (TVET) and Higher Education Institutions. In this regard different labour market measures should be taken into consideration, like internships for youth to get to know the 'world of work', time-bound wage subsidies for the private sector when employing young people, etc.
5. **Educational and TVET institutions** play a central role in equipping youth with competencies for employability that responds to market demands and requirements. EDPs and PA institutions, including the Ministry of Labour, the Ministry of Education, the Ministry of Higher Education and the TVET commission, should continue discussions and efforts to ensure that education and vocational training opportunities for youth are matching market needs.
6. **Health services:** EDPs should consider supporting further national capacity to deliver integrated health services and information, including sexual and reproductive health, family planning, psychosocial support and mental health.





# PILLAR 1: GOVERNANCE REFORM, FISCAL CONSOLIDATION AND POLICY REFORM



## PUBLIC FINANCIAL MANAGEMENT AND MACROECONOMIC SUPPORT

Lead: EUREP/Ministry of Finance and Planning (MoFP)

### A. Main progress and challenges at impact and outcome level in 2020/2021

The Palestinian economy is recovering from the COVID pandemic. In the first half of 2021, the economy grew by 5.4% compared to the same period a year before. The growth was particularly strong in the second quarter, with a rebound of 19% year-on-year, partly reflecting base effects. The main drivers of the recovery was government consumption, which included expenditure to fight the pandemic, while higher investment also contributed to economic growth.

The fiscal situation has provisionally stabilised, as Palestine recorded a budget surplus of 2.9% of GDP for the first half of 2021, following -3.7% of GDP in 2020. The better-than-expected turnout was due to lower expenditures than budgeted, especially lower pay-out of salaries and transfers. On the revenue side, the tax collection has been as scheduled. There were no delays in clearance revenue transfer in the first half of 2021, but problems are expected to occur towards the end of 2021 with NIS 600 million (EUR 163 million) of deductions decided by the Government of Israel (Gol) in July, representing the estimated payments made by the PA in 2020 to Palestinians accused of terrorism by the Gol. Clearance revenue continues to be the main source of revenue, constituting two thirds of total net revenue.

Linked to **fiscal performance** measured at **impact level**, the PA progressed apparently well in achieving its revenue objectives although insufficient and not necessarily underpinned by progress in PFM reforms. The domestically collected revenues

have increased by 25% year-on-year during January-September 2021 (actual compared to budgeted), with an even higher achievement in total net revenue collection, increased by some 65% compared to 2020. While it seems that budget implementation has witnessed better collection rates and spending rationing, the increase is mainly due to the base effect (in 2020 GDP dropped by almost 12%) and rebounding economy in 2021 as shown above.

Despite the backtracking in 2019, when the normal budgetary processes was suspended and PA entered into emergency budget mode, the accountability (measured by the world governance indicator for voice and accountability) has improved in 2020 due to increased access to fiscal information, including citizen budget, and sufficiently detailed monthly budget implementation reports published generally on time and available for public access and scrutiny.

The effectiveness of public finances (measured by the world governance index for government effectiveness) has also improved over 2019-2020 thanks to better revenue collection, expenditure prioritization and cash rationing, all due mainly to the mobilization effort against the macro-fiscal and COVID-19 pandemic crisis and to lesser extent to the direct results of the on-going PFM reforms.

At the **outcome level**, the progress in key PFM reform areas, agreed under ROF 2017-2020, was incremental which is explained by its process-oriented nature, with tangible results expected to materialize over the next couple of years. One the other hand, one can not entirely exclude the possibility of

better PFM outcomes due to expenditure prioritization and controls, improved public procurement boosted by reforms introduced in 2019-2020 (use of Public Procurement web-portal and Standard Bidding Documents), and improved accountability of public finance (availability of citizens' budget and PA's annual financial statements).

### **B. Policy dialogue and reform process in 2020/2021**

The policy dialogue in 2020 focused on fiscal crisis, the social protection measures given the COVID-19 pandemic, the economic downturn affecting the most vulnerable and disadvantaged groups of the population (new poor), and the fiscal policy response by the authorities. The incentive-based for the direct financial support to the budget under the PEGASE programme was implemented with a revived dialogue on PFM reform agenda, following the completion of the Public Expenditure and Financial Accountability (PEFA) assessment in June 2019, and subsequent reform adjustment in a revised PFM Reform Strategy for 2021-2023 approved in September 2020. The Multi-donor Trust Fund, administered by the World Bank, funded by the EU and Denmark, continued contributing to technical dialogue between the PA and its key DPs active in the sector. A PEGASE Advisory Group was set up to steer the implementation of selected reform measures, as part of the programme's incentive-based mechanism, serving also as a cross-sectoral platform for policy dialogue, including PFM and fiscal matters. Sector coordination has seen some improvements, with MoFP presenting the PA's fiscal situation in a number of dissemination events while also responding positively on possible resumption of the macro-fiscal/ PFM LACS working group.

### **C. Theory of Change in 2021 – proposed adaptation**

A new PFM ROF intervention logic, aligned to revised PFM Strategy for 2021-2023 is under discussion. The new ROF PFM matrix 2021-2024 builds on areas previously addressed in the context of the ROF 2017-2020, and adjusted and fine-tuned following the PEFA assessment, the revised PFM reform agenda (September 2020) as well as the recently approved Tax Reform Plan 2021-2025 (April 2021). The new matrix is aligned to SDGs 16 and 17 at impact level, and follows the structure of core PEFA dimensions. There are nine outcome indicators, while milestones and targets for impact level indicators are yet to be defined and agreed with the authorities.

The annual evaluation of the progress continues to be challenging as PEFA tool does not allow for annual assessment. A PFM performance report on PA's side is yet to be introduced. Therefore, the progress will be measured incrementally against the national sector strategies addressing the PEFA-linked indicators, with the view of its final assessment at the end of implementation period in 2024, using PEFA methodology.

### **D. Priorities for policy dialogue and future programming**

The continuing narrow policy space undermines the ability of the PA to respond properly to the dire fiscal situation and put its public finances on a sustainable footing. The chronic deficit situation cannot be solved and fiscal sustainability cannot be achieved in the longer run without addressing structural issues affecting the status of public finances in Palestine. While the structural reforms in areas of health referrals, net lending, pensions and arrears need a long-term solution, consequently an elevated reform effort, some short and medium term measures could help the PA to

have more predictable and stable financial situation. In this regard, the key areas of intervention identified during the 2019 ROF reporting exercise stay valid for the near term. These includes:

1. **Programme-based Budgeting and financing of national/sector policies** – by gradually developing sector expenditure plans and medium-term expenditure framework for the existing sectorial strategies underpinning the revised National Policy Agenda.
2. **Domestic Revenue Mobilisation** – in line with the revised PFM Strategy 2021-2023 and Tax Reform Plan 2021-2025, by broadening the tax base, improving collection mechanisms, and addressing tax avoidance and compliance.
3. **Expenditure Management and Controls** – by further improving the budget expenditure management, financial control environment, commitment controls, and cash and debt management.
4. **Public procurement** – by continuing strengthening the procurement institutions, developing and applying modern procurement tools, and capacity building in area of public procurement.
5. **Transparency, oversight of the budget and accountability** – by aligning public sector accounting and reporting to international standards, timely issue of financial statements, and furthering inclusive and qualitative disclosure of fiscal information to the public.
6. **Internal and external audit** – by improving the management and control framework and managerial accountability in line ministries, departments and agencies, and building an independent and internationally compliant external audit function of the SAACB.

The reform areas above should not be seen as standalone actions but rather pursued in a way that would allow achieving broader objectives, such as national development priorities and country-specific SDGs.

Therefore, discussions between DPs and the PA need to start in relation to a possible **Integrated National Financing Framework** that would mobilize all possible sources (public, private, domestic and external) for the financing of PA's national sustainable development priorities.

# PUBLIC ADMINISTRATION REFORM - CENTRAL GOVERNMENT

Lead: EUREP/Prime Minister Office (PMO)/Cabinet Secretariat (CS)/General Personnel Council (GPC)

## A. Main progress and challenges at impact and outcome level in 2020/2021

At impact level, the goal of **improving public administration and government effectiveness that respond to citizens' needs** did not progress in 2020/2021 with a low percentile rank of 28,85% for government effectiveness<sup>10</sup>.

In 2020, the COVID-19 pandemic highlighted the need of improving governance capacity of the public administration through strengthened policy-making and planning, more accountable and performant civil service, improved organisation of the administration and better quality service delivery for citizens and businesses.

An efficient, responsive, transparent and accountable public administration is a central part of democratic governance, through which i) national development objectives of the government can be implemented; and ii) the relationship between the state and civil society and the private sector is realised. The PA - supported by EDPs - is working on developing this strategic framework aiming at a functioning public administration delivering other commitments to citizens, businesses and external partners as envisaged in the NPA. However, the continued challenges of the Palestinian public administration still hampered the sector reforms in 2020. One of the main challenge is the spread of PAR

responsibility within the PA over different institutions, namely, the Cabinet Secretariat, the Prime Minister Office and the General Personnel Council. This creates coordination difficulties and limits the capacity to design and implement reforms in a consolidated and strategic way. Moreover, reforms are limited by the distorted governance structure dominated by the executive branch of the PA over the legislative and judiciary branches in violation of the Palestinian Basic Law.

The **first outcome on human resources management (HRM) system** showed improvement with the linkage of the unified HRM information system to the MoFP. All Palestinian Public Institutions in the West Bank (ministerial and non-ministerial institutions) are now linked to HRM Information System (HRMIS). The connection helped facilitating civil servants affairs during lockdown and teleworking. In 2020, the General Personnel Council (GPC) worked closely with experts from EU-funded SIGMA on developing a teleworking manual for the Palestinian civil service. The Palestinian National School of Administration have developed several training and capacity building programmes for public employees in cooperation with several international partners. There was no progress on the HRMIS territorial coverage unification, which is conditional to reaching an agreement for intra-Palestinian reconciliation. Once achieved, the GPC could work on having a unified civil service.

10- Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI

Other areas of reform in civil service included the endorsement of 30 public departments' organisational structures as well as the job classification of 76 public departments.

The **second outcome on efficient and transparent public administration systems** shows improvement with the publication of the NPA 2020 annual report in Arabic, although the Centre of Government continues to have limited engagement with citizens for the NPA development, implementation and monitoring. A National Development Plan 2021-2023 was published in 2021 and various sector strategies were updated.

Finally, in terms of policy development, the new, modified and updated Civil Service Law (CSL) has not been endorsed yet. It went through another process of revision based on several presidential decrees and cabinet decisions related to civil service and public administration. However, 15 by-laws were endorsed and implemented.

## B. Policy dialogue and reform process in 2020/2021

A sector working group on PAR, which could serve as a platform for EDPs and PA policy dialogue within the LACS structure is still absent. In addition, there is lack of clarity over the responsibility of PAR at the PA. Therefore, EDPs' dialogue with the PA continued to be conducted in a less organised or inclusive manner. Main points of discussion and outcomes of this dialogue remained focused on:

- Highlighting the importance of having accountable public administration as key to democratic governance and economic development in line with the SDGs 16, which refers to the promotion of peaceful and inclusive societies, the provision of access to justice for all, and building effective, accountable institutions at all levels.
- Agreeing with the PA on enhancing the Principles of Public Administration framework developed for the European Neighborhood Policy (ENP) countries, including Palestine. The European Commission has defined the scope of those principles since 2014 as covering six core areas: i) the strategic framework for public administration reform, ii) policy development and co-ordination, iii) public service and human resource management, iv) accountability, v) service delivery, and vi) public financial management (PFM)<sup>11</sup>.
- Emergency Response to address COVID-19 crisis. Supporting the simplification and digitalization in service delivery with the objective of reducing the administrative burden, increasing efficiency and improving the administration-citizen relations.
- The EU continued its dialogue with the PMO, the CS and the GPC on supporting the Palestinian PAR within the framework of the EU state building tools that Palestine is benefiting from – these are the Support for Improvement in Governance and Management (SIGMA), Twinning and the Technical Assistance and Information Exchange (TAIEX). The EU – PA discussions focused on upgrading the administrative capacities of the Palestinian public administration through the training of its staff and the re-organization of its structure. It also aimed at supporting the approximation of national laws, regulations and quality standards to those of EU Member States in the framework of Cooperation or Association agreements signed with the EU.

11- While PFM has been defined as a sector in the EJS also under pillar I, strong links with PFM have to be taken into account in PAR reforms regarding expenditures, payroll and budget issues.

### C. Theory of change in 2021 – proposed adaptation

Good governance and quality of public administrations are recognizably in the interests of the Palestinian citizens, so despite the fragmentation and weaknesses shaping the Palestinian public governance, the PAR Theory of Change and ROF will continue to focus on promoting accountable public administration as key to democratic governance and economic development, in line with SDG 16. New developments in terms of quality management and digitalisation are taken into account.

### D. Priorities for policy dialogue and future programming

Due to limited progress in PAR, aggravated by the COVID-19 pandemic, PAR priorities have not changed from previous years, with additional emphasis on using the potential of digital transformation, accelerated in the context of the pandemic, to strengthen democracy and good governance.

1. The PA to ensure more inclusive participation to enhance democratic governance. This may contribute to enhancing transparency and inclusiveness of the public decision-making process and help hold public institutions to account.
2. The PA, with EDPs support, to develop a strategic framework for implementing a wider Public Administration Reform in Palestine beyond civil service reform, which are in line with the PA national priorities for building effective, capable, accountable, and responsive institutions that are fiscally sustainable.
3. EDPs to consider supporting administrative capacity development at the Centre of Government to strengthen policy-making, strategic planning functions, for ensuring well-planned, coordinated and budgeted

public policies, which will require a long-term training of civil servants at the local and the central levels.

4. EDPs to support the re-organization and restructuring of public institutions in line with the civil service reform to ensure it is modern, efficient, result-oriented and merit-based including working with the GPC to enhance its main functions related to PA human resources planning and management, and the regulatory framework (Civil Service law) and by-laws.
5. EDPs to support enhanced e-governance and transparency through the simplification of administrative procedures and digitalization of services including on-line services and information sharing/communication.
6. Reintegration (and sequenced reforms) of the West Bank and the Gaza Strip administrations should remain a priority although progress largely depends on movement at the political level.



## PUBLIC ADMINISTRATION REFORM - LOCAL GOVERNMENT

Lead: Denmark/Ministry of Local Government (MoLG)

### A. Main progress and challenges at impact and outcome level in 2020-2021

The PA and the EDPs continued pursuing the objective of **ensuring that Palestinian citizens benefit from a more responsive and more effective local government**. However, the combined effects of the COVID-19 pandemic and the economic crises caused by the political standoff between Israel and the PA over clearance revenues have left the Local Government Units (LGU) in a difficult situation, with limited financial resources to provide services to their citizens. The Gaza LGUs have been further challenged by the damages caused by the May 2021 conflict, with the short-term recovery and reconstruction needs for municipal services alone amounting to USD 30-40 million<sup>12</sup>. Data on the impact indicators, namely the percentage of LGUs connected to the wastewater network and the percentage connected to road networks, will only be available in 2022.

These constraints heavily impact the **first outcome** of the ROF related to **LGUs' budgeting and financial management**. The ongoing COVID-19 pandemic continues to have severe negative implications on the LGUs' operational and enterprise budgets. This is due to the overwhelming and unexpected expenditures made in response to the pandemic causing an acute decrease in the LGUs' revenues. Data on the number of LGUs with a surplus in operational budget and no increase in arrears will only be available in 2022. However, given the financial challenges faced by all LGUs during the 2020 fiscal year, it is likely that the 2020 target of 85 LGUs with a surplus in the

operational budget and no arrears will not be achieved.

The **second outcome on the increase the rates of local tax collection** has not met the targets for 2020. None of the LGUs collects property tax. The PA decided not to pilot municipal property tax collection, as foreseen in 2019 to contribute to improve the Local Governments' financial sustainability. The MoFP collected property tax from 72 municipalities, missing the target of 100.

The **third outcome on improving donor coordination for better economies of scale in development support** is progressing. EDPs largely support the Municipal Development Programme and the Local Government Services Improvement Programme with several bilateral and multilateral engagements. The Ministry of Local Government (MoLG) and the Municipal Development and Lending Fund (MDLF) expressed satisfaction with the donor coordination in the sector. A mapping assessment on donor support was conducted to improve coordination further. The next step is to institutionalise the donor mapping and resume the LACS Local Government Sector Working Group, which has not met for more than two years.

