



**EVALUATION OF THE EUROPEAN UNION EXTERNAL ACTION**

**FINAL REPORT**

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# **EVALUATION OF THE EU'S COOPERATION WITH PALESTINE\* 2014-2021**

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*April 2024*

**Final Evaluation Report**

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

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## LIST OF ACRONYMS

ASDPMs	Two Annual Sector Policy Dialogue Meetings
COGAT	Coordination of Government Activities in the Territories
CSDP	Common Security and Defence Policy
CSO	Civil Society Organisations
CSP	Civil Servants and Pensioners
CTP	Cash Transfer Programmes
DFID	Department for International Development
DFS	Direct Financial Support
DG	Directorate-General of the European Commission
DG EAC	Directorate-General for Education and Culture
DG ECHO	Directorate-General for European Civil Protection and Humanitarian Aid Operations
DG INTPA	Directorate-General for International Partnerships (formerly DG DEVCO)
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
EDFI	European Development Finance Institutions
EDP	European Development Partner
EEAS	European External Action Service
EJH	East Jerusalem Hospitals
EJS	European Joint Strategy
EQ	Evaluation Question
EU	European Union
EUR	Euro
EUREP	Office of the European Union Representative
FPI	Service for Foreign Policy Instruments
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HQ	Headquarters
ICHR	Independent Commission for Human Rights
IMF	International Monetary Fund
LACS	Local Aid Coordination Secretariat
MoA	Ministry of Agriculture
MoSD	Ministry of Social Development
MS	Member States of the European Union
MSME	Micro-, Small and Medium Sized Enterprises
NDP	National Development Plan
ODA	Official development assistance
PA	Palestinian Authority
PAR	Public Administration Reform
PEGASE	Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique
PENRA	Palestinian Energy and Natural Resources Authority

PLC	Palestinian Legislative Council
PFM	Public Finance Management
PMDP	Palestinian Market Development Programme
PMO	Prime Minister's Office
PSD	Private Sector Development
ROF	Results-Oriented Framework
SDG	Sustainable Development Goals
SIGMA	Support for Improvement in Governance and Management
SME	Small and Medium sized Enterprises
SSF	Single Support Framework
SUNREF	Sustainable Use of Natural Resources and Energy Finance
SWG	Sector Working Groups
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange
TOFE	Table of Government Financial Operations
TVET	Technical and vocational education and training
UN	United Nations
UNDP	United Nations Development Programme
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
US	United States



## EXECUTIVE SUMMARY

### Preliminary remark

This evaluation was finalised in April 2024. It covers the EU financial support to Palestine\* over the period 2014-2021.

The field mission took place in October 2023. It started on the 1 October 2023 and was ended by the events of 7 October 2023, day on which the team had planned the visit to Gaza. Data collection on the ground in Gaza has hence not taken place.

The evaluation does not concern financial support provided after 2021. Findings, conclusions, and recommendations are formulated based on what happened in 2014-2021 and within the perspective of the EU's strategy that was applicable during this period. The evaluation does not attempt to assess past EU support in light of the events of 7 October 2023 and their consequences, nor to pronounce itself on future EU support from this perspective.

*\*When we refer to "Palestine" in this report, this is without any implication or suggestion on the status of the area regarding statehood.*

### Purpose and scope of the evaluation

This is the Final Report of the Evaluation of the European Union (EU) Cooperation with Palestine. It was commissioned by the European Commission's Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR).

The evaluation has both a retrospective and a prospective dimension. It aims at assessing the performance of the EU financial assistance to Palestine, and to provide strategic recommendations on future EU action and implementation of the European Joint Strategy (EJS).