The **fourth outcome on citizen engagement and oversight of LGUs** is progressing. In 2020, EDPs supported 25 municipalities in the West Bank to develop, publish and promote readable budgets. The total number of LGUs issuing readable budgets is 60, surpassing the target of 20. A notable achievement in the reporting period was the integration of the readable budget tool into the national finance portal "Al-Bawwabe".

12- Gaza rapid damage and needs assessment, June 2021.

From 2022 and onwards, the development of a readable budget is mandatory for LGUs to obtain approval for their annual budgets from the MoLG. In addition, as recently agreed with MDLF and the relevant municipalities, readable budgets shall be developed, published and promoted for all 25 municipalities in the Gaza strip. In 2020, 113 municipalities hosted complaints mechanisms, missing the target of 144. Although citizens were notified about the formal complaints system, they continued to convey their complaints verbally to the municipality supervisor, engineer, or mayor, which raises concerns about the effectiveness of the formal complaint systems. Existing complaint mechanisms strongly vary in effectiveness and level of institutionalization. A unified minimum protocol for complaint mechanisms was defined for three types of LGUs (strong municipalities with Citizen Service Centers, weaker municipalities, Village Councils).

The **fifth outcome on gender mainstreaming in development planning** remains a priority. Data on women's satisfaction rate with LGU performance and service delivery in water service delivery, road, parks and services will be available in 2022. It is anticipated that the data to become available in 2022 will include identified needs and resources that look to narrow gender gaps based on support to the implementation of project-level gender activities in multiple sectors, which includes the local government sector.

Under the **sixth outcome**, EDPs continue to **support marginalised communities** to improve their social and economic conditions. At the end of 2020, 42 infrastructure projects were completed with EDPs' support. The projects included schools, roads, multipurpose buildings, water distribution networks, water reservoirs and rehabilitation of electricity networks, which will benefit more than 24,000 Palestinians living in area C. The completion of the 42 infrastructure projects should be considered a success considering the COVID-19 pandemic and stop-work orders,

demolition orders and confiscations by Israel. Another 16 projects are currently under implementation and are expected to benefit more than 26,000 people.

Data related to the **seventh outcome on coverage of sanitary landfills for solid waste disposal in the West Bank** was not available at the time of reporting. The percentage of solid waste collected by Joint Service Councils in the West Bank will only be available in 2022.

### B. Results of policy dialogue and reform process in 2020-2021

The implementation of local government reforms slowed down, as the focus primarily was on relief support to the municipalities to counter the economic crisis related to the pandemic. However, policy dialogue on reform processes took place, although with mixed results. The policy dialogue meeting with the MoLG, the Cabinet Secretariat and EDPs under the framework of the EJS took place in October 2020. In addition, EDPs and the MoLG met regularly throughout the reporting period on a bilateral basis. A focus area of the discussions was the LGUs' fiscal sustainability, which remains a challenge. The pilot collection of real property tax by municipalities discussed in the October 2020 meeting was halted, which is a setback for the financial sustainability of the municipalities.

The LACS Local Government Sector Working Group has not been convening since 2019, but stakeholders are in the process to revive it and a meeting was scheduled end of 2021. These developments are important, as the Sector Working Group provides a platform for enhancing aid effectiveness in the sector through better coordination and more strategic dialogue on development priorities.

### C. Theory of change in 2021

The ROF for the local government sector underwent a comprehensive review in 2020. Consultations were held with PA institutions, civil society organisations and EDPs, leading to some notable revisions of the results framework 2021-2024. The objective continues to be to ensure that Palestinians benefit from a more responsive and more effective local government. However, it was agreed to focus on a reduced number of areas deemed critical to achieve this objective. Focus for 2021-2024 will be on:

- Improving LGUs' framework planning, with an increased focus on the involvement of women and youth,
- Strengthening the institutional and financial capacity of the LGUs,
- Strengthening quality and coverage of services delivery to the citizens,
- Strengthening the LGUs' capacity to support local economic development investments.

The revised results framework should provide for more focused policy dialogue and decision-making and more robust monitoring and evaluation.

### D. Priorities for policy dialogue and future programming

1. **Strengthening LGUs' fiscal sustainability and institutional capacity building.** Delegating property tax collection from the MoFP to the LGUs is required while strengthening LGU capacities to administer property data and to integrate it with its administrative and financial systems is a prerequisite.
2. **LGUs' water bill debts** are as high as NIS 1.5 billion and continue to grow as water revenues are used to finance other municipal services. This comes

on the account of water services and increases the net-lending bill. To tackle the net lending in a collective manner, PA institutions - PENRA, PWA, MoLG and MoFP, under the supervision of the PMO - should define the way forward and restore accountability lines. In the meantime, LGUs are encouraged to ring-fence their water accounts, pay their water bill in full and resettle their debts.

3. **Amendments to local elections law.** MoLG proposed amendments to the local elections law to enable open candidate lists so that citizens can vote for individual candidates rather than for closed council lists. These amendments continue to be important to implement.
4. **Participation of women and youth in decision-making at the local level** is critical to achieve a more responsive and effective local government. EDPs and PA are encouraged to identify measures and take action to increase women and youth involvement in the preparation of Master Plans, Strategic Development Investment Plans and Annual Capital Investment Plans.
5. **Mainstreaming of climate change adaptation in LGUs operations,** within their mandate and sectoral strategies is needed. The National Development Plan (2021-2023) emphasises climate change adaptation and mitigation, which should be reflected in the implementation of the Local Government Sector Strategy. Programmes in the local government sector must integrate climate change adaptation in close coordination with the Environmental Quality Authority and be aligned with the National Determined Contribution Plan.

## PILLAR 2: RULE OF LAW, JUSTICE AND HUMAN RIGHTS



## PILLAR 2: RULE OF LAW, JUSTICE AND HUMAN RIGHTS

Lead: EUREP/ Ministry of Justice (MoJ)

### A. Main progress and challenges at impact and outcome level in 2020/2021

In 2020, the COVID-19 pandemic put under further pressure an already strained justice system. Institutions showed different capacities to maintain their functions while citizens, particularly women, experienced increased obstacles to access justice. This took also place in the context of interruption of security coordination with Israel end of 2019/beginning of 2020, which further hampered the ability of the PA to provide for justice and citizens to access it.

This annual ROF report is based on the revised ROF on Rule of Law – Justice, (see section C. Theory of change). The revision was a mutually agreed action point of the 2019 ROF report and resulted in streamlined outcomes and indicators owing to enhanced coordination with the institutions. However, the technical level agreement on revised outcomes and indicators was not sufficient to ensure full provision of data for this report. This could be partly the result of some fatigue with the process and partly due to the fact that some indicators of macro level reforms require agreement by the heads of the institutions. Moreover, many studies and reports are only available in Arabic.

At **impact** level, EDPs focus on **access to fair, transparent and equitable justice** The December 2021 Rule of Law and Access to Justice Survey by the Palestinian Central Bureau for Statistics (PCBS) shows that

access to the justice sector in 2020/2021 dropped by 14% as compared to 2018. Since this data covers the period July 2020-July 2021, it can be assumed that the pandemic had a significant impact on access to justice. However, considering the fluctuating cycles of the pandemic, it is likely it is not the only factor determining the decrease. This Survey also records that key challenges facing the security and justice institutions are people's lack of trust, perceived lack of independence and prevalence of corruption within their ranks<sup>13</sup>. In the West Bank, this perception concerns predominantly judges of regular courts, to a minor extent prosecutors and, to an even lesser extent, Sharia and Family Court judges. These perceptions are complemented by the level of individuals' satisfaction with their performance, which in the PCBS survey is higher for the Sharia Courts and lower for the regular courts, marking a marginal decrease from the previous survey. These perceptions contrast with the fact that the Sharia court was not functioning for the first months of the pandemic, while the regular judiciary underwent in 2019, 2020 and early 2021 major upheavals and reforms that aimed to address the people's lack of trust and perceived corruption. The regular judiciary strived to ensure business continuity throughout 2020.

With regards to progress in the **implementation of the human rights obligations**, this has been mixed and the

13- More than the half of regular judges (%56) believe that people's lack of trust in the regular judiciary is a challenge, while lack of independency is a challenge from the viewpoint of %30 of regular judges. While the prevalence of corruption is a challenge according the viewpoint of %12 of regular judges. The above three challenges (people's lack of trust, lack of independency and prevalence of corruption) ranked differently among prosecution members, where the percentages of these challenges reached %26 ,%32 and %8, respectively. However, the percentages of these challenges reached %9 ,%27 and %4, respectively, from the viewpoint of Sharia judges." <https://www.pcbs.gov.ps/post.aspx?lang=en&itemID=4115>

progress made shows some though not full commitment to comply with Treaty Obligations. In 2020 Palestine submitted State Party reports to the International Covenant on Civil and Political Rights (ICCPR) and International Covenant on Economic, Social and Cultural Rights (ICESCR), thus completing the submission of initial Reports under all Treaties, except for the two Optional Protocols to the Convention on the Rights of the Child (CRC). Still in 2020, Palestine participated in treaty body review under CRC, which resulted in key recommendations, and reported on follow up on observations stemming from the CEDAW and Committee on the Elimination of Racial Discrimination (CERD) review procedures. However, in 2020 no treaties were published yet in the Official Gazette, which hinders the implementation of Treaty obligations.

In 2021, CERD was published in the Official Gazette becoming the first published human rights treaty in Palestine. Just before its publication, the CERD issued a decision on the admissibility of the inter-State communication submitted by the State of Palestine against Israel, where it considered the complaint admissible and assigned an ad hoc conciliation committee to attempt to reach an amicable solution between the parties concerned. The Ministry of Interior's action plan for 2021 includes the establishment of a National Preventive Mechanism under the Optional Protocol to the Convention Against Torture (OPCAT) as first priority. However, this was not implemented as scheduled. Finally, neither in 2020 nor in 2021, the Ministry of Women Affairs have reported on implementation of recommendations under CEDAW.

The **first expected outcome** concerns **legal compliance of national legislation and institutions with rule of law international obligations and standards**. No progress is reported for 2020 in the harmonisation of legal framework and the legislative procedure. The legislative developments of 2020, the Laws by Decree on the Judicial

Authority (JAL) and on the Formation of Regular Courts, clarified the mandate of the High Judicial Council (HJC) and the courts but not the status of the prosecution and the mandate of the Ministry of Justice. Moreover, the three decree law s(39, 40, and 41), approved in December 2020 and published in January 2021, did not follow a transparent and inclusive consultative process, except for some consultation on the JAL, and deviated the competence to initiate legislation on justice matters away from the executive - the Ministry of Justice - in line with the principle of separation of powers set out in the Palestinian Basic Law. Donors, international missions and implementing agencies stand ready to support inclusive and transparent processes with technical expertise.

The **second expected outcome** is focusing on **accountability of public institutions**. 2020 data is not available in English.

The **third outcome** on anti-corruption processes saw some progress. In 2020, the Palestinian Anti-Corruption Commission (PACC) reports an increase in the number of cases that led to a formal investigation and in the number of final convictions rendered by the Anti-Corruption Court. Moreover, the PACC developed an action plan to improve Quality Management and Anti-Bribery System. This, however, has a preventive function, which has no influence on enhancing the quality of evidence gathering, investigation and litigation. In addition, the PACC formed a committee to prepare guidelines on Gifts and Disclosure of Conflict of Interest Regulations.

The **fourth outcome** concerns the **independence, impartiality, transparency and accountability of the justice system**. In 2020, no new prosecution members were recruited. Data on the judiciary is not available. As regards the adoption of measures to safeguard the independence of individual judges and prosecutors, in 2020/2021, civil society and the international community raised substantial concerns

through LACS on the three decree laws approved in December 2020 and published in January 2021. It was observed that changes do not bring Palestine further into compliance with international standards and rather raise further concerns over the independence of the judiciary. Specific remarks that the international community shared with the heads of justice institutions related to issues concerning 1) Security of tenure and irrevocability, including the probation period for newly appointed judges, provisions for early retirement, transfer, delegation and secondment to non-judicial positions; 2) Selection, recruitment and appointment, including the appointment of the Chief Justice, provisions for Evaluation and the disciplinary process; provisions for immunity and for duties and responsibilities; Termination of office. Related concerns were raised as regards provisions for the public prosecution.

The **fifth outcome** aims at: **Justice is better accessed and increasingly administered in line with fair trial standards.** In the High Court, efficiency improved. The ratio of adjudicated cases to incoming cases was 106.8%, thus the court has adjudicated all incoming cases for 2020 plus 6.8% of the pending cases, reducing the number of pending cases. This was nonetheless in the context of 32.8% decrease of cases received in 2020 compared to 2019. Moreover, a preliminary assessment of the appeal courts' efficiency that civil society conducted in 2020 found that the vast majority of hearings, on average, resulted in a postponement, without leading to any progress in the criminal proceedings. In some courts, 9 out of 10 hearings are postponed.

As regards detention centre, the Corrections and Rehabilitations Centres Department in 2020 the prison population in pre-trial detention remained stable at approximately 50%. Moreover, there exist temporary

detention centre and many security forces have detention centres in the West Bank. Most prisoners in these centres are not sentenced.

With regard to human rights' violations reported by monitoring bodies and followed through by the judicial authorities, the Independent Commission for Human Rights (ICHR) reports for 2020 a significant deterioration in respect for fundamental freedoms, particularly freedom of peaceful assembly and freedom of expression. The ICHR also reports on accountability of Palestinian institutions in different cases, including for violations of the right to life, cases of torture and ill-treatment and compensation for victims, cases of arbitrary arrest and unlawful detention. For 2020, its findings on accountability show a problematic environment as the authorities in the West Bank and the Gaza Strip provided responses on a number of unnatural documented deaths (42% in the West Bank and 64% in Gaza) but reported few to no investigations into citizens' complaints on allegations of torture and ill-treatment, arbitrary arrest and unlawful detention. On a positive note, for 2020, the ICHR reports a lower number of allegations of torture and ill-treatment than in previous years<sup>14</sup>. The Public Prosecution reported it created a special register for complaints received by the Human Rights Unit related to crimes of torture and complaints referred by the Attorney General, where 14 complaints were officially registered and all necessary legal measures were taken.

The **sixth outcome on Women, children and vulnerable groups, have access to justice and benefit from integrated services.** The efficiency of the juvenile prosecution is improving contextually to an increase in access to mediation procedure for juvenile cases. As for gender justice, at the onset of the pandemic in 2020 victims of violence could not access shelters as the rate of

14- In addition to the figures in the matrix, ICHR found that most citizens filed complaints about being subjected to arbitrary arrest and unlawful detention against the Palestinian security forces. Such allegations amounted overall to 331 against the Palestinian Security Forces in the West Bank and to 204 in the Gaza Strip. In 2020, the WB Prosecution Office reported no investigations against such complaints, while the Gaza authority did not respond.

domestic violence increased. Family and personal status cases were also suspended with the temporary closure of the Sharia court. An emergency plan for access to family courts during the pandemic showed the need to bring cases on gender based violence into the criminal justice system while the Sharia court had to deal with an increased caseload on divorce, custody, visitation, maintenance, and alimony in a context of reduced capacity.

### B. Policy dialogue and reform process in 2020/2021

EDPs-PA coordination continued on the established objectives and bilateral and joint channels under the framework of the EJS's pillar on Security, Rule of Law and Justice that provides strategic coherence to EDPs' operational and financial support.

From a policy dialogue perspective, both the EDP-PA dialogue sessions conducted in October 2020 under the EJS and the Human Rights, Governance and Rule of Law Sub-committee meeting in November 2020 under the European External Action Service-Palestine Action Plan focused on key rule of law challenges, including the legislative process, judicial independence and overall separation of powers within the PA. Dialogue on these issues continue in 2021 through the wider donor coordination platform of LACS on Justice, which resumed its meetings after an interruption of over one year. In addition, in 2021 dialogue also addressed the increased violations of freedoms of expression and media by the authorities and lack of institutional accountability, particularly of security forces.

### C. Theory of change in 2021 – proposed adaptation

The theory of change and intervention logic remain valid. Following last year's report, the ROF on Rule of Law and Justice was

revised. This entailed the restructuring of coordination modality and clarification of responsibilities for data collection. The revision resulted in the streamlining of impact and outcomes. In addition, some indicators were simplified and rationalised based on international standards, particularly the Venice Commission's Rule of Law Checklist, while others were added upon request of the Palestinian institutions. Work is still required to better align the Rule of Law ROF with the PA Justice Strategic Results Framework. This alignment should ensure that progress is measured at outcome level by both the PA and the EDPs. For this to happen, an agreement is required with the heads of the institutions.

### D. Priorities for policy dialogue and future programming

Priorities for policy dialogue and future programming remain the same since 2018! EDPs reaffirm their aim to support to the PA to:

1. **Adopt and implement a normative framework for policy and law making that mainstreams international human rights treaties Palestine has acceded to.**
2. **Strengthen independence, accountability and effectiveness of the judiciary.** This includes: 1) clearly defining mandates, procedures, responsibilities and enforcement mechanisms for each justice institutions and for the system as a whole, in line with international standards and best practices; 2) enhancing transparent procedures for recruitment, appointments and removals of judges in line with international norms; 3) ensuring competence and specialisation, including through trainings.



3. **Establish a fair, transparent and equitable justice system and enhancing access to justice and legal protection for Palestinian citizens** in line with international norms and standards, with special attention to vulnerable groups, women and children. The creation of a national mechanism for legal aid to enhance access to justice is a priority.
4. **Establish an accessible administrative justice**, with two levels of judicial review and giving courts powers to remedy violations committed by central and local administrative institutions.
5. **Enhance constitutional justice by aligning the Law on the Supreme Constitutional Court to Venice Commission standards**; enacting rules of procedures including on disciplinary matters and building legal capacity of staff through trainings.
6. Expediently adopt the **Family Protection Bill and the National Protection Mechanism** in alignment with international norms and standards, while ensuring proper and timely consultation of CSOs and other organisations. Progress achievement with regard to these laws and the underlying CEDAW and Convention against Torture Treaties will be monitored as quality indicators of progress (or lack of) with regard to the PA's overall compliance with and implementation of international treaties and commitments regarding human rights as well as the 2030 Agenda for Sustainable Development.
7. In the absence of a functioning parliament, **empower the oversight role of relevant administrative bodies such as the Independent Commission of Human Rights and the Anti-Corruption Commission**, as well as CSOs.

## PILLAR 3: SUSTAINABLE SERVICE DELIVERY



## EDUCATION

Lead: Finland/Ministry of Education (MoE)/Ministry of Higher Education and Scientific Research (MoHESR)

### A. Main progress and challenges at impact and outcome level in 2020/2021

At **impact level**, the EJS, in line with the Education Sector Strategic Plan and the NPA, contributes to ensuring that **children and youth in Palestine enjoy inclusive and equitable quality education and lifelong learning opportunities**. The major vulnerabilities in education, caused by attacks on schools and movement restrictions, inadequate infrastructure and poverty, were further exacerbated by the COVID pandemic. Prolonged school closures and shift to hybrid and online learning resulted in a learning loss, which cannot yet be measured at the level of ROF indicators due to lack of data. These factors undermine education quality and equality, and might cause school dropout. In Gaza, the Israel air strikes in May 2021 damaged to approximately 150 schools and resulted in resources being redirected to reconstruction and humanitarian needs.

Despite all the challenges, some progress was also recorded under the **first outcome** related to **access to pre-school**. In line with the government policy to open pre-school classes in marginalised areas, access to pre-school education continued to improve in 2020-2021. The gross enrolment rate (GER) in pre-school education improved substantially by 3.8 percentage points to 76.5%, with some disparity in favour of boys in Gaza and in favour of girls in the West Bank. There are growing geographic inequalities with little efforts made in opening public pre-school classes in Gaza. The negative trend in GER in Gaza was reversed with modest

improvements, but data still suggests families are struggling to afford private pre-school education. Efforts are needed to bridge the parity gap by investing in pre-school education especially in Gaza. Apart from expansion of public provision, support to private pre-schools is needed to enhance their quality and affordability. In 2020, the Ministry of Education (MoE) and the World Bank launched a new Early Childhood Development project that seeks to accelerate these efforts.

For the **second outcome on access to basic and secondary education**, Palestine sustains near universal enrolment rates in basic education (grades 1-9) and gender parity has been achieved. However, an estimated one third of children with disabilities do not access education. The positive trend in net enrolment rate in secondary education (10-12) reversed, with a 1.6% decline to 77.4%. Gender disparity in favour of girls continued, although somewhat reduced (girls 86.7%, boys 68.4%). The percentage of schools with resource rooms to support students with special needs frog-leaped in the West Bank to 28.8% of schools, but decreased in Gaza. It is not evident to which extent the inclusive education policy as a whole is implemented. Full data on violence experienced in schools (including physical, verbal, and sexual violence) is not available, but anecdotal evidence and limited available data suggests the positive trend continued, although partly due to prolonged closures of schools. Partly for the same reason the number of public school's students and teachers detained, injured or killed by Israeli security forces decreased drastically compared to the previous year. Two students

died, 175 were injured, 161 arrested, and 101 detained (compared to 6 deaths, 943 injuries, 245 arrested, and 693 detained in the previous year). In 2020 the Education cluster recorded 119 incidents in the West Bank and Gaza affecting 7,757 students and 615 teaching staff, compared to 328 incidents recorded in 2019. Nevertheless, safe and unhindered access to education and the protection of educational facilities from attacks continued to be a concern. In the West Bank, four incidents of demolitions or confiscations of school assets by the Israeli security forces were recorded, and 53 schools are at risk of demolition.

In **East Jerusalem**, the education directorate remained closed due a military order. There is a shortage of 3,000 classrooms for the Palestinian residents, and many schools need to operate in substandard premises, lacking playgrounds, libraries and science and technology labs. East Jerusalem schools also face increasing pressures by the Israeli authorities to replace the PA curriculum with the Israeli one.

The **third outcome** in line with the education sector strategy is to **enhance student-centred teaching and learning pedagogy and environments**. In 2020, the MoE continued to improve the quality of school curricula, and continued the process of revising all textbooks based on the recommendations of a 2020 evaluation of the curriculum reform. Further, MoE and partners continued to invest in school construction, renovation and equipping classrooms with appropriate educational technology and resources.

The **fourth outcome on access to the labour market with relevant technical and vocational skills** recorded an increase in the share of the enrolment in secondary vocational streams from 5.1% to 6% of the age cohort. However, at the same time female enrolment decreased in the vocational streams. Only 1% of girls against 6 % of boys attend vocational secondary education.

## B. Policy dialogue and reform process in 2020/2021

In 2020, the Ministry of Higher Education and Scientific Research (MoHESR) developed and implemented the higher education sector strategy, while the MoE updated and extended the Education Sector Strategic Plan. EDPs stressed the need to strengthen the evidence-base of the updated strategies, carry out a prioritisation process, and establish policy-based targets.

Relatively active policy dialogue in the education sector continued despite the COVID pandemic, largely virtually, and took place in the LACS education sector working group and through various thematic working groups (TWG). Both ministries were represented at the sector working group with the MoE keeping the chair. Ireland continued in its position of deputy chair. TWGs were reformulated and regrouped, first in 11 groups and later in 2021 in seven groups. In 2020-2021, the annual sector review could not take place due to COVID-19.

## C. Theory of Change in 2021 – proposed adaptation

EDPs support the education sector through a sector-wide approach and align their support with the education sector strategic plan. In this way, EDPs can contribute meaningfully and sustainably to system-wide impact. The joint financing arrangement (JFA) as well as direct financial support via PEGASE are the main mechanisms of support from the EDPs, with the exception of TVET and higher education where bilateral funding dominates. Sector-wide support strengthened sector-wide planning, monitoring and evaluation as well as enabled a close partnership and policy dialogue with MoE moving several sector-wide reforms forward. However, EDPs' engagement with the MoHESR is less intensive due to the absence of similar sector-wide mechanisms for support.

Plans for major revision of the EJS education theory of change and related ROF to strengthen its significance as a tool for policy dialogue were postponed due to COVID pandemic related challenges. Instead, changes to the ROF were incremental, including modification of some indicators and a new indicator on green school buildings. EDPs expect the MoE to strengthen results-based management ensuring that the strategic objectives, indicators and targets set for 2023 better reflect policy priorities. Some discrepancies in the ambition level in the targets are still evident, for example the targets do not aim at increasing parity in terms of gender nor in terms of geographic inequalities. Indicators on access for students with special needs should also be considered.

#### D. Priorities for policy dialogue and future programming

1. MoE and MoHESR should continue efforts to **strengthen accountable and results based management of the education system**. EDPs should continue dialogue on prioritisation and target setting with both Ministries ensuring that the strategies are well prioritised and feasible, budgets are allocated to core policies and activities and that targets aim to actively reduce inequalities.
2. EDPs should support MoE in **managing and mitigating the impact of COVID-19 and the learning loss, as well as fiscal challenges faced by the PA** to protect education and minimise any disruptions in education delivery in the West Bank, including East Jerusalem, and Gaza. This also involves continued support to UNRWA to enable the agency to deliver basic services including education. All reforms and investments should be reaching out to Gaza.
  - Even if school year 2021-2022 has started in classroom education mode, a return to online learning (part- or full-time) may be necessary at some point. MoE with the support of partners should ensure no one is left behind, especially poor children, and children and youth with disabilities who may not have the technological means to benefit equally from the provision on the eSchool platform and educational TV.
3. MoE should invest in **early childhood education** and reverse the trend of declining government investment into the pre-school programme.
4. MoE should ensure **safe, inclusive and equitable access for boys and girls** as well as students with special needs. Accelerated and comprehensive implementation of the inclusive education policy and a review of the effectiveness of resource rooms are needed. Furthermore, MoE should accelerate efforts to enhance the quality of education for boys, and reducing the growing disparity in enrolments of boys and girls at secondary level. In light of COVID-19 and the worsening socio-economic conditions, the dropout rate needs close monitoring, and adequate responses when needed.
5. MoE should continue efforts to **ensure schools are safe and violence free**. MoE should accelerate implementation of the non-violence policy with zero tolerance to violence and clear accountability measures. EDPs should enhance their support to the PA for the protection of children's right to quality education and seek to hold all duty bearers accountable for violations of this right. Reporting on its violation should continue through the Children in Armed Conflict Working Group and the UNCRC reports as well as through the education cluster and relevant civil society organisations.

6. MoE and MoHESR should continue efforts to **improve learning outcomes and making education more student-centred**. Data on learning outcomes should be better analysed and utilised, including through international learning assessments (PISA, TIMMS) to identify trends, bottlenecks and more targeted interventions. The MoE is encouraged to continue its efforts to improve the quality of the curriculum, and other quality-related reforms.
7. In **education governance**, the MoE should continue the decentralization and delegation of powers to municipalities and schools, and improve accountability at all levels of the system.
8. The **TVET Commission** should be supported by EDPs and line ministries to fulfil its strong mandate with a view to enhance quality, access and attractiveness of TVET.
9. MoE, MoHESR and EDPs should pay increasing attention to **teacher policy and pre-service teacher training, including in gender issues**.
10. EDPs should provide more support and attention to **higher education, including in terms of quality and relevance**.
11. EDPs should provide more support and engage in dialogue to use school education more effectively to improve the **youth awareness on environment and climate change**.

## HEALTH

Lead: Italy/Ministry of Health (MoH)

### A. Main progress and challenges at impact and outcome level in 2020/2021

The EJS, in line with the Sustainable Development Goal 3, the NPA and the National Health Strategy, aims to contribute to universal health coverage, in order to leave no one behind, especially the most vulnerable. The outbreak of COVID-19 negatively affected the Palestinian economy and worsened the financial crisis and amount of arrears that the MoH owes to health suppliers and providers (estimated at more than ILS 1.5 billion). Since March 2020, the WHO office in Palestine and its partners gradually expanded support to the MoH to prepare for the challenges related to COVID-19. Despite this, the COVID-19 emergency has put great pressure on the health system, both in the West Bank and Gaza Strip, and has had a detrimental impact on the already precarious Palestinian socio-economic fabric. It also exacerbated the main challenge of the PA health financing system, relying on unpredictable and unsustainable donors' funding.

At **impact** level, the identified indicators are reflecting some SDG 3 targets. For Maternal mortality ratio per 100,000 live births, MoH data shows an increase in reported cases of maternal mortality (19.5 in 2019 and 28.5 in 2020). This could be attributed to national efforts to improve the maternal mortality reporting system. It could also be a consequence of the COVID-19 pandemic (10 of the reported maternal mortality cases in the West Bank were due to COVID-19 infection as per MoH data). In addition, according to OCHA, the redirection of resources from the provision

of sexual and reproductive healthcare, obstetric and neonatal care and nutrition services has affected an additional 80,000 vulnerable women and 210,000 children, including 25,000 neonates<sup>15</sup>. For infant and under five mortality, the indicators both decreased, respectively 6.8 and 8.2 per 1,000 live births, between 2019 and 2020. Finally, the mortality attributed to cardiovascular diseases, cancer, diabetes and chronic respiratory disease slightly decreased compared to 2019, despite an increase of diabetes related deaths. Non-communicable diseases (NCDs) continue to be the lead cause for death, therefore prevention and management of NCDs continue to be one of the main strategic priorities for MoH.

The **first expected outcome** of EDP support is to **Improve Health Insurance Coverage**: in 2020, the MoH reported a total of 1,291,608 people covered by governmental health insurance in the West Bank, which shows a slight decrease, compared to the previous year (1,294,533). The health insurance system remains fragmented, leaving a high proportion of the population not covered. As for the population in Gaza, an exemption from the insurance premium payment is guaranteed and the provision of all governmental health services is free. This requires a strong effort by MoH to review and update the health insurance system to improve coverage and ensure equitable access to healthcare services, in particular for vulnerable and marginalized population. At the same time, the support to MoH by EDPs should focus on advocacy and resource mobilization.

15- UN OCHA oPt, Humanitarian Needs Overview (HNO), 2021



**The second expected outcome is to improve efficiency of the health care system.** The total number of medical referrals in 2020 decreased compared to the previous year (104,881 referrals in 2019 and 80,013 referrals in 2020). The number of medical referrals inside Palestine decreased by 21% compared to 2019 and referrals outside Palestine dropped by almost 50% (11,209 in 2019 to 5,637 in 2020). This decrease in referrals could be a consequence of restrictions of movement due to the COVID-19 crisis and limited movement from Gaza for political reasons, however, more analysis is needed to examine the factors behind this trend and if it can be linked to reforms in the referral system and in service delivery. Although slightly decreased compared to 2019 (ILS 924 million), the total cost of referrals continues to be high standing at ILS 826 million, and still representing a major financial burden on the health system, which accounts for 40% of total government health expenditures, in spite of the reform undertaken by MoH. The PEGASE (EU, Italy and Finland) annual contribution to the payment of unpaid bills of medical referrals to East Jerusalem hospitals through is necessary for the PA to maintain the availability, access and sustainability of specialized services. Due to the COVID-19 emergency crisis, in 2020, a total of EUR 26.5 million were made available, with EUR 17 million disbursed in May and August (EUR 13 million from EU, EUR 3 million from Finland, and EUR 1 million from Italy) and a top up of EUR 9.5 million from EU disbursed in October.

Developing a health financing strategy is a prerequisite to ensure the efficiency, sustainability and resilience of the healthcare system, especially to face future shocks and emergencies. The Ministry, with development partners' support, needs to improve service planning, service providers' coordination and local capacity. EDPs should support MoH strategy of nationalizing the specialized health services, to improve accessibility of tertiary services

for the population and eventually reduce the costs of referrals.

With DPs' support, MoH achieved positive results in Primary Healthcare using the family practice approach. The results show that 500 health workers were trained in 2020 and 50% of Primary Health Care units applies this approach, compared to 38% in 2019. The approach was fully implemented in three governorates (Salfit, Tubas, North Hebron), and partially implemented in four governorates (Tulkarem, Ramallah, Bethlehem and Jericho). MoH aims at achieving 100% of Primary Health Care units adopting the family practice approach in the next 5 years.