The evaluation covers support provided over the period 2014-2021. Thematically it encompasses the five pillars of the EJS: (i) governance reform, fiscal consolidation and policy; (ii) rule of law, justice, citizen safety and human rights; (iii) sustainable service delivery; (iv) access to self-sufficient water and energy services; and (v) sustainable economic development. It also includes the cross-cutting themes of human rights; gender; environmental protection and climate change; support to civil society organisations (CSOs); and the triple nexus. The evaluation covers support provided by DG NEAR, Directorate-General for Education and Culture (DG EAC), and the Service for Foreign Policy Instruments (FPI).<sup>1</sup>

### Methodology and tools

This theory-based evaluation was conducted in different stages:

- The inception phase was dedicated to structuring the evaluation exercise. This included among other things fine-tuning and structuring the evaluation questions to be addressed, selecting projects for review, and conducting preliminary interviews.
- Data collection encompassed both desk and field work. Overall, the evaluation has consulted more than 100 persons through interviews and focus groups, including 44 EU staff, 9 EU Members States (MS) and related agencies, and 29 interviewees

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<sup>1</sup> Support provide by DG ECHO is not included.

from Palestinian Institutions among other interviewees. It reviewed 250+ documents, made an inventory and typology covering EUR 2.4 billion, and conducted a field mission to Palestine. The field mission that started on 1 October 2023 was ended by the events of 7 October 2023, day on which the Team had planned the visit to Gaza. Data collection on the ground in Gaza has hence not taken place.

- The final phase was dedicated to triangulating the information collected through different means and from different sources. On that basis the team answered the evaluation questions and formulated conclusions and recommendations.

## Findings and conclusions

The evaluation presents a set of seven conclusions based on the findings.

### On the EU's overall strategy

**The EU's strategy for supporting Palestine was in line with the needs of Palestinians, including the refugees, and with the overall objective of supporting the building of a Palestinian state within the framework of the two-state solution. It considered the geographic specificities of the region and remained coherent over time.**

The EU support aimed at fostering the establishment of an independent, democratic, and viable Palestinian State within the framework of the two-state solution, to promote peace and stability in the region, and to advance the Sustainable Development Goals (SDG) Agenda. EU support was strategically directed towards the Palestinian people in Palestine; the Palestinian Authority institutions; and Palestine refugees. This assistance was organized around five pillars in the EJS, aligned with National Development Plans (NDPs). The EU's approach acknowledged the geographic specificities of the region by tailoring support to East Jerusalem, the Gaza Strip, and Area C, while maintaining a unified approach towards Palestine as a whole. Across all geographic areas, the EU supported access to basic services and infrastructure to supporting living conditions for vulnerable people including access to clean water. The approach remained coherent over successive periods and continued to work within the overall framework of a two-state solution.

### On the magnitude of the EU support and the aid modalities used

**The EU played a key role in providing substantial official development assistance (ODA) during the period considered, particularly through contributions to the national budget of the Palestinian Authority (PA) and to the programme budget of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), amidst significant financial challenges for both entities. It used a mix of aid modalities well-suited to the cooperation landscape.**

Over the assessed timeframe, the EU contracted EUR 2.374 billion for its cooperation with Palestine (averaging around EUR 298 million annually). The majority of these funds (68%) were allocated to the Pillars 1 and 3 (governance reform, fiscal consolidation and policy, and social sectors) through PEGASE Direct Financial Support to the Palestinian Authority (PA) and for UNRWA's operations.

EU contributions declined over time, but remained essential to keeping the PA afloat, notably when other funds were delayed, such as delays or stand-offs related to clearance revenues. For UNRWA, EU contributions fluctuated over the period considered but represented - together with the ones of EU MS - around 40% of UNRWA's operating budget.

The mix of aid modalities used by the EU was well adapted to the complex and unique landscape of the cooperation with Palestine. The PEGASE mechanism allowed the financing of the recurrent expenditure of the budget of the PA to contribute to build effective institutions for statehood, with a view to secure the delivery of basic services to the Palestinians. In addition, EU contributions to UNRWA Programme Budget supported the Agency's operations in favour of Palestine refugees. The EU also deployed various cooperation projects, and programmes to reinforce the capacities of PA institutions and to support various social and public infrastructure projects. Finally, blending operations, introduced in 2018, gradually rolled out (they represented 2% of total EU aid to Palestine in the period under review).