The impact of the political and security situation on mental health, especially in Gaza, requires greater attention, and EDPs should consider supporting mental healthcare services. Currently, there are 0.41 active psychiatrists per 100,000 people, well below the global median of 1.3<sup>16</sup>. Despite the increase in the number of MoH mental health professionals from 178 in 2019 to 204 in 2020 in the West Bank, this is still less than the baseline of 292 in 2017 and is not sufficient to address the steadily increasing needs. In 2020, a significant increase of check-ups of persons with a severe mental disorder was registered in Palestine (15,386 in 2019 and 84,952 in 2020) due to the COVID-19 pandemic restrictive measures<sup>17</sup> and reached a peak in Gaza after the May 2021 bombing.

**The third expected outcome is to improve coverage and effectiveness of primary and secondary prevention programmes.** In 2020, the target number of governmental mammographic screening exams was not achieved due to a significant decrease of screening tests performed (11,420 in 2019 and 5,613 in 2020), attributable to the COVID-19 pandemic (closure of some screening centers, infection of health workers, women's reluctance to go to screening centers for fear of contracting COVID-19, and postponing the maintenance

16- <https://palestine.unfpa.org/en/news/statement-united-nations-humanitarian-coordinator-and-resident-coordinator-jamie-mcgoldrick>

17- Youth study, December 2020



of malfunctioning mammography devices). Despite the halving in the number of tests performed, an increase of 0.85% in the percentage of breast cancer detection out of total women screened was registered. It is recommended that MoH collect and monitor data on the number of detected cases disaggregated by the different stages of cancer, with the aim to increase detection of breast cancer at an early stage. The MoH highlighted the need to train health staff (doctor, nurses and radiologist) and renew equipment to keep the same positive trend.

Regarding obesity in schoolchildren, as the screening of children's nutritional status is usually performed at schools, it was not done in 2020 due to COVID-19 and the subsequent periodical closure of schools. Overall, the MoH should enhance its prevention and management programmes with a focus on improving healthy lifestyles (unhealthy diets, physical inactivity, etc.).

**The fourth Outcome** is to expand access to health services for marginalized people. The number of persons and communities benefitting from mobile clinic services continued to increase as a result of the programme implemented and managed by MoH, in cooperation with donors and WHO.

**The fifth outcome** is to strengthen health system response to violence against women and children. The indicator on Gender Based Violence (GBV) includes all services provided by the GBV National Referral Services System (NRSS) and only refers to MoH facilities. In 2020, the number of facilities increased to 33 (compared to 29 in 2019) but provided services to slightly fewer survivors (1,068 in 2020 compared to 1,982 women in 2019). However, there is an indication that the prevalence of GBV, including domestic violence, sexual abuse and forced-marriage increased since March 2020 due to COVID-19 related restrictions and lock-down. Women with disabilities survivors of GBV have been particularly affected<sup>18</sup>.

**The last outcome** is on **Environment safeguards and reduction of occupational health risk factors with community participation**. In 2019, only 32% of the health facilities in the West Bank had integrated the medical waste management system complying with the endorsed health protocols, with no change compared to 2018. In 2020, the trend changed with 40% of the health facilities now adopting the medical waste management system. The COVID-19 pandemic underlined the need for MoH to invest in data collection on medical waste management.

Regarding **the legislative reforms**, there is no progress to report as the bylaw for tobacco is still waiting for cabinet approval and the bylaw for nutrition (sugar and trans-fat) is still under definition.

With regard to gender mainstreaming, MoH continues to collect and share almost all relevant health data disaggregated by gender. Unfortunately, some health reports still do not present all data with gender-disaggregation and the analysis is not adequate to guide policy and planning.

## B. Policy dialogue and reform process in 2020/2021

In 2020/2021, similarly to the previous years, MoH with the support of EDPs, focused on reforms concerning universal health coverage, health spending and health insurance, accreditation and payment system of private hospital providers. However, the COVID-19 emergency preparedness, response and recovery became the actual priority in 2020.

During 2021, the level of coordination and cooperation between all stakeholders increased, especially to coordinate the response to the COVID-19 pandemic and the emergency situation during the Gaza bombing in May. However, COVID-19 prevented the Health Sector Working Group to meet and only one meeting was held in

18- UN OCHA oPt, Humanitarian Needs Overview (HNO), 2021

2020. In 2021 though, there have been three in the first three quarters of the year and a fourth is planned for the last quarter, thanks to the joint effort of LACS, MoH, co-chair and technical assistance.

Finally, EDPs' policy dialogue with MoH since the beginning of 2020 focused on the feasibility of supporting the health financing policies, including health insurance reform, to enhance the sustainability of the health sector and achieve progress towards universal health coverage.

### C. Theory of Change in 2021 – proposed adaptation

Considering the protracted crisis and recurrent shocks, EDPs and other partners, together with MoH have looked into the operationalization of the Humanitarian-Development-Peace Nexus in the health sector. Future EDP programming should increasingly focus on the preparedness and response capacity of the duty bearer at central and local levels, but also of the local communities to cope with future disasters, calamities or epidemics. The next ROF 2021-2024 will reflect better the nexus approach, necessary for effectiveness and sustainability objectives.

Jointly with MoH officials, the health ROF results chain was revised to further strengthen its significance as a tool for policy dialogue. As part of the outcomes review, the indicators "Percentage of overweight and obese school children" under outcome 3 and "Number of persons and communities in area benefitting from mobile clinic services" under outcome 4 were removed since UN agencies carrying out these activities. Moreover, some milestones and targets were updated. Some indicators are still related only to West Bank, leaving out Gaza, which represents a limit and will need to be addressed properly in the future.

### D. Priorities for policy dialogue and future programming

1. Considering the protracted crisis in Gaza and recurrent shocks in Palestine, and taking lessons from the COVID-19 global crisis, future EDPs' programming in the health sector should be based on a **triple nexus analysis and focus on preparedness and response capacity of the duty bearer at central and local levels including local community participation**. In particular, EDPs should consider supporting MoH in mitigating the negative impact of COVID-19 on the health system and ensuring access to essential health care services including for vulnerable and marginalized groups, at all time;
2. EDPs to consider supporting MoH to strengthen **health financing strategies** focusing on: improving efficiency of the health system; rationalization of health expenditures, in particular health referral cost; updating health insurance system and supporting Family Practice Approach, which are all considered key for achieving progress towards Universal Health Coverage;
3. The **health information system** is inadequate; data quality, analysis and reporting are undermined by limited availability of disaggregated and stratified data by users' socioeconomic status. Such data and analysis are needed to assess and monitor health inequalities and guide evidence-based policy-making and programming focusing on disadvantaged groups. EDPs support would be needed to strengthen MoH capacity in data collection, data analysis and reporting.
4. The MoH should address **chronic non-communicable diseases and maternal and new-born health in terms of preventive, primary and secondary health services**;

5. The MoH should prioritise the **community mental health system** which requires integration of Mental Health and Psychosocial support (MHPSS) into health facilities; develop MHPSS rehabilitation services and raising the awareness of the community;
6. The MoH with EDPs support should monitor/evaluate the status of the implementation of the **National Referral System Services for women and children survivors of GBV**. It entails awareness-raising and educational actions and increase number of public and private health facilities with a special triage for women survivors of GBV as well as introduction of a similar system for children.

## SOCIAL PROTECTION

Lead: EUREP/Ministry of Social Development (MoSD)

### A. Main progress and challenges at impact and outcome level in 2020/2021

**At impact level, Reducing poverty (SDG 1)** is one of the main objectives of the sector under the responsibility of the Ministry of Social Development (MoSD) although poverty reduction is a cross-sectoral issue and dependent to other SDGs. This is measured by the proportion of population living below the national poverty line, by sex and age (SDG 1.2.1 and also in the Result Framework of the Social Development Sector Strategy 2021-2023). For 2020, there are no updated statistical poverty figures, as PCBS will carry out the next Palestinian Expenditure and Consumption Survey (PECS) in 2022. However, the World Bank projections reported 28.9% of national poverty rate while ILO estimates report 31.9% with the COVID-19 impact. According to the World Bank's Economic monitoring report to the Ad Hoc Liaison Committee (17 November 2021): *'In the West Bank, poverty rates are lower but sensitive to shocks in household expenditures, while in Gaza any change in social assistance flows can significantly affect the population's wellbeing.'* *The recent conflict in Gaza has resulted in worse social conditions in the Strip. Bank estimates suggest that the conflict has pushed poverty in Gaza to 59.3 percent in 2021 (using USD5.50 a day (2011 PPP) international poverty line).'*

The second indicator is on the proportion of population covered by social protection floors/systems, by sex, by age (corresponding to SDG 1.3.1 selected by the Social Development Sector Strategy 2021-2023 results' framework). This is

estimated by MoSD at 12% in 2020, as MoSD estimates that the 114, 399 families (equalling to 572,000 persons using PCBS reference of family of 5 individuals: 2 adults and 3 children) benefiting from the Cash Transfer Programme, school fees exemption, food assistance and free health insurance can be counted as covered by some social protection floors.

The Ministry will have to review its target considering the COVID-19 crisis that had a direct visible impact on poverty and will hamper the attainment of 0 poverty in 2030. The 14-years Gaza blockade and the 11 days hostilities between Gaza armed group and Israel in May 2021 affected families' livelihoods. According to the Office of the High Commissioner for Human Rights (OHCHR), *'253 Palestinians, including 66 children and 38 women were killed, of whom 129 were believed to be civilians. Almost 2,000 Palestinians were injured during the hostilities, including over 600 children and 400 women, of whom some 10% may suffer from a long-term disability requiring rehabilitation.'*

In 2020, the MoSD introduced and piloted the multi-dimensional poverty methodology in the Proxi-Means-Testing Formula used for social programmes targeting, including the Cash Transfer Programme. The aim is to improve the targeting efficiency and reduce the exclusion/inclusion errors.

The **first outcome** monitors **living standards of poorest and most vulnerable Palestinian** using the percentage of deep poor families receiving their four quarterly payment of social allowances in the West Bank and Gaza. The indicator has a red traffic light

since 2020 as only three payments out of four were actually disbursed. In 2020, some 114,399 families were registered in the CTP, which represents 771% of total deep poor families (98,239 with deep poverty scores while total number of deep poor families are 127,048 - PCBS 2017). 79,269 families live in Gaza and 35,130 in the West Bank. It included 47,647 female-headed households, 18,282 headed by a Person with Disability and, 37,476 headed by an elderly.

Despite the worsening situation and increase in humanitarian needs, only three of the four the CTP payments were made by MoFP in 2020 raising the total financial contribution PEGASE to 55% (NIS 409.2 million paid in total including NIS 225.6 million from PEGASE). This obliged humanitarian actors to increase their cash transfer programmes in Gaza, at the same time weakening the CTP country-systems that proved incapable, not only to cover the regular beneficiaries even less to increase coverage in case of crisis. In 2020, the Ministry was busy with the COVID-19 crisis and launched its 'Emergency Response Plan for Handling the Effects of COVID-19 on the Poor and Vulnerable Groups'. In 2020, the Ministry registered around 115,000 new households hit by the crisis and made a one-off payment of ILS 500 each to 9,504 families and distributed food and hygiene parcels to 98,000 families in the West Bank and the Gaza Strip (donor funded).

For the **second outcome** on *increased access to specialised social services for vulnerable Palestinians*, case management system was introduced in all directorates in the West Bank and is now being integrated into an on-line Management Information System in parallel to the e-social registry established by the Ministry and launched in December 2021. Unfortunately, despite the Ministry's effort to establish 12 Joint Planning Groups (JPGs), the Ministry was not able to transfer funding to them and none seem to be active in 2020 and their role during the COVID-19 is unclear.

As the Ministry as a key role in women empowerment and protection against Gender Based Violence protection, an indicator monitors the number of interventions performed by MoSD social workers (sessions of social, legal, psychological, health, and referral services) within Mehwar Centre and outside it provided to women by. In 2020, 3,438 social and legal services related to Gender Based Violence were provided by the Mehwar Center and 917 services by other MoSD social workers. This is difficult to interpret the meaning of this data and to use it for decision-making, and it seems minimal compared to the scope of the problem. As reported in the gender section (cross-cutting themes), the exposure of women and girls to gender-based violence has increase due to the COVID-19 pandemic and accompanying governmental restrictions, as reported by several actors globally and in Palestine: for example, the Women Center for Legal Aid and Counselling (WCLAC) reported a 69% increase in GBV consultations in April 2020, compared to the previous month. According to SAWA helpline, calls related to abuse and violence also increased by 20% on a weekly basis, between the last week of March and 9 April 2020. The week after, a 43% increase of such cases was reported, with 54 calls from women and 26 calls from men, the vast majority of which originated from the Gaza Strip. Furthermore, women and girls had to face additional challenges in accessing protection services due to movement restrictions, quarantine and lockdown: face-to-face interaction and access to GBV services in safe spaces have been significantly reduced or, in most cases, completely suspended and governmental shelters in the Gaza Strip has been closed and West Bank shelters were instructed to not admit new cases unless they underwent quarantine for 14 days, a challenge for shelters not set up to include quarantine facilities.

Finally, the **third outcome** on *'Private sector workers and family are protected by a social*

**security system'** saw some progress with the resumption of the national dialogue for the social security law under the coordination of ILO and MoL.

In terms of policy-making, the Law for People with Disabilities is in its final stage but uncertainty remains on the legal status of the future Higher Council for Disability. A costing of the law was carried out. The Law on protection of elderly was drafted without Development Partners consultations.

### B. Policy dialogue and reform process in 2020/2021

In 2020, the PA established a COVID-19 Social Impact Committee, chaired by the Minister of Social Development, to analyse the social impact of COVID-19 and make policy recommendations that were shared to all DPs.

In terms of EU-Palestine relations, a Sub-Committee on Social Affairs and Health took place virtually co-chaired by EEAS and MoSD. The discussion focused on social protection was focused on the response to the COVID-19 crisis response, but also on the consequences of the fiscal crisis on the vulnerable families.

One LACS Social Protection Sector Working Group meeting was convened in October 2020 where the Ministry presented the revised Social Development Sector Strategy 2021-2024 as well as the West Bank and Gaza COVID-19 response plan and funding gaps.

### C. Theory of Change in 2021 – proposed adaptation

While the Theory of Change does not change, more focus is given to shock responsiveness social protection system following the lessons from COVID-19 as well and reinforced coordination between the development actors and humanitarian

actors. The social protection system is direly affected by the non-execution of the PA budget in the social sectors in particular the Cash Transfer Programme.

The milestones for poverty reduction to reach the target of 0 poverty in 2030 should be reviewed and determined by the National Team for Combating Poverty, led by the MoSD, which is working on the development of a National Strategy to combat poverty in cooperation with Economic and Social Commission for Western Asia (ESCWA) and the League of Arab States.

The implication of the multi-dimensional poverty remains to be seen.

The focus of EDPs could change according the various pending laws being passed and requiring financial support for implementation but the main overall goal remain the roll-out of social protection floors.

### D. Priorities for policy dialogue and future programming

1. EDPs to reiterate to MoFP the need to **increase the financing of social sectors and to execute the annual budget in these sectors in particular for the CTP, to ensure ownership and predictability;**
2. MoSD with the support of EDPs to continue enhancing **shock responsiveness and resilience of social protection systems**, including through enhanced coordination (humanitarian/development, multi-sector, multi-ministry, multi-stakeholders). EDPs and PA institutions, including MoSD, to pursue the **nexus operationalisation for social protection;**
3. Cabinet to approve the **Family Protection Law** and MoFP to allocate budget for its implementation;

4. Cabinet to approve the **Law for the protection of People with Disability** and MoFP to allocate budget for its implementation;
5. EDPs to support MoSD in its key role for **protection of women survivors of Gender Based Violence**.