### **On donor coordination**

**Over time, donor coordination amongst European development partners (EDPs) improved through the concrete application of a joint programming process, with an increased role of the EU over time. Coordination with other development partners and the Palestinian Authority was uneven across sectors, with insufficient steering by the Palestinian Authority.**

Collaboration between the different EU services functioned well, although there were specific challenges such as for the operationalisation of the triple nexus. The EU, EU MS and other like-minded EDPs (Norway and Switzerland) deepened the efforts deployed since 2011 on an EU Joint Programming Process. These efforts culminated with the European Joint Strategy (2017-2020/2021-2024), the first joint programming document in Palestine. The European Joint Strategy also comes with the Results Oriented Framework (ROF) – a monitoring system set up to better follow-up the efforts of Palestinian institutions on reforms and report in a coherent way on sector achievements. However, dialogue, notably with the Cabinet secretariat, and reporting remained focused on the numerous indicators of the ROF and were insufficiently results-oriented. Discussions did not escalate at a higher political level. Since 2021, the Team Europe approach also favoured shared analysis, common positioning, and joint planning and financing between the EU and Member States. Wider coordination between development partners and the PA was managed through the Local Aid Coordination Secretariat (LACS), which was reformed in 2018 to increase PA ownership. However, the steering by PA institutions in each LACS sector working group (SWG) remained limited, and performance of the LACS was uneven across sectors.

### **On the EU contribution to establishing a Palestinian state**

**In a difficult and challenging context, EU support contributed to the overall goal of establishing a viable Palestinian state in the framework of the two-state solution through its role in financing the deficit and maintaining the functioning of the Palestinian administration, which helped the PA to continue providing basic services. It also contributed to progressively build the capacity of PA institutions, accompanying incremental progress on public finance management (PFM) but only a little on public administration reform (PAR).**

The EU – through PEGASE – created fiscal space that contributed to finance the budget deficit and to maintain the functioning of the Palestinian administration. Ultimately, the PA could continue delivering basic services to the population. EU commitments to the CSP component of PEGASE were critical to finance civil servant salaries and pensions.

The EU also supported the institutional building of PA institutions. Since 2018, it focused on building capacity for policy reforms in the sectors where reforms were targeted (PFM, PAR, water and energy). Overall, progress in key PFM reforms remained incremental. This is linked to the process-oriented nature of PFM and to the still limited capacity of the beneficiary Palestinian administration. However, little progress was made at the centre-of-government to strengthen policy and planning and on the reform of the civil service towards a modern, efficient and merit-based organization.

### On results at sector level

**The EU support contributed to generating results in different sectors, but these results remained mostly linked to specific projects or were limited to maintaining basic services. They did not allow to reverse trends at a more global level. In several sectors support was widely spread, which allowed to have a broad scale of interventions, but limited the ability to reach critical mass.**

Overall, the EU support generated results in the sectors in which it intervened. In social sectors (healthcare, education and social protection), EU support contributed to maintaining a level of basic service provision delivery. This was the case for social sectors, for instance by contributing to the payment of teachers and health staff. In the other areas of intervention of the EU-Palestine cooperation results were also generated. In the sector of rule of law, human rights, and citizen safety and security, the EU contributed for instance to policy reform, and to technical improvements of the judicial system. In the water and energy sectors, the EU contributed to some results in infrastructure and in terms of reform, but changes remained limited, notably because of the obstacles in terms of legislative process in Palestine. In terms of sustainable economic development, results concerned mainly private sector development, for instance by improving the competitiveness of beneficiary firms.

### On the support to UNRWA

**Through its consistent and reliable support to UNRWA, the EU played a crucial role in supporting access to basic services for Palestine refugees in the region.**

An important share of the EU support (34%) was geared towards UNRWA. This enabled the agency to sustain the delivery of core basic services to Palestine refugees amid a financial crisis and an escalating demand for its services due to a growing refugee population. The EU was a reliable donor and played a key role in supporting UNRWA. It provided a critical mass of funding. The EU alone accounted for EUR 114 million annually on average over the period 2017-2021, representing between 9 and 13% of UNRWA funding and between 29 and 46% when adding the EU MS. The EU also prioritised funding to UNRWA's programme budget. Second, the EU provided multi-year funding allocations, which increased the predictability of financial support, and provided additional funding in response to unforeseen shocks, demonstrating its commitment to ensure the continuity of essential services provided by UNRWA.