## PILLAR 4: SELF-SUFFICIENT WATER AND ENERGY SERVICES





## **PILLAR 4: SELF-SUFFICIENT WATER AND ENERGY SERVICES**

The COVID-19 pandemic and May 2021 bombing of Gaza showed the vulnerability of the operational and financial sustainability of key sectors and emphasized the interlinkages between the energy and water sectors. In May 2021, the power supply shortage obliged the three main desalination plants, providing services for more than 400,000 persons, to decrease their operation to the minimum or even stop their operation. Wastewater treatment plants suffered from severe operation shortages resulting in over 100,000 m<sup>3</sup> of untreated/poorly treated wastewater being discharged into the sea on a daily basis. While energy, water and wastewater services are back to pre-war levels, both sectors are still affected by the economic impact of the COVID-19 pandemic. The service revenue collection rates in both sectors, after years of progress, witnessed a significant drop.

## WATER

Lead: The Netherlands/Palestinian Water Authority (PWA)

### A. Main progress and challenges at impact and outcome level in 2020/2021

In line with the expected **impact objective**, the PWA and EDPs continued working on **improving access to and sustainable management of water and sanitation services** despite the dire financial situation of the water sector, the weak economy and additional crises (COVID-19 pandemic in 2020 and the Gaza bombing in May 2021). The PWA, however, exceeded the 2020 target regarding the percentage of households connected to a public water network (96.6%), foremost by utilizing PA funds to finance household connections. Good progress was also reported in Gaza regarding the percentage of households connected to a wastewater network, with 82% households connected against the target of 78%. In the West Bank, the percentage of connections<sup>19</sup> went down. Whilst water and wastewater services witnessed a drop during and in the immediate aftermath of the Gaza bombing, services are back to pre-war levels. To withstand future crises, additional efforts aim at strengthening the facilities' resilience.

The **first expected outcome on improved quality and reliability of water supply services** show signs of regress with the percentage of non-revenue water (34% West Bank / 40% Gaza) compared to previous years. The PWA states that the regress does not reflect the facts on the ground, where non-revenue water levels remained the same, but is rather the result of using a new source for means of verification (Water Sector Regulatory Council's database instead of PWA's

database). Under the new ROF 2021-2024 for the water sector, the WSRC will continue to report on non-revenue water data, which will be disaggregated (West Bank/Gaza) and additionally reported at bulk and retail level.

The percentage of water samples that are passing national quality standards is almost in line with the set target for 2020 (96% instead of the envisaged 97%). Following conveyed concerns about the reliability of this reported figure, the PWA mentioned that the indicator reports on samples taken from the source (groundwater, purchased water, springs) in the West Bank only, before distribution. These samples serve solely as an early warning system and inform the PWA on the environmental status of the aquifer. As of next year, samples taken in Gaza will be published as well.

The **second outcome on the financial sustainability of water and wastewater utilities and service providers** is not progressing. With almost all Palestinians in PA controlled areas connected to a public water network, additional efforts are necessary to improve the operational and financial performance of the sector. At bulk level, the water is subsidised and, at retail level, the water tariff (often) does not cover the running costs, not to mention the depreciation costs and future investments. The percentage of collection rates at household level (witnessed a - foreseen but significant - drop because of the COVID-19 pandemic (from 79% to 54%). Additionally, Local Government Units continue to use large amounts of the collected water revenues to support other municipal

19- Not all communities residing in Area C, where the PA has no administrative and security control, are taken into account within this figure

services, resulting in an accumulated debt of around NIS 1.5 billion. While EDPs can provide the required technical and financial means, strong cross-ministerial political will and clear lines of accountability are required to overcome the net-lending problem and improve the water sector's financial sustainability.

The **third outcome on improving wastewater management** coupled with re-use for agricultural purposes can help to reduce the water supply gap.<sup>20</sup> The indicator on wastewater treatment shows an improvement. The Tubas plant secured treatment of an additional 1,000 m<sup>3</sup>/day in 2021, while the Gaza central wastewater treatment plant secures treatment of 60,000 m<sup>3</sup>/day. This helped increase the percentage of wastewater treated almost reaching the target set for 2020 (21% West Bank, 44% Gaza). Previous years' data demonstrates an upward trend, but there is potential for additional development. In contrast, lack of funds, limited access to Area C and a stringent Israeli permit regime make it difficult to effectively plan and construct wastewater infrastructure in the West Bank, highlighting the need to complement financial and technical support, with political leverage. The indicator on agricultural land irrigated with treated water reports an additional 1,600 dunums compared to the planned 2,000. Still, the majority of wastewater flows into the environment. Apart from causing health and environmental hazards, it also increases pressure on the national budget of the PA because wastewater – at times – crosses the green line, where it receives treatment. These costs are (unilaterally) deducted from the clearance revenues the Government of Israel (Gol) collects on behalf of the PA without transparent billing system (the Gol should present a breakdown of amount of wastewater needing additional treatment and related costs).

At the level of induced outputs, there has been positive traction regarding the water sector reform. The PWA and the WSRC strengthened their relationship, marked by the signing of a memorandum of understanding, and the Council of Minister endorsed a reform plan, late 2020. Moreover, in 2021, the Council of Minister endorsed the - long awaited - 'Unified Tariff By-law' and the 'Establishment and Licensing of Regional Water Utilities By-law'. According to PWA's plans, focus for the upcoming years will be on the establishment of the National Water Company (with support from the World Bank, EU and Austria); amalgamate service providers into regional water utilities, and; restoring the financial equilibrium of the water sector.

## B. Policy dialogue and reform process in 2020/2021

The COVID-19 pandemic hampered the PWA's and EDPs' ability to convene physical meetings, but also underscored the need and value of coordinated cooperation. Unfortunately, joint dialogue between development partners and the PWA at the Water Sector Working Groups (Nov 2020) and established thematic working groups on Gaza (July 2021), reform (Sept 2020) and wastewater (Jan 2021) is still not up to par, as meetings are not held regularly. (Policy) dialogue continues to happen on a bilateral basis, despite repeated calls from EDPs to organize regular joint meetings, in line with PMO guidelines, to define and follow up on concrete action points in alignment with PWA plans and the water sector ROF.

A new water sector ROF for the period 2021-2024 was developed by PWA, the WSRC and the Netherlands (as European Lead for the sector) and included the development of an explanatory note to ensure a collective understanding of the

20- "The Palestinians will pursue their interests in connection with obtaining Palestinian water rights, including the fair right-of-access, right-of-control and right-of-use to all water resources shared with neighboring countries, in line with the principles of international law. At the same time, they will proceed in developing additional quantities of water from non-conventional water resources without infringing upon Palestinian Water Rights," National Water Policy and Strategy, p. 72.

indicators. The documents developed were circulated to EDPs for their input. Moreover, the PWA facilitated discussions between the WASH-cluster and WSRC to (1) strengthen the latter's database by including WASH-data at community level, and (2) quarterly report on an agreed number of early warning indicators. Both initiatives are a good response to EDPs' request for more reliable data, disaggregated by geographical location, and understood/accessible by humanitarian, development and peace actors to be used for evidence-based policy dialogue and programming.

Good progress was made on water sector reform, with the endorsement of the Unified Tariff Bylaw, and the Establishment and Licensing of Regional Water Utilities Bylaw. These bylaws will help accelerate much needed discussions on, amongst others, bulk and retail tariffs, subsidies, reconciliation of outstanding debts, collection rates, ring-fencing of municipal water accounts, operation and maintenance and non-revenue water.

### C. Theory of Change in 2021 – proposed adaptation

The development of a results framework for the period 2021-2024 took into account the comments received from civil society; the recommendations put forward in the external mid-term review of the European Joint Strategy 2017-2020; PWA's and The Netherlands' own findings to better harmonize separate interpretations on the ROF data and indicators and the Humanitarian Development Peace Nexus. The revised ROF is believed to better reflect the challenges of the Palestinian water sector, clarify EDPs and PA's respective roles to address these challenges, improve better informed policy dialogue and strengthen mutual accountability.

To ensure a common understanding of the water sector ROF 2021–2024, it is accompanied by an explanatory note to

provide more content on the need to track progress, who is responsible for the result and what calculation methodology will be used by the organization that will collect and report the data (source of verification).

### D. Priorities for policy dialogue and future programming

1. EDPs would welcome additional steps by the PWA to work more collaboratively with all stakeholders, in a coordinated and consistent manner, to jointly build the **resilience of the water sector for ongoing and future challenges, taking the Humanitarian Development Peace Nexus** into account. Thus, for the third year in a row, EDPs should continue to urge the PWA to organize Water Sector Working Group Meetings on a quarterly basis, in line with PMO guidelines, and institutionalize thematic working groups (Gaza, reform and wastewater). A message at the level of the PMO, which is in charge of donor coordination, should be considered.
2. **Cross-sectoral coordination and cooperation** should be prioritized to ensure that the endorsed by-laws and the governmental plan on reform are implemented and respected by all actors and sectors. This requires strong leadership from the PWA, coupled with support from the PMO and Cabinet Secretariat to ensure that other ministries act in accordance with the plans and implement the by-laws developed to improve the operational and financial performance of the sector. A new indicator in the water sector ROF 2021-2024 tracks service provider's compliance to the endorsed tariff; a relevant indicator to track water governance and adherence to legislation. EDPs are also encouraged to develop a cross-sectoral coordination mechanism between the

local government, water and public finance management sectors to help restore the financial equilibrium and address the net-lending bill. A similar mechanism should be looked into to help implement the Integrated Nexus Strategy for Water, Energy and Agriculture in Gaza.

3. Apart from supporting the governmental plan for the water sector reform, endorsed in October 2020, that includes restoration of the financial equilibrium, establishment of the National Water Company, and establishment of the Regional Water Utilities, **EDPs should consider supporting the institutional strengthening of the PWA.** This will enable PWA to be better positioned to achieve its strategic objectives in a sustainable manner and drive the water sector reform, as mandated by the Water Law.

## ENERGY

Lead: France/Palestinian Energy and Natural Resources Authority (PENRA)

### A. Main progress and challenges at impact and outcome level in 2020/2021

The Palestinian energy sector was not spared by the COVID-19 outbreak: the health crisis raised further challenges to securing the sector services while exemplifying the nexus between health, water, sanitation and energy sectors. The pandemic made it all the more apparent that access to energy represents both a stand-alone goal and a key tool in fighting economic (SDG10), gender (SDG5), education (SDG4) and healthcare (SDG3) inequalities. The year 2020 was also marked by a tense and volatile political environment which affected the sector.

In such a context, ensuring access to affordable, reliable, sustainable and modern energy for all in Palestine (SDG 7) as foreseen at impact level remained the ruling paradigm, dictating the objectives and outcomes to be pursued. In spite of the many political, economic and health constraints, some significant steps were taken. In the absence of progress in negotiating the Power Purchase Agreement (PPA) with Israeli authorities, the PA decided to adopt a new approach and energise the three remaining substations of Nablus, Hebron and Ramallah through an Interim Purchase Agreement. This agreement is set to have some positive impacts on overall access to electricity, in particular with respect to grid quality and sector efficiency. In the Gaza Strip, the electricity situation remains of concern. Electricity supply continues to be susceptible to political vagaries as illustrated by the suspension of electricity fuel delivery during the summer

2020 following the launching of incendiary balloons into Israeli territory or the 2021 Israeli-Palestinian crisis which generated power shortages.

In face of the dire economic conditions, the cost of electricity continues to be a financial burden for Palestinian people, especially for the poor and low-income segments of the population, more vulnerable to the health crisis. At **impact level**, there was no progress on the aim to **ensure access to affordable, reliable, sustainable and modern energy for all in Palestine**. As the electricity prices remained high in 2020, further efforts had to be placed to ensure sustainable electricity for all Palestinians. The average price per kWh sold to final consumer went slightly down – from 0.53 NIS in 2019 to 0.51 NIS in 2020 – (111.2) but could not meet the 2020 target (0.45 NIS) as the negotiations on the PPA stalled. The reported decrease may be due to imported power supply which rose again in 2020. While the percentage of electricity imported or purchased from non-Palestinian sources had dropped to 89.96% in 2019, it stood again at 92% in 2020, far from the targeted 85%. This figure comes as a result of the upgrading of the Jordanian import lines which enabled imports to increase from 26 MW to 40 MW. Although such an increase does not contribute to the development of an independent, self-reliant Palestinian electricity market as such, it should be pointed out that additional imports can help cover the growing electricity demand which is expected to increase steadily in the coming years. Such an assessment is especially true in the Gaza Strip where electricity supply depends on Israel and Egypt imports. In order to provide

a sustainable solution to the electricity crisis, the Gas for Gaza (G4G) project continued to move forward in 2020.

**Under the first outcome aiming at increasing renewable energy capacity to meet**

**Palestinian energy needs**, a new National Renewable Energy Action Plan (NREAP) was outlined in 2020 with the aim of further accelerating the deployment of renewable energy technologies. In an effort to diversify sources of electricity, the new draft strategy proposes to add 500 MW of Renewable Energy (RE) sources during the next ten years to reach a total capacity of 600 MW by 2030. The percentage of electricity produced from RE sources is expected to reach 20% from the final consumption in 2030. In line with this policy, some 120 MW of RE projects were installed in 2020, almost meeting the target of 130 MW. Such performance was made possible through extensive coordination with the private sector, strong commitments from EDPs and incentive legislation and policies. Despite the positive trend, the electricity produced from RE sources represents to date less than 3% of the total energy consumed, below the announced 5%. The main obstacles to investing in large RE projects continue to be the land availability and construction permits in the West Bank (Area C) and in the Gaza Strip. Energy Efficiency also stands as a high priority for the PA. While the indicator on amount of energy savings seems to suggest a positive trend, reporting on Energy Efficiency (EE) progress through accurate collected data continues to be a challenge. PENRA has been working on updating the EE strategy, with clear identification of areas for improvement. Rationalising the use of electricity in public buildings is one of them.

For the **outcome on Reliable electricity grid with functioning interconnection points, at distribution level**, the constraints encountered in energising the substations hampered efforts to improve the reliability of the electricity grid. Both technical and non-technical losses of the distribution companies remained high, at 20% for the

second year in a row. Reducing losses in the distribution system has been pinpointed by PENRA as one of the goals to be pursued in the energy projects of the next ten years, notably through the installation of smart-metering systems. The reform of the sector and in particular the creation of one distribution company covering all West Bank and one distribution company for the Gaza Strip will also be instrumental in consolidating the electricity network.

For the **outcome on Effective and efficient institutions and operators active in the energy sector**, some major challenges continue to hinder the implementation of a more efficient energy sector. The number of local communities which are not connected to distribution companies has been stalling for the past five years and stands at 114 while the number of connection points with the Israeli grid still far exceeds the target of 148. In times of COVID-19, the electricity collection rate decreased by 23%. However, progress has been made in restructuring the sector. The set-up of the institutional framework is now completed, which should help reduce net-lending and increase collection rate. An agreement was signed in July 2020 to pay the outstanding debt to Israel Electric Corporation (IEC) through 48 instalments, starting August 2020. The PA also intends to merge the five existing distribution companies in the West Bank into one company, which will allow better control of the distribution system and which will be more viable from a technical, financial and commercial perspective. The EU-led audit of the Gaza Electricity Distribution Company also provided ground for more transparency in the sector.

## **B. Policy dialogue and reform process in 2020/2021**

In 2020, due to the COVID-19 crisis, the EDP working group for the energy sector could only meet once remotely in Q3 while one remote LACS Energy sector working group meeting was organised in Q4 of 2020.

In the absence of regular update meetings during the first half of the year, these two working group sessions focused mainly on the latest developments in the sector, with inputs from PENRA. In preparation for the new Renewable Energy and Energy Efficiency strategies, ongoing and future programmes were discussed. While shedding light on the main achievements of the year (signing of the interim Purchase Agreement and energisation of the substations of Nablus, Hebron and Ramallah, upgrading of the power lines with Jordan, expansion of RE projects), these meetings served as a reminder of the main obstacles encountered by institutions, operators and consumers in the sector and the key steps to be taken in the implementation of the reforms.

### **C. Theory of Change in 2021 – proposed adaptation**

The theory of change and the intervention logic remain relevant for 2020 as the ROF and the PENRA Strategy Results Framework (2017-2022) are still well aligned, driven by the same overall goal which is to ensure access to affordable, reliable, sustainable and modern energy for all in Palestine (SDG 7). Nonetheless, in light of the recent developments in the sector, some of the induced impacts, outcomes and outputs would benefit from further refinement.