### On providing support in a deteriorating context

**The EU provided relevant and valuable support the objective of strengthening the foundations for the establishment of a Palestinian state, in the framework of the two-state solution. However, the sustainability of results achieved and the capacity to support broader change were hindered by a progressively difficult and deteriorating context. The occupation of the Palestinian territory by Israel posed substantial systemic constraints.**

The EU has contributed flexibly and with sufficient levels of assistance to addressing functional aspects linked to state-building, governance, rule of law, public services, and economic development. The EU also maintained its relevance in a shrinking democratic space by advocating for democracy, the rule of law, human rights and support for civil society.

However, achieving change and higher-level results faced challenges due to various contextual factors including, but not limited to, the following: the ongoing occupation, the PA's heavy reliance on external funding and unpredictable transfers of Clearance Revenues from Israel, besides the challenges in mobilising domestic resources stemming from limited control over the Palestinian territory; Israeli imposed constraints on the movement of goods and people, the blockade on Gaza and settlement expansion; limited Palestinian control of its resources or economic independence; lack of geographic and political unity; the absence of general elections and absence of a functional Palestinian Legislative Council (PLC); Israeli unilateral deduction of clearance revenue payments; increased poverty and vulnerability among the Palestinian population. The repeated crises and destructions have resulted in a significant concentration of resources on rebuilding and promoting resilience, limiting the potential for significant progress.

## Recommendations

### Disclaimer on recommendations

Recommendations are formulated based on what happened in 2014-2021 and within the perspective of the EU's strategy that was applicable during this period. The evaluation does not attempt to assess past EU support in light of the events of 7 October 2023 and their consequences, nor to pronounce itself on future EU support from this perspective.

The evaluation presents six recommendations, based on the findings and conclusions.

#### Maintain the overall strategic priorities.

**In the framework of the two-state solution, the EU should continue its comprehensive strategy with the objective of supporting institution-building and the Palestinian population, including refugees, women, young people and the most vulnerable groups.** The EU should consider the operating context of increased vulnerability among the Palestinian population (including among the refugees). The EU should define together with the EDPs, and in consultation with other DPs, the thematic priorities to focus on. It will remain essential to consider geographic specificities and territorial integrity. It will also be key to make sure the strategy is flexible enough to be able to adapt it to an unpredictable and unstable environment.

#### Continue supporting the strengthening of Palestinian institutions.

**The EU should continue to make sure that sufficient support is geared towards the establishment of a viable institutions, and continue using PEGASE as a tool for this purpose among other modalities and instruments for support.** International aid remains essential, and even more as the fiscal situation of the Palestinian economy has become increasingly dire. The evaluation recommends the EU to provided multi-annual funding through PEGASE; continue to use the Incentive-Based tranche; continue PEGASE support to the Cash Transfer Programme; enhance regular monitoring and reporting of PEGASE reform progress and increase coherence between PEGASE and ROF policy dialogue and monitoring; enhance the involvement of CSOs in budgetary reform processes and in the PEGASE Steering Committee; and enhance visibility and communication around PEGASE.

#### Further strengthen the joint programming approach and collaboration with EU MS.

**The EU should continue to further strengthen its joint programming approach with and among EU member states, making sure that strong monitoring and accountability mechanisms are in place to support evidence-based decision making.** This approach should support coherence and complementarity and prevent spreading support too thin in some sectors. As done previously EDPs – including the EU – should define priorities together with the Palestinian Authority and institutions, civil society actors, the private sector, UN agencies, and IFIs present in

Palestine. EDPs should also make sure that a robust system is in place to monitor the implementation of the joint strategy. Joint programming should also remain sufficiently flexible to ensure it can take due account of the situation's evolution and emerging needs.