As the Renewable Energy and Energy Efficiency strategy is being updated, some further focus should be placed on the renewable energy and energy efficiency sectors. Some new induced outcomes could be added to better report on progress made in terms of RE installed capacity, RE consumption share and energy savings. The related indicators should both reflect the new performance targets set for 2020-2030 and comply with the Palestinian National Determined Contribution (NDC) to the Paris Agreement.

In the Green Deal era, a climate-oriented indicator should also be included, which could contribute to increasing accountability of both the PA and EDPs in advancing the sector. The growing electricity demand which is expected to escalate rapidly in the years to come should also be taken into account, in particular with regards to diversifying sources of electricity through upward imports. In that respect, the milestones set might have to be adapted at impact level. In order to better monitor the implementation of the reforms, the induced output should be reviewed with new steps to be identified which can help draw up a realistic roadmap for the coming years.

### **D. Priorities for policy dialogue and future programming**

1. Providing support to the PA through follow-up actions to ensure signing of the full Power Purchase Agreement (PPA). While the interim PPA represents a key step in securing access to affordable and reliable energy, signing of the comprehensive PPA is a prerequisite for the implementation of the Electricity Agreement, which will allow the sector to become more technically efficient and financially sustainable.
2. EDPs are encouraged to expand their commitments to a greener Palestine and contribute to further developing RE projects in the West Bank and in the Gaza Strip, in particular through promoting stronger private sector involvement. EDPs can contribute to creating an enabling environment for the private sector via incentives. EDPs can also be instrumental in overcoming the obstacles faced by the PA in developing RE projects (access to land, construction permits, material entry permits, etc.). EDPs could assist the PA in setting up a permit application mechanism to facilitate the implementation of projects.



3. The PA shall be encouraged and supported to progress in settling the institutional and commercial arrangements that are contingent to the implementation to the Gas for Gaza project. In order to move forward with the project, it is critical that the Hydrocarbon law is adopted and that the Gaza electricity reform is launched forthwith. In parallel, the key commercial agreements shall be finalised promptly.

## PILLAR 5: SUSTAINABLE ECONOMIC DEVELOPMENT



## PRIVATE SECTOR

Lead: EUREP/Ministry of National Economy (MoNE)

### A. Main progress and challenges at impact and outcome level in 2020/2021

*A review of PA and EDPs results framework, suggest areas for improvement in order to ensure better mutual accountability and informed policy dialogue, namely by: 1) better aligning EDPs projects/programmes' impact indicators with PA sector results framework; 2) working together with the PA to develop more comprehensive and informative sector results frameworks, with better defined indicators<sup>21</sup>.*

Overall, the weight of the structural constraints on the Palestinian economy and the negative impact of the COVID-19 pandemic, revealed the performance of the ROF indicators, which report in general non-progress or even deterioration.

The main expected impact of the sector is to **promote inclusive, sustainable, and private sector-led development (SDG 8)**. It is monitored through the real annual Gross Domestic Product GDP growth increase. Against forecasts of 5% growth, due to the negative impact of the COVID-19 pandemic, the Palestinian economy has recorded a sharp contraction of -11,5% of GDP in 2020 (USD 14,015.4 million - USD 11,534 million for the West Bank and USD 2,481.4 million for Gaza), as most economic activities experienced prolonged closures, disruption in supply of labour and inputs and shortages of liquidity, resulting into rise in unemployment rates, new segments of the population entering poverty and a general decline in consumption and gross investment. The negative impact on the economy created by the pandemic was

further exacerbated by a standoff with Israel on revenue-clearance, which was protracted for seven months. Other contributing factors include the continuing decline in external grants and development cooperation, especially the on-going suspension of the American assistance. The second impact indicator is the GDP per capita that recorded an important decrease (against a forecast of 5% growth) setting a low record of -13,7%, equivalent to USD 2,913.9 in 2020 (USD 4,176.1 in the West Bank and USD 1,211.9 in Gaza) compared to USD 3,378.3 in 2019 (USD 4,822.5 in the West Bank and USD 1,422.2 in Gaza ).

The **first outcome** monitors the micro, small and medium enterprises' competitiveness at the local and international levels. The first indicator is on annual increase of exports share to countries other than Israel per year. In 2020, the exports to countries other than Israel decreased by 25.9 % from USD 187.7 million in 2019 to USD 139.1 million in 2020, with an annual share percentage of the total exports equals to 14.6 %. This is far below the ambitious target set to an expected increase of 10 % for the year 2020 compared to 2019. This substantial decrease in exports to countries other than Israel is mainly due to the COVID 19 pandemic impact where restrictions were imposed on movement of goods and people as well as long closure intervals of production facilities. It is worth mentioning that the overall Palestinian exports (national exports and re-exports) in 2020 were USD 954.7 million compared to USD 1,068 million in 2019 with a decrease percentage of 10.6 %. In general, there is a continuation of trade balance deficit, and a decline in the volume of trade exchange

21- ex indicators on resilience, digital economy, green economy, competitiveness, entrepreneurship are currently limited or poorly defined.

with the world and decline in the imports and exports to and from Palestine. In 2020 the volume of trade exchange to and from Palestine reached USD 10 billion with a decline of 10% compared to 2019. This resulted from a decline of 7% in exports, that reached USD 2.5 billion and a decline of 11% in imports that reached USD 7.4 billion. Therefore, the trade balance in general witnessed a deficit of around USD 5 billion.

The second indicator on Palestine's annual distance to the frontier (DTF) in the business environment could not be updated for 2020 as the 2021 World Bank Doing Business Annual Report is not yet published. The targets set in the year 2020 for both score and ranking, foresee two points more compared to the year 2019.

Notwithstanding the pandemic, the MoNE showed commitment throughout 2020 to support existing businesses and improve business environment. A package of support measures and incentives were issued, namely by waiving companies from the registration fees, exempting companies in the transportation sector from 25% of licensing fees, exempting companies and individuals from licensing renewal fees and provision of tax incentives to employers, projects and enterprises, that preserved labour. In October 2021, the Companies Law was finally signed by presidential decree, paving the way for improved score and ranking in the World Bank Doing Business Report.

The third indicator on private sector investments and sub-indicator on investments approved by the Palestinian Investment Promotion Agency (PIPA) both show an annual decrease. In 2020, the private sector investment decreased by -8.3% compared to the year 2019 for a total value of USD 1,276.6 million, far from

the ambitious target set at + 10%. Over the same period both the total number of investment projects approved by PIPA decreased by -64.7% (18 projects compared to 51 approved in 2019), with a comparable decrease (-73.82 %) of the total value, set at USD 16.988 million (USD 64.608 million in 2019), against original growth forecasts of 10%.

A fourth indicator measures the **share of local production in internal market of two sectors, Agribusiness and Energy**<sup>22</sup>. The agribusiness indicator in its original definition is no longer measured by the government. A new indicator monitored by PCBS is proposed: "Percentage Contribution of Agricultural Activity Value Added of GDP". In 2020 there is a slight increase in the percentage contribution of Agricultural Activity Value Added.

In 2020, the share of imported electricity in the local market was 92% (89.5% imported from Israel and 2.5 % imported from Egypt) compared to 88.5 % for the year 2019. The local production of electricity in 2020 was 8% compared to 11.5 % for the year 2019. This means that there is an increase of 3.95% of imported electricity during 2020 and a decrease of 30.43 % in locally supplied electricity in 2020, against growth forecasts of 10%.

The fifth indicator on the share of local industrial production in terms of % of GDP reached 12.9% in 2020 compared to 13.1% for the year 2019, recording therefore a slight decrease of -1.53% against a growth forecast of 1%. This decrease resulted mainly from the fiscal crises caused by the withholding of clearance revenue by Israel.

The **second outcome** is to contribute to professional skills development, sustainable job creation, and decent work. The **first**

22- The used methodology to calculate this indicator depending on collecting the data on export, import and local production and adopt the following formula:  $\text{Market share} = \frac{(P-X)}{(P+M-X)} \times 100$ . The methodology used to have the data is by; selecting the list of Agribusiness from the long list of the FAOSTAT Commodity (FCL), convert imports and exports data from Harmonized System -HS- to International Standard Industrial Classification -ISIC3, and convert production data from ISIC4 to ISIC3. The used approach, which gave an indication rather than an accurate data. Accordingly, in order to have an accurate data for such important indicator MoNE will cooperate with PCBS and relevant institutions to come up with agreed upon mechanism. MoNE

**indicator on the number of enterprises registered including micro-enterprises show** an increase of 8% in the number of enterprises registered in 2020 (1,921 with 3,794 shareholders) compared to the number in 2019 (1,779 enterprises with 3,469 shareholders). Out of the 3,794 shareholders registered in 2020, 808 (21.4%) were females, against 682 (19.7%) of the 3,469 shareholders in 2019, marking a slight increase in female shareholders. The indicator on the **number of inspection cases of compliance raised with the Attorney General** increased by 17.5 % in 2020 (6,066), exceeding the initial forecasts of 4%.

The **third outcome** focuses on participation of women and youth in the economy and green economy. The first indicator monitors **women and youth participation in the labour force**. In 2020, it decreases to 16.1% compared to 18.1% in 2019 for women, and decrease substantially for youth from 39.7% to 35.2%. This was as a direct consequence of the COVID-19 pandemic on employment in Palestine, particularly affecting women and youth. The second indicator measuring **unemployment amongst women and youth report** a decreased by 2.7% for women compared to 2019. It is worth to highlight that such decrease happened alongside a decline in female labour force participation, meaning that there were even fewer women available in the labour market. This is a particularly worrisome trend where it is becoming increasingly difficult for women to find employment opportunities in the Palestinian economy. Unemployment rate amongst youth in 2020 increased to 39.4% from 37.9% in 2019. The last indicator on the **share of renewable energy in the energy mix** reached 3% in 2020 compared to 2.3% in 2019.

## B. Policy Dialogue and the Reform Process in 2020/2021

### Strategic relevance of the Private Sector for European Development Partners

Notwithstanding the critical evidence shown by the indicators, support to Palestinian private sector remains a priority for EDPs. Focus on green transition, digital transformation, investment climate, and an increasing use of blended finance will be a marking trait of future cooperation. The work of EDPs will undergo further internal coordination, aiming to propose coherent packages of interventions under the label of Team Europe Initiatives (TEI). Five key TEIs, each under the coordinating leadership of one EDP, will be gradually developed, namely in the field of green economy, digital economy, trade, entrepreneurship and resilience.

### Team Europe programming portfolio

Team Europe support to the Private Sector is guided by the EJS for Palestine; a document aligned to the policy and sectoral priorities of the PA, based on a joint exercise of analysis, providing a joint response aiming to improve impact, visibility, and reduce fragmentation.

Team Europe support to the Private Sector in Palestine comprises 7 development cooperation agencies and 5 International Financial Institutions, providing financial assistance in the form of traditional grants/technical assistance and financial instruments (loans/guarantees/equity), across more than 70 projects, for a total value of EUR 142 million and EUR 537 million respectively. Areas of support include business environment, trade, MSMEs competitiveness and green sustainable practices, entrepreneurship, digital economy and resilience, with cross cutting supporting interventions in terms of access to finance and public-private dialogue.

### Institutional set up for dialogue and coordination

Coordination and dialogue with PA counterparts takes place mainly at bilateral level, denoting a need for further consolidation of Team Europe's efforts to translate its joint response into

more cohesive programmatic initiatives, with stronger coordination and unitary policymaking. Important efforts have taken place towards a more comprehensive and multilateral dialogue, namely through sector/thematic platforms set up for the purpose, creating adequate space for better coordination. The LACS framework has provided the venue for discussion on economic-related issues, while the European Palestinian Platform for the rollout of the External Investment Plan provides a space for dialogue on issues related to Investment and Access to finance. However, while ensuring regular frequency (notwithstanding COVID-19 restrictions) appears to be an important challenge, three remaining thematic groups within LACS (notably business environment, industry and digital economy) have yet not been able to see the light, denying a venue for dialogue and coordination amongst PA counterparts, Team Europe and the international community at large.

Dialogue between Team Europe and the Private Sector reflects the above picture, that is, multiple tables of dialogue/consultation mainly reflecting individual programmatic interventions/relationships, albeit part of a broader agreed-upon joint response. While some form of dialogue takes place between the Private Sector and MoNE, a better organisation and management of the foreseen thematic groups would allow: 1) a natural triangulation amongst MoNE, Team Europe and Private Sector; 2) the inclusion of a number of other PA entities (Ministry of Finance, Environmental Quality Agency, Ministry of Telecommunication Information Technology, Ministry of Entrepreneurship and Empowerment, Palestinian Energy and Natural Resources Authority, Prime Minister Office) that play an important role in the development of the private sector. Similarly, more cohesive programmatic initiatives by Team Europe would make stronger these processes of dialogue/consultation, recognising the importance of both MoNE and Business Organisation also as potential direct beneficiaries.

A more fine-grained analysis of dialogue processes inevitably highlights the political and institutional split between West Bank and Gaza, broadly reflected in different problematics, counterparts and audiences, requiring ideas and initiatives for better consolidation and coordination, in terms of programmatic initiatives, consultation and advocacy. A stronger role for a Team Europe approach is desirable in this respect too.

#### Policy dialogue

Following the priorities set last year, the following can be reported:

#### **Impact of the COVID-19 pandemic:**

The MoNE has carried out a study<sup>23</sup> of the economic impact of COVID 19 and the required interventions in the short, medium and long term in Palestine. A set of mitigating measures were taken based on the available tools and resources available for reallocation through donors' funded projects. As evident under section "Access to Finance/Financial Sector Development", important steps were made between EU and the Palestinian Monetary Authority (PMA) within the framework of the Estidama programme, to discuss tools, investments and sectoral needs.

**Business environment:** the MoNE updated its own sector strategy for the period 2021-23, while important strategic contributions from the PMO in cooperation with the MoNE were developed through documents such as the "Recovery plan for the Palestinian economy - Facing the challenges of the Corona pandemic", the "Agricultural, Industrial and Tourism Clusters". Stronger follow up of relevant plans under the leadership of PMO (and where relevant, by MoNE) is advocated.

After different drafting attempts over the past years, the Company Law has been finalised and submitted to the President Office in May 2021. Its approval and enactment become now of utmost importance. Advocacy efforts have been spent both by the EU and Sweden, in partnership with the World

23- Recovery plan for the Palestinian economy Facing the challenges of the Corona pandemic

Bank. Yet, a broader picture of the required reforms is still needed, with a clear indication of individual measures required and the timeline expected. Different approaches were attempted by EUREP with the MoFP, to raise the importance of addressing the claims of Gaza business community to reimburse VAT. A proposal for dialogue was put forward, without yet meeting unfortunately a concrete answer.

**Trade:** International Palestinian trade as well as internal exchange between Gaza and West Bank remain a fundamental challenge, highly shaped by Israeli restrictions. Trilateral engagement with the PA and Israel on facilitation of Palestinian trade, has been the main focus for the EU. Effective and collaborative technical dialogue was held with the MoNE, including Investment and Promotion of Industrial Estates Agency (IPIEA) and Palestinian Standards Institution (PSI), focusing on identification, advocacy and implementation of concrete steps and policy measures that can facilitate Palestinian trade. An assessment matrix linked to the EU Technical Progress Report on the 'package of measures' to facilitate Palestinian trade under the Union for the Mediterranean was elaborated by the EU and a joint visit between the PA and Israeli authorities was conducted at the King Hussein Bridge Crossing. Complementary to the same work stream, the EU, in partnership with PalTrade, MoNE, MoA and Ministry of Telecommunication and Information Technology (MoTIT), supported the elaboration of the Green Export concept paper, aiming to identify policy priorities promoting green export and to establish a national-level incentive scheme for exporters of green products. The concept is approved by the Cabinet and implementation is pending. Attempts to improve the flow of goods by improving infrastructures or the adoption of specific hardware technology (supported by the Netherlands) remain the main concrete effort to improve flow of goods both across the West Bank and Gaza.

MoNE has started to work with Germany on a roadmap for a Single Window for Trade Facilitation. Following a detailed analysis of potential stakeholders, and after setting priorities for product categories and target markets, MoNE aims to start the process of coordinating a Single Window for one product category or one target market during 2022.