**Target the most vulnerable population groups with adequate levels of support.**

**The EU should increase crucial support at scale targeting assistance to the most vulnerable populations across all Palestinian geographic areas, ensuring access to basic services, social protection, and economic opportunities.** Despite challenges, the EU should maintain its financial support for sustainable service delivery in Palestine, particularly in critical social sectors, and advocate for structural reforms within Palestinian institutions to enhance their capacity for service delivery and ensure sustainability beyond external support. The EU should support efforts by the MoSD to reform the CTP targeting method, moving away from proxy means-based targeting to specific allowances for vulnerable groups. This reform process should be expedited despite budgetary constraints.

**Continue supporting refugees through UNRWA.**

**Continue the support for the refugee population by providing adequate levels of programme budget support to UNRWA, to enhance access to services, human development, and protection services for the refugee population.** The EU should continue its critical financial support to UNRWA's core basic services, particularly in regions like Gaza where vulnerability is high and humanitarian needs are acute. Emphasis should remain on providing support to the Programme Budget to enable the agency to prioritise its service delivery based on needs among the refugee population in the region. This should continue to be complemented with additional emergency funding in times of acute needs and shocks. Insufficient support to the agency may lead to a crisis affecting millions of Palestinians. There should be an increased focus on core areas of UNRWA's mandate except in situations of shocks and violence where the logistical capacity to bring scale in emergency response should be supported.

**Ensure critical mass for sector support.**

**The EU should continue providing support in the key sectors of intervention, but making sure support can be of critical mass and conditions for the support to reach results are fulfilled.** It is recommended to focus on sectors where the EU has sufficient leverage and to make sure that support is not scattered across many projects. It is also key to make sure that necessary contextual conditions are fulfilled to ensure the project to yield results (e.g. the possibility for a law to be voted).

## 1 INTRODUCTION

### Box 1. Preliminary Remark

This evaluation was finalised in April 2024. It covers the EU financial support to Palestine\* over the period 2014-2021.

The field mission took place in October 2023. It started on the 1 October 2023 and was ended by the events of 7 October 2023, day on which the team had planned the visit to Gaza. Data collection on the ground in Gaza has hence not taken place.

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*\*When we refer to "Palestine" in this report, this is without any implication or suggestion on the status of the area regarding statehood.*

### 1.1 Purpose and scope of the evaluation

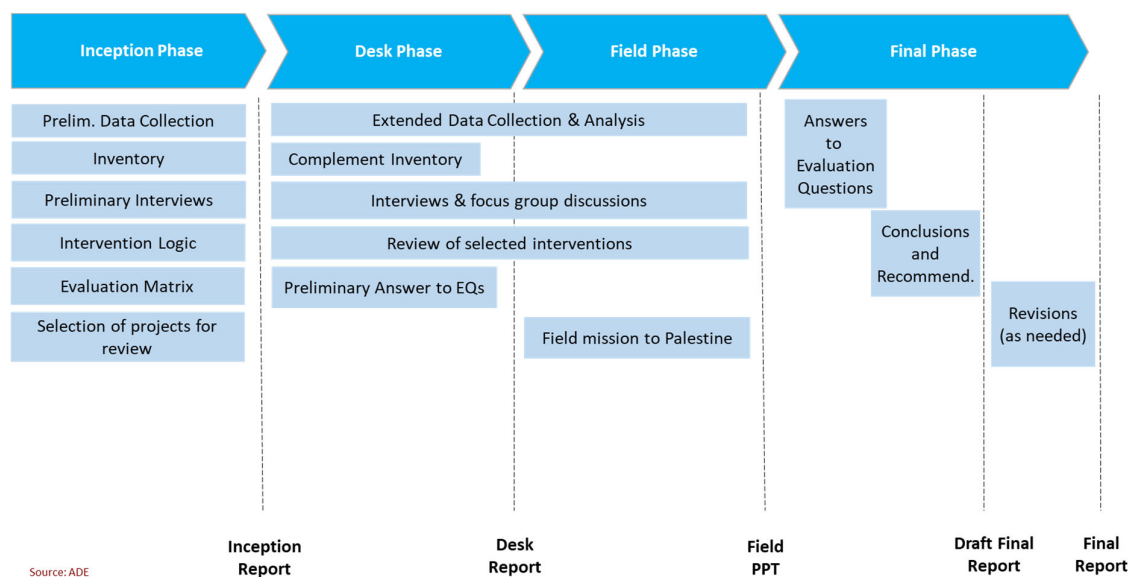
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The evaluation covers support provided during the period 2014-2021. Thematically, it encompasses the five pillars of the EJS: (i) governance reform, fiscal consolidation and policy; (ii) rule of law, justice, citizen safety and human rights; (iii) sustainable service delivery; (iv) access to self-sufficient water and energy services; and (v) sustainable economic development. It also includes the cross-cutting themes of human rights; gender; environmental protection and climate change; support to civil society organisations (CSOs); and the triple nexus.