In Gaza, there is a pressing need to move from aid to trade, enabling more Gazan imports and exports and private sector led growth, establishing a more predictable and transparent clearance system for imports. Suggestions for an improved and more efficient and transparent functioning of the GRM mechanism that can better serve the needs of the private sector, are collected from Gaza business community. Unreliable supply of raw materials and machinery for Gazan businesses, restricted movements for businessmen, unilateral imposition of interruptions and closures, lack of clear and transparent export procedures, complex and ineffective cash transfer systems, certifications, and tax invoices, remain all issues requiring stronger commitment. Quality and efficiency of trade-related services provided by the MoNE to the private sector, has been the object of Germany's (GIZ) support, providing useful inputs for a more efficient and better measurable staff performance and service delivery to SMEs, and future support aiming at more coordinated and streamlined procedures. Coordination took place with the Netherlands, the Office of the Quartet and Germany on trade programming, namely within the framework of enabling Gaza processed food companies to access the West Bank and other markets.<sup>24</sup>

The COVID-19 crisis has posed great challenges for the Palestinian tourism industry, which employs more than 35,000 people. To prepare the tourism sector for a safe reopening, the Palestinian Ministry of Tourism and Antiquities (MoTA) has established the Palestine Tourism Recovery

24- In early 2021, two ISO certified companies, supported by France and Germany, have received permission to export processed food products to the West Bank, for the first time in 17 years.



Task Force, inclusive of the public sector and all relevant private sector associations. Supported by Germany, the Task Force has developed new mandatory and internationally accepted COVID Tourism Health Standards for Palestine, together with jahzeen.ps, an e-learning digital platform which provides the required mandatory training and certification for all tourism employees.

**Public-private dialogue:** Notwithstanding challenges, often exacerbated by communication and organisational limits due to the COVID-19 pandemic, the MoNE has managed to organise a Sector Working Group early in 2021, and a Trade thematic group during the spring, confirming its eagerness to engage with the international community. However, much needs to be done in order to ensure a regular convening of all thematic groups ensuring full participation of the private sector, namely: business environment, trade, industry and digital economy. On its side, prompted by the needs imposed by the pandemic, MoNE reports having initiated regular interactions with private sector, exploring ways to better support it.

**MSMEs and Entrepreneurship:** The lack of a unified definition for MSMEs in Palestine, seems to have successfully come to an end, with the important work undertaken under the EU-funded programme SANAD in cooperation with the MoNE, promising to provide itself, the PMA, the Palestine Capital Market Authority (PCMA) and MoFP with the correct instruments to design targeted policies and support instruments. With regards to entrepreneurship, Sweden and the Netherlands had several conversations with the Ministry of Entrepreneurship stressing the need for a national-level strategy to raise awareness on entrepreneurship. The Higher Council for Innovation and Excellence has developed the National Strategy for Creativity and Innovation.

**Industry:** While MoNE reports having regular

meetings with industrial representatives, no formal dialogue has taken place on Industry related issues with the international community, if not within the framework of programmatic bilateral relationships, namely: Germany intervention in Jenin Industrial Park and the French programme providing grants to industrial enterprises. The industrial thematic group is still not formally activated, reflecting somehow the lack of an Industrial Strategy and clarity on the implementation plan for the Industrial Cluster Strategy.

The delays in tendering the on-site construction and the follow up process with the Israeli side regarding the Tax Free Zone agreements for the Industrial Park in Jenin, remain a concern for Germany, while the EU welcomes the approval by the PA of the PEGASE financial incentives programme and advocates for a quick implementation.

**Digitalization:** No formal dialogue has taken place on issues related to digital economy, if not within the framework of programmatic bilateral relationship. The digital economy thematic group is still not formally activated. However, Team Europe has been engaged in extensive consultation with both relevant PA entities (MoNE, MoTIT, Higher Council for Innovation and Excellence, MoE), private sector and business organisations, with the aim of defining a strategy for intervention in digital economy. The exercise has taken stock of the work undertaken by the World Bank, namely through the "Digital Economy Country Assessment".

Through its programmatic experience, Sweden emphasised with the PMA the importance of the challenges faced by online freelancers and entrepreneurs in executing electronic payments and opening bank accounts, as well as the importance of financial inclusion towards a conducive environment for online work. Through its partner Mercy Corps supporting Gaza Sky Geeks, within the framework of the Financial Technology Advisory Group, issues were discussed in relation to the financial technology sector (benefits from



technological solutions, mechanisms to support entrepreneurs, innovative ideas and emerging companies). To be noted that Gaza Sky Geeks, together with other representatives of the tech ecosystem, were contacted by the PMA to work together on developing the general framework for establishing a pilot regulatory environment for the Regulatory FinTech Sandbox programme. MoNE and the GIZ through the "Alternative Approaches to Financial Inclusion of SME" aim to improve framework conditions for financial services for small and medium-sized enterprises and start-ups, highlighting the importance of digital financial products for a modern and robust digital economy. As the income of individual freelancers is still limited (70% of Palestinian freelancers earn between USD 5-20 per contract), Germany has supported freelancers to establish agencies in order to gain higher visibility and larger contracts on the main international freelancer platforms (the first two agencies made USD 36,000 profit so far).

Finally, the European Union and the Netherlands regularly follow up with the Office of the Quartet the dossier of allocation of spectrum for deployment of 4G and 5G. Coordination includes facilitation of triangulation between the Palestinian Ministry of Telecommunication and Information Technology and the Israeli Ministry of Communication.

**Green economy:** The EU Green Deal and its commitment to make the European Union climate neutral by 2050, inevitably translates in putting Green economy as a policy priority, for EU and EDPs' support to private sector in Palestine. While the Palestinian Authority, signatory of the Paris Agreement, has produced its first Nationally Determined Contribution (NDC) in 2017, no formal forum yet exists to discuss with the international community the identified mitigation and adaptation measures, nor there seems to be a strong emphasis in the last updated sectoral strategy. MoNE and donor agencies may want to consider to

bring green economy within the broader Industrial sector thematic group as part of a broader discussion on competitiveness, involving relevant PA institutions with major stake such as EQA and PENRA. Gearing up for the challenges, the EU, Germany (GIZ), Italy and Belgium, have all been updating programming strategies with important green components, expected to unfold into activities from 2022.

The MoNE and the industrial sector are being exposed, with the support of the EU (Moustadama programme) and Italy (EPEC SOLAR programme), to new concepts of competitiveness through sustainable energy solutions, the adoption of energy audits aiming to implement Resource Efficient and Cleaner Production, and the necessity to develop a Net-Metering policy regulating production, exchange and utilisation of renewable energy.

Belgium has engaged with PMO and relevant PA ministries on the importance to promote, support and encourage investment in green and circular economy in Palestine. This will include support to Energy Efficiency and Renewable Energy and Waste Management by introducing the 4R approach (Reduce, Reuse, Recycle, Recover). This effort will be combined by the development of green skills and the introduction of new technologies aiming at stimulating opportunities for economic growth as well as job creation for young men and women.

Spain reports that agribusiness has been given more visibility in policy dialogue with the Government of Palestine, thanks to the prioritization of the cluster approach by the PMO. The EU-Palestine Investment Platform is the main argument to encourage a more active exposure of agricultural enterprises to credit facilities, linked with an increased effort by EDPs to ensure better analytical, management and planning capacities in public institutions. Similarly to the challenge of having inter-institutional coordination when discussing

green economy, an important challenge for future policy dialogue in agribusiness, will be to ensure convergence of objectives of all the independent bodies linked to the MoA (namely, Palestinian Agricultural Credit Institution, Palestinian Disaster Risk Reduction and Insurance Fund, Joint Palestinian-Jordanian Marketing Company).

**Investments and Access to Finance:**

EU policy dialogue in the domain of investments, under the auspices of the PMO and with active participation by the PMA, the MoNE and IPIEA, mainly aimed at supporting the identification, prioritisation, coordination and promotion of investment opportunities. Dialogue is expected to lead to more effective mobilisation of foreign investment (provided notably by European Financial Institutions within the framework of the EU-Palestine Investment Platform), while using PA own tools of investment planning. Matrix of all ongoing and future financial instruments was compiled, while the IPIEA developed a National Investment Roadmap. Main area of focus are expected to be energy and MSMEs.

**Financial Sector Development:** Dialogue took place with the PMA on tools, investments, sectoral needs, measures that the PMA can take to improve on COVID-19 response and economic downturn, within the framework of the flagship initiative called Estidama. Following the May 2021 violent escalation in Gaza, dialogue focused also on the measures that the PMA can take to assist with recovery and reconstruction of the Gaza Strip.

**C. Theory of Change in 2020 – proposed adaptation**

EDPs are organised under the framework of the EJS, a document resulting from an exercise of joint analysis, based and aligned with two key documents: the revised NPA

and the ensuing strategy of the Ministry of National Economy (2021-23).

During 2020 Team Europe has been engaged in re-organising the result-chain of the ROF, ultimately identifying 7 areas of intervention, namely: trade, MSMEs competitiveness & green sustainable practices, entrepreneurship, digital economy and economic resilience, plus of which 2 transversal areas (business environment, access to finance). Such exercise lays the ground for a better-defined theory of change, built around key building blocks.

A comprehensive list of induced outputs has also been produced, allowing the result-chain to be grounded on a better defined set of policies, legal and regulatory frameworks, acting as preconditions for the achievement of the expected outcomes.

The role played by a correct identification of risks and assumptions cannot be underestimated, given the tight interdependence between the economic, political, and security spheres of Palestine and Israel, and the challenge of holding accountable the correct duty bearer, for issues where the direct sphere of influence of the PA is challenged either by Israel as occupying power or by the political division between the West Bank and Gaza.

The absent Medium Term Budgetary Frameworks, Sectoral Planning, Public Investment Management and Spending Reviews, supported by strong and transparent Public Financial Management, remain critical not only to improve expenditure efficiency and effectiveness, but also to achieve the SDGs. The adoption by the MoNE of the above should be reflected in the intervention logic through stronger anchoring to the SDGs, a greater focus on reforms and specific sectors, investment and budget targets.

#### D. Priorities for policy dialogue and future programming

Priorities identified last year remain substantially the same:

**1. Impact of the COVID-19 pandemic: Ensure regular monitoring of implementation and impact of the Estidama Fund for SMEs operated by the PMA to address liquidity challenges.**

**2. Business environment: Improve the legal framework and give visibility on the reform plan:**

- Set a clear reform action plan with dates, priorities and defined key performance indicators (KPIs); this includes: Company registration law, Competition law, Commercial agent Law, Quality infrastructure and standards related laws, Consumer Protection Law, Intellectual Property Right related Laws, MSMEs Strategy and Commercial Attaché bylaw.
- Implement the updated National Economic Strategy (2021- 2023)
- Promote digitalisation of government services, and e-government, including the One Stop Shop (OSS) concept where applicable.
- Enable policies and procedures for improved and systematic development of defined and new National Clusters.

**3. Trade: Develop internal (notably with Gaza) and external trade through an improved legal and strategic framework and enhanced quality infrastructures:**

- Engage in a structured trilateral dialogue with defined priorities, notably regarding the revision of the Palestinian trade regime governed by the Paris Protocol.
- Restructure and upgrade the National Export Strategy and solidify action

plans to implement it including new priority sectors with a connected national economic development strategy.

- Update the laws and regulations related to Quality Infrastructure and execute the Quality Infrastructure implementation plan to achieve international accreditation and internationally recognised standards certification.
- 4. Public-private dialogue: Enhance dialogue with donors and private sector and develop mutual accountability:**
  - Quarterly convene the Private Sector and Trade Sector Working Group and consistently report against shared priorities agreed upon, within the ROF framework.
  - Set-up and regularly convene the EIP Platform
  - Develop further public-private dialogues (notably involving the Private Sector Coordination Council and with Gaza private sector), share outcomes and enhance mutual accountability via monitoring of proceedings.
- 5. MSMEs and Entrepreneurship: Better focus support to MSMEs, by unifying definition, and support to formalisation and provision of dedicated development schemes:**
  - Develop a strategy for MSMEs integrated within the overall industrial strategy and with inclusion into national clusters.
  - Foster and upgrade the start-up economy in Palestine through assessment of entrepreneurial ecosystem to adopt and implement the identified priority reforms and actions in support of entrepreneurship – led by Ministry of National Economy and in coordination with key stakeholders

from private and public institutions as relevant.

- Encourage and support MSMEs to certify their products and services according to the quality requirements.
  - Survey home based business and develop ministerial instruction to facilitate the formalization process.
- 6. Industry: Promote competitiveness through inclusive and sustainable industrial development:**
- Development of a robust national industrial policy framework along with the implementation plan for the national industry clusters, encouraging industrial transformation, including green economy practices, digitalization, and bracing the new 4th industrial revolution. This will include support to the implementation of related actions plans
  - Adopt a supporting legal and regulatory framework (Industrial bylaws, IPIEA law, encouragement of investment among other relevant laws and regulations).
- 7. Digitalization: Promote digital economy:**
- Contribute to set through inter-ministerial coordination, the needed foundations in terms of legal and regulatory framework, infrastructure, platforms, financial services, entrepreneurship and skills.
  - Encouraging private sector investments for transformation and adoption of business digitization (regulations, processes, and tools)
- 8. Green economy: Encourage investment in green technology production to enhance competitive positioning in the global supply chain.**
- Take measures including relevant policies and regulations to promote sustainable energy investments in industrial enterprises, including energy efficiency, renewable energy and clean technology while promoting among many, a low-carbon, energy-efficient economy.
  - Promote integration exports of green value-added production from Palestine into regional and global value chains through providing related incentive packages.
  - Promote implementation of green economy related standards.
- 9. Investments: Promote domestic and foreign direct investment, offering adequate financial and non-financial incentives, including the encouragement of digitalization and greening of economic activities).**
- Develop the Investment Promotion and Industrial Estate (IPIEA) Law through updated and new incentive packages with focus on priority areas; import-substitution, energy efficiency and renewable energy investment, agribusiness and agriculture, innovative technologies and public private partnerships (PPP).
  - Revamping the One Stop Shop (OSS) function to serve potential investors.
- 10. Access to finance: Boost access to finance opportunities for MSMEs and vulnerable groups.**
- Develop policies to bridge the mismatch between availability/affordability of financial products and the demand from the private sector.
  - Develop new, creative, and innovative access to finance and risk mitigating mechanisms, and tools that addressing the needs of MSMEs, start-ups, entrepreneurs, youth and women, notably in Gaza. Focus areas include: IT, clean tech and fin-tech services.

- Promote and encourage utilization of available financial instruments, including the Movable Assets Registry (at MoNE) and the Credit Scoring System (at PMA).
  - Develop and scale up mechanisms such as subsidizing interest rates for specific industries and relevant industrial development initiatives, and credit guarantee schemes.
11. **Financial Sector Development - Expand financial services for the private sector beyond traditional banking:**
- Define a vision and develop a national / state-owned bank serving needy Palestinian communities, and development priorities.
  - Work on policies to develop the non-banking sectors, including micro-finance, leasing, insurance and private equity investments.
  - Review different line of taxation for banking and non-banking sectors.
  - Assess the development of a two-tier regulatory system for the micro-finance sector differentiating between small and large institutions involving key stakeholders.

# LABOUR

Lead: Germany/Ministry of Labour (MoL)

## A. Main progress and challenges at impact and outcome level in 2020/2021

The COVID-19 pandemic had severe implications for the labour market in Palestine, especially in the tourism and hospitality sector, that was among the few growing sectors for employment before the pandemic. Travel bans and quarantine/lockdown measures made it difficult for enterprises, in particular small and medium-sized enterprises (SMEs), to sustain business operations. Many workers could not reach their workplaces or carry out their jobs, resulting in reduced incomes and increased poverty rates. In addition, and given the current environment of uncertainty, enterprises are likely to delay investments, purchases of goods and the hiring of workers.

At impact level, **unemployment rate in Palestine (SDG 8.5.2)** is the main indicator: the labour market conditions in the West Bank, Gaza and East Jerusalem remained weak and were additionally impacted by the COVID-19 pandemic. However, the Labour Force Survey conducted by the Palestinian Central Bureau of Statistics (PCBS) did not show a severe increase of the unemployment rate in 2020. Unemployment peaked at about 30% in 2018, the highest rate since 2010, to then a slight decrease to about 28,9% in 2020 (PCBS, 2020).