### 1.2 Methodology and tools

Figure 1 below summarises the different phases of the evaluation and the main activities carried out.



**Figure 1. Overview of the phases of the evaluation, key activities and deliverables**

Source: ADE

Data was collected and analysed using a range of tools and techniques. The combination of tools enabled the team to gather the necessary information at the level of indicators and to triangulate information from several sources to validate and ensure the robustness of the findings.



Overall, the evaluation consulted more than 100 persons through interviews, including 44 EU staff<sup>2</sup>, 9 Member States of the European Union (EU MS) and related agencies, and 29 interviewees from Palestinian Institutions. Also, over 250 documents were reviewed, and an inventory and typology covering euro (EUR) 2.4 billion was developed. Lastly, a field mission to Palestine was carried out.

**Table 1. Data collection tools and activities carried out:**

Evaluation Tool	Description
<b>Documentary Analysis</b> 	Collection and review of documentation: <ul style="list-style-type: none"> <li>• Strategic documentation on the EU's cooperation with Palestine.</li> <li>• Project documentation for the review of a selection of 22 projects.</li> <li>• Existing evaluations of EU-funded interventions in Palestine, such as for Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique (PEGASE), as well as available progress/annual reports and results Oriented Monitoring (ROM) reports.</li> <li>• Studies produced by international organisations.</li> <li>• National policies of the Palestinian Authority (PA).</li> </ul>
<b>Inventory</b> 	An inventory analysis providing an overview of EU activities/inputs in terms of channelled funds has been conducted. This analysis fed the understanding of the overall portfolio, the selection of projects for review and the answers to the evaluation questions (EQs).

<sup>2</sup> Interviews included staff from DG ECHO, DG NEAR, DG TRADE, the EEAS, EUPOL COPPS, EUREP Jerusalem, and EUREP Tel Aviv.



<b>Statistical Analysis</b> 	<ul style="list-style-type: none"> <li>• Statistical analysis of macroeconomic trends (Table of Government Financial Operations – TOFE data).</li> <li>• Quantitative analysis of donor contributions (including the EU's contributions) channelled through PEGASE in support of recurrent expenditures of the PA.</li> </ul>
<b>Interviews and Focus Group Discussions</b> 	<ul style="list-style-type: none"> <li>• Key informant interviews and focus group discussions with more than 100 stakeholders from Office of the European Union Representative (EUREP) East Jerusalem and Tel Aviv, Headquarters (HQ) based staff from DG NEAR, Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO) and the European External Action Service (EEAS), Palestinian Authority, Civil Society Organisations (CSOs), United Nations (UN) agencies, member state delegations and delegations of non-EU countries.</li> <li>• Interviews and focus groups were conducted remotely during the Inception and Desk Phase and in-person during the Field Phase, notably during the field mission to Palestine.</li> <li>• A field mission debriefing was also organised remotely with the EU Delegation in Palestine to discuss the field-based findings of the evaluation. Additional remote interviews were also carried out during the Field Phase. The field mission was ended by the events of 7 October, day on which the Team had planned the visit to Gaza. Data collection on the ground in Gaza has hence not taken place.</li> </ul>

### 1.3 Challenges and limitations

The evaluation team encountered several challenges in carrying out this evaluation:

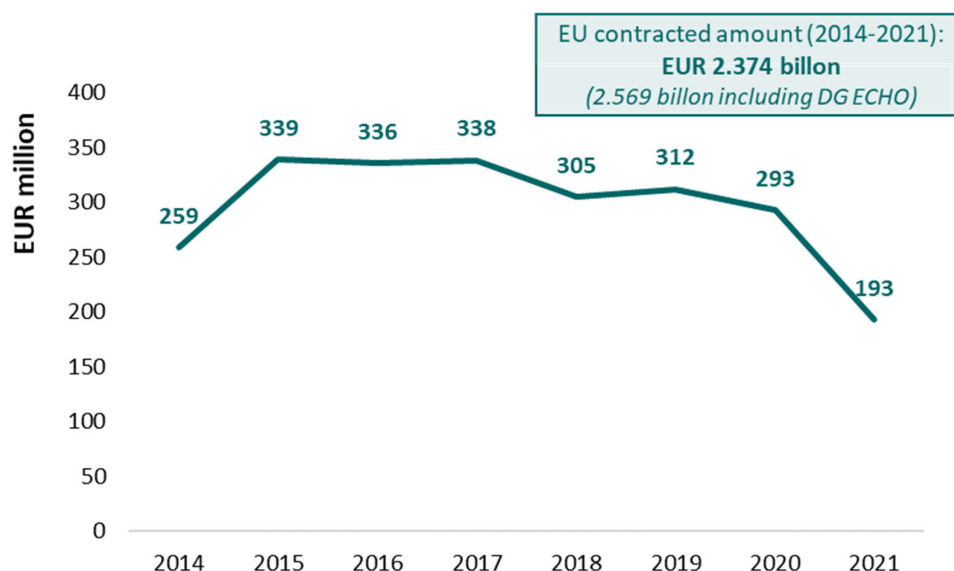
- **A sensitive context.** The evaluation took place in a very sensitive conflict context. The team in the interaction with stakeholders adopted a conflict sensitive approach and respected the strictest rules of impartiality. The team ensured that its sources of information and interlocutors represented diversity of stakeholders to avoid risk of bias and respect the confidentiality of their sources.
- **The scope.** The comprehensive scope of this evaluation was a key challenge. It encompassed different types of projects (infrastructure projects, PEGASE funding for salaries and pensions, rule of law, services delivery, support for UNRWA etc.) in a variety of sectors. It was therefore essential that the evaluation remained focused at the strategic level and relied on existing available secondary information.
- As mentioned above, the field mission that started on 1<sup>st</sup> October 2023 was ended by the **events of 7<sup>th</sup> October 2023**, day on which the Team had planned the visit to Gaza. Data collection on the ground in Gaza hence did not take place.

## 2 EU FUNDING TO PALESTINE

This section provides a schematic overview of the EU funding provided in the West Bank (including East Jerusalem) and Gaza during the evaluation period of 2014-2021.

On average, the EU contracted about EUR 321 million a year including the Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO) or EUR 297 excluding DG ECHO<sup>3</sup> in the period of 2014-2021.