Informal workers, who account for about 57% of the workforce in the Palestinian territories (PCBS, 2020) - out of which 61% are males and 38% are females - were generally more likely to lose their jobs as a result of the lockdown measures and had no form of protection against such losses.

However, it is difficult to identify data on informal employment as PCBS does not differentiate between formal and informal employed people.

The other impact indicator, unemployment rate disaggregated by gender (SDG 8.5.2), shows a growing difference between women and men. In 2019, the unemployment rate among male workers was about 21% (but about 35% in the age group 15 to 24 years) and among female workers about 41% (about 67% in the age group 15 to 24 years) and increased to 46,7% in 2020. The gender gap is even more striking when coming to participation in the labour market: Women's participation is about 18% out of all working age women during 2019 (about 10% for age group 15 to 24 years) while the percentage of men's participation in labour force reached 70% (about 49% for age group 15 to 24 years) (PCBS, 2020).

The first outcome monitoring the access to more inclusive and equitable labour market is measured by the percentage of people (male and female) that became (self)-employed through the national employment services, which have an important role in bridging the gap between jobseekers and employers in times of crisis. 25% of jobseekers became employed through the national employment services in 2019 thanks to MoL efforts to further improve coordination between labour market actors, and employment services and connect skilled graduates to the relevant labour market's needs. During the COVID pandemic, national employment services managed to continue supporting actively the employment of jobseekers (22,5% in 2020).

The second outcome on availability of skilled labour is measured by the percentage of graduates who made a successful transition to the labour market and shows that 70% of the MoL's Vocational Training Centers (VTC) graduates succeeded in entering the labour market in 2020. This gives an indication that the employability rates of TVET graduates are relatively high if compared to other education/training levels. The second indicator measures the number of graduates from initial VET and continuous VET programmes from governmental and licensed VTCs. It shows an increase of initial VET graduates from 1,955 in 2016 to 2,025 graduates in 2020 in the West Bank and Gaza while continuous VET decreased in the West Bank but increased in Gaza. However, licensed VTC decreased from 7,147 in 2019 to 5,500 in 2020 in the West Bank. This indicates that there are higher capacities in the TVET system and could mean also a higher attractiveness of the vocational track.

The third outcome on the involvement of cooperative in the labour sector is measured by the number of employees in cooperatives and number of cooperatives. Data is only available for the West Bank and shows that cooperatives have only a limited role in creating employment with 445 people employed in 2020. However, major efforts were geared towards the establishment of the Cooperative Works Agency (CWA) in 2019, which had no impact of the creation of new cooperatives as it went down to 339 in 2020 compared to a 350 in 2018.

Furthermore, decent work principles including Occupational Health and Safety (OSH) is a high priority for the sector development. The ROF monitors the number of establishments inspected by MoL for health and safety. However, the only data available is about the West Bank, which deepens the socio-economic fragmentation between the West Bank and Gaza. In 2020, a total of 11,662 enterprises were inspected in comparison with the 10,601 milestone. As regards the number of registered

occupational injuries, there was an annual increase of registered occupational injuries until 2019 (880 incidents registered). However, in 2020 only 578 incidents were reported. This figure needs to be interpreted carefully against the background of the COVID-19 restrictions.

A close monitoring is also done on the TVET governance with the percentage of vocational graduates trained with a work-based learning (apprenticeships) scheme (requiring at least 30% of training takes place on the work floor). In 2020, 20% of MoL VTC's graduates were trained according to the work-based learning approach (with 30% of the content being delivered at the companies). The percentage of the training taking place at the workplace is relatively small because of the limited number of companies or workshops who are able and willing to host TVET students for practical training. More than 90% of Palestinian businesses are family or small to medium enterprises.

Finally, the efficiency and effectiveness of the tripartite partnership is measured by the number of new collective bargaining agreements signed per year, and trade union membership rate. The tripartite social dialogue is still not well established and the role of the MoL not well defined. Despite this situation however MoL could increase the number of collective bargaining agreements from 2018 and in particular in 2019 where the target has not been achieved (2) to 9 agreements in 2020.

Additional positive development in 2020 should be reported on:

- The curriculum development standard process is applied to the development of new and revised curricula. The Ministries are working on assessment tasks as the only pending part.
- The apprenticeship track within the Ministry of Education's Vocational Schools is still in its pilot phase.

- The successful work-based-learning approach will continue: all stakeholders (policy makers, private sector organizations, and other social partners) have been capacitated for supervising and implementing the different work-based-learning schemes.
- More TVET Units in Academic Schools have started to offer TVET programmes in 2020.
- The TVET exposure in 7th-9th Grade schools has been further strengthened in 2020 including capacity building to the teachers.

## B. Policy dialogue and reform process in 2020/2021

The labour sector depends on different governmental partners, namely the MoL, Ministry of Social Development, Ministry of National Economy, Ministry of Women Affairs, Ministry of Education and Ministry of Higher Education.

The Labour Sector Working Group (LSWG) chaired by the Ministry of Labour, with Germany as deputy chair and ILO as technical advisor has been increasingly used by the MoL to share policy papers such as the Labour Sector Strategy, the COVID-19 Emergency Response Plan and the National Employment Strategy. This has contributed to enhanced coordination with international donors and joint discussions for setting priorities in the labour sector. The LSWG has prepared the activation of Technical Working Groups (TWGs) and will set an annual work plan to pave the road for strategic agenda setting. As the labour sector is cross-sectoral and cross-ministerial, exchanges and coordination between the MoL and other line ministries could still be enhanced. Gaza shall be more strongly included in the LSWG setting.

Since the announcement of the creation of a unified TVET system in 2019, there were

some positive developments in 2020 with Prime Minister Shtayyeh describing TVET as a priority and providing some impetus to the sector. The Higher Council of TVET, put in place in 2018, was dissolved and replaced by a TVET Commission. The first meeting of the board of directors of the Commission took place in June 2021 and the process of the transfer of responsibility for all TVET institutions to the Commission is on-going. Employees from the TVET-related ministries are being transferred during this transitional period. The process for developing the strategy and the organigram is ongoing.

## C. Theory of Change in 2021 – proposed adaptation

The ToC is generally applicable for 2021 but the intervention logic has been revised taking into consideration the impact of the COVID-19 crisis to the economy and labour market with a focus on the situation of women and vulnerable groups particularly affected by the consequences of the pandemic. The new ROF matrix 2021-2024 for the sector was designed accordingly.

**The Employment Strategy, that is a national strategy beyond the labour sector, poses the strategic framework for EDPs engagement.**

## D. Priorities for policy dialogue and future programming

1. EDPs shall further increase their efforts to address **unemployment and decent work in the West Bank, Gaza and East-Jerusalem** with a focus on women and youth. This shall also address the effects of labour migration of Palestinian skilled labourers into the Israeli labour market, by supporting initiatives to improve attractiveness and responsibility of the private sector in Palestine (minimum wage, occupational health and safety standards, etc.). Therefore



a strong focus shall be set on the **wage employment**: Securing jobs, supporting the job matching in the labour market (demand and supply side) and at the same time creating the conditions for sustainable employment in working directly with the private sector. Particular focus will be given to unemployed graduates from TVET and Higher Education institutions and on women. Crisis response measures, such as wage subsidies for the private sector, and short-term measures, such as cash for work are still required in order to react to the COVID-19 related impact.

2. The PA shall give a priority to facilitate a **close work relationship between the Government institutions, private sector and trade unions**, in order to develop gender-sensitive strategies. The social dialogue format and the **Tripartite Committee for Labour Affairs** shall be further strengthened and streamlined to ensuring relevance and coherence of socio-economic policies and fostering comprehensive and sustainable development. A **focus** should be given to **vulnerable youth** (NEETS- Not in education, Employment or Training) through the local innovation eco system and its players as well as the **systematising and synergizing of contributions and efforts in the area of entrepreneurship and self-employment**. Further introduction of 21st century life skills as a pathway within the labour sector for work and in the further education of workers (lifelong learning) is needed.

With regards to TVET the following priorities were identified:

1. EDPs shall coordinate their efforts in supporting a **unified TVET system** in order to complement each other in a concerted way, guided by the coordination of the National TVET

Commission. Topics such as private sector involvement, demand-orientation, standardisation, green TVET, 21st century skills, digitalization, gender-sensitivity should be addressed and prioritized in all lines of support.

2. The PA shall prioritize the focussed and powerful establishment of the **National TVET Commission** and its effective operationalization in steering and managing the Palestinian TVET sector and its donor support. The systemic involvement of the private sector in TVET including the active engagement in TVET offers such as internship programmes and partnerships is to be strengthened in order to increase the relevance and quality and equipping youth with skills needed in the future. Competency-based and action-oriented learning should be offered on all levels of the TVET system.

# AGRICULTURE

Lead: Spain/Ministry of Agriculture (MoA)

## A. Main progress and challenges at impact and outcome level in 2020/2021

At **impact level**, 'farmers resilience and steadfastness on their land' is monitored by the percentage of food insecure households, which is estimated at 31.2% for Palestine (including 13.6% moderate and 17.6% severe) and 8.9% in the West Bank and 64.4% (including 40.7% severe) in the Gaza Strip, according to the Socio-Economic and Food Security Survey (SEFSec) 2020 report.

The agriculture sector ROF relies, at outcome level, on indicators monitored by the MoA and other PA institutions, that can be considered as proxy-indicators for the EDP support in the sector.

As data reliability remain an issue to monitor progress in the sector, donors and the Government have invested, in 2020, in the development of an Agricultural National Census with the PCBS and the registry system in the MoA. In 2020, agricultural sector data is partial. The Ministry of Agriculture (MoA) and PCBS do not have updated data on most indicators for Gaza. In a recent public release, PCBS has advanced a decline of GDP for 2020 of 12%, which translates into a decrease of GDP in agriculture of 11%.

For the **first outcome on support farmers and producers who sustained damages**, the percentage of farmers to whom the agricultural insurance fund provided compensation services, as a percentage of the total number of affected farmers, reached 50% in 2020, which is a drastic increase compared to 8% in 2019.

For the **second outcome on land areas harvested in crops and trees**, it is estimated at 1,450 km<sup>2</sup> in 2020, which is stable compared to 2019 and positive considering COVID-19 pandemic and related restrictions. Land used for agriculture remained at the same levels in 2020, with investment in new machinery and equipment also stable. This demonstrated the resilience of the agriculture sector in periods of crisis, however far from leading in job creation and innovation.

For the **third outcome monitoring investments in fixed productive assets by enterprises and cooperatives**, the data in the West Bank shows almost same amount (1% increase).

For the **fourth outcome, 'Improved business environment of agricultural production, processing and marketing'**, data on the 'evolution of the agricultural production value at constant prices and value-added' is not available yet. For the *percentage of women-led enterprises and cooperatives*, it is based on numbers of registered cooperatives as women cooperatives only since 2017 (nor composite). The milestones were not based on evidence, as data was not available at that time. Since 2017, the trend went downward from 3% in 2017, down to 1% in 2018, 2019 and 2020. The reason might be that the total number of cooperatives increased, while the number of women-led enterprises remained the same. Furthermore, EDPs should continue to insist on the usefulness of having the number of cooperatives' members disaggregated by gender and age, in order to assess the participation of young people.

For the **outcome 5, 'Farmers and producers whose rights are violated by Israeli army or settlers have access to legal recourse'**, the continuous absence of formal data suggests that it should be removed from the future ROF 2021-2024.

For the **outcome 6, 'Cost of agricultural production (plant and livestock) is more competitive'** no data is available yet in 2020 for the percentage increase of farmers that receive a tax recovery rate.

The confusion of markets with Israel has rendered useless some indicators initially interesting for the analysis of the agricultural sovereignty, such as the 'the number of farmers and breeders that rely on national manufactured input productions or imported directly from Palestinian companies'. Others are impossible to calculate, such as the "type and safety of locally produced agricultural commodities (plant and animal) adhering to the best international standards". For the next ROF 2021-2024, they will be changed to more quantitative and reliable data: 'Number of phytosanitary certificates granted annually' and 'Number of animal health certificates awarded annually.'

For the **last outcome** related to '**Plant and animal diseases are controlled'**, no changes were recorded since 2019. The national system is in place. Multi-stakeholders collaboration has been fundamental and conditional for the identification, establishment and future operationalization of a Palestinian National Strategy for Food Safety (NSFS). The next phase entails effective Sanitary and Phytosanitary Standards (SPS) services 'on the ground' for primary production in agriculture, food processing in Small and Medium Enterprises in the food industry, food (fresh and processed) export. This will require interactions with the inspectors, laboratories and concerned administrations. This step would require additional external support, possibly by EDPs.

Regarding **relevant sector reforms**, the situation has not improved from previous

years. The Plant Health Law is not in place and the Pesticide by-law revision was not completed. The monitoring on 'the denunciation of Israeli occupation policies which undermine agriculture development, particularly the control of water resources, land and markets' is not realistic and a new measurable indicator should be identified.

In terms of climate change mainstreaming, the agricultural sector also prove to be an efficient driver for climate adaptation since 2017 but progress is very slow.

## B. Policy dialogue and reform process in 2020/2021

In 2020, no sector working groups were held but virtual core group meetings were convened with the MoA Deputy Minister and DG for Planning, the representative of the PMO, the LACS coordinator, the Head of LACS secretariat, FAO (Deputy Head of Programme) and Spain as Deputy Chair. The main points of discussion were around the impact of the COVID-19 pandemic.

Despite the efforts by all stakeholders to ensure a proper legislative path and efficient enforcement of essential regulations, very little tangible results were met, affecting the sector negatively.

## C. Theory of Change in 2021 – proposed adaptation

The theory of change for the period 2018-2020 is based on the assumption that supporting producers and farmers' resilience and modernization of technologies will result in food security, employment generation, economic development and environmental protection.

This is redefined and better articulated in the framework of the sector policy documents (National Food and Nutrition Security Policy in Palestine 2030 (NFNSP), the National Strategy for Sustainable Agriculture and

the National Investment Plan for Food and Nutrition Security and Sustainable Agriculture 2020-2022 (NIP)). A strong element for building public capacities ought to be preserved. Important gaps in basic planning and organisational responses remain from both the PA and EDPs. There is a need for a visible leading role in times of rapidly evolving context that the EU funded FIRST programme could provide.

There are discussions on assessing productivity in a more direct way, by considering data on yield per hectare or water consumption per tonnes of production is to be developed in consultation with MoA.

Civil society in particular demands that enabling logistical, legal, technological, and effective information systems innovation be prioritized, and that smart agriculture be reflected in investment opportunities (enabling financial resources) to enhance and attract new entrepreneurs, especially groups led by women and youth.

A new induced output is required to assess the progress in "Green" adjustment. For the period 2021-2024, it proposed to include 'Climate-smart and adaptive, biodiversity-protecting and desertification-combating agricultural technologies are promoted and implemented.' This is in line with the recommendation to establish a direct link to the NDC via joint indicators and "green" targets. The European Green deal prioritizes in its action plan two lines, which are relevant for agriculture development: investing in environmentally friendly technologies and supporting industry to innovate. The indicator chosen will be 'Increase of new agricultural "green" areas (dunum) annually.'

#### D. Priorities for policy dialogue and future programming

1. For the period 2021-2024, EDPs will ensure **full alignment and prioritization of investment programmes in the**

**agriculture sector with both the National Sector Strategy, sector policy documents, and the EJS ROF. If all stakeholders agree, the outcomes indicators of the NIP could be used in the ROF.**

2. EDPs should adopt a **two-tracked public-private approach for Food System Transformation**, as we acknowledge: i) the need to reinforce planning and analytical capacities, and above all the ability to design realistic action plans by the public authorities, and ii) the importance of mobilizing and leveraging local financial capacities and resources facilitating agribusiness investments and directly supporting some vulnerable groups.
3. Along the **green deal-agriculture nexus**, EDPs could consider a **Team Europe Initiative around re-use of treated wastewater for agriculture**, or by supporting the **Palestinian Nationally Determined Contribution operational plan** promoting climate smart agriculture, directly linking the ROF to other monitoring processes.
4. The PA should fast track the adoption of the **Plant Health Law and revision and adoption of the Pesticide by-law**.



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