**Figure 2. Contracted amounts over time (EUR million) including DG ECHO**

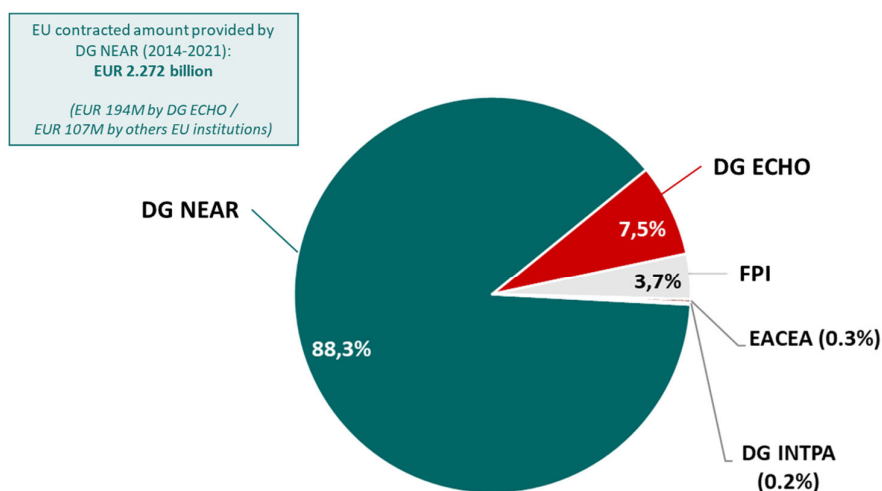


Source: ADE calculations based on extractions from the EU statistical dashboard

Most of the EU assistance to Palestine was provided by DG NEAR (88% of the total contracted amounts or EUR 2.3 billion). DG ECHO, the Foreign Policy Instrument (FPI), the European Education, the Culture Executive Agency (EACEA), and the Directorate-General for International Partnership (DG INTPA) managed a lower share of the total amount contracted.

<sup>3</sup> The inventory covers funds contracted by all Commission DGs and Services. However, as DG ECHO support is not covered by this evaluation the analysis focuses on funds by DG NEAR, FPI, and DG INTPA.

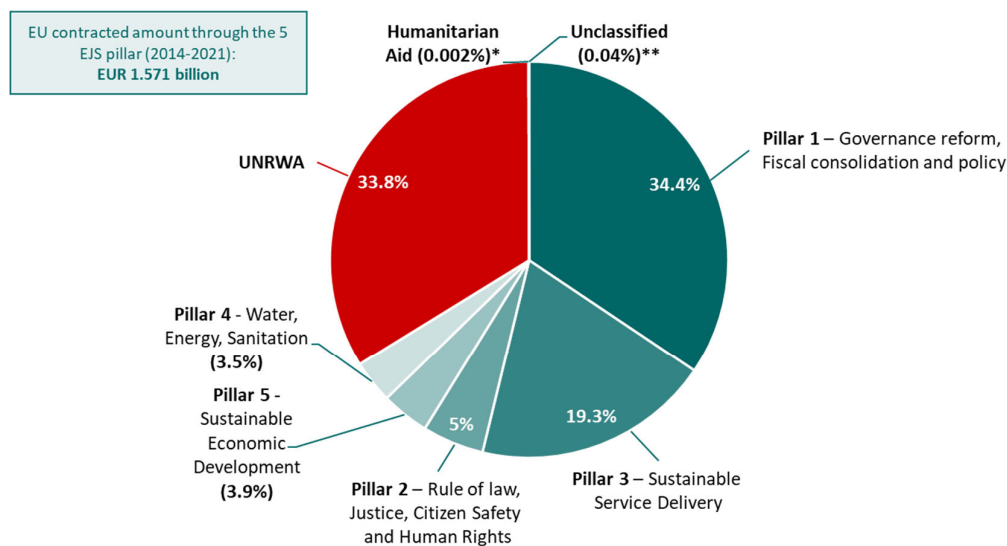
**Figure 3. Amounts contracted by DG in charge between 2014 and 2021**



Source: ADE calculations based on extractions from the EU statistical dashboard

Figure 4 below provides an overview of the funding by pillar.

**Figure 4. Amounts contracted by pillar of the EJS for Palestine between 2014-2021 (excluding DG ECHO funds)**



\* The amount of humanitarian aid here is very low and does not reflect the overall humanitarian support to Palestine. DG ECHO, which is excluded from the scope of the evaluation is the main provider of EU humanitarian aid with a total of EUR 194M over 2014-2021. A part of the funds channeled to UNRWA also concern humanitarian aid.

\*\* Unclassified contracts include thematically transversal projects such as the Technical Assistance for Results-Based Monitoring and Reporting of the European Joint Strategy in Support of Palestine 2021-2024, as well as Evaluations, Expenditure Verifications and System audits.

Source: ADE calculations based on extractions from the EU statistical dashboard

The EJS Pillar 1 was the most funded pillar (EUR 818 million) out of the five pillars. It was mainly supported through the Civil Servants and Pensioners (CSP) component of the PEGASE Direct Financial Support (DFS), which accounted for EUR 652 million, about 80% of Pillar 1 funds.

The EJS Pillar 2 accounted for about EUR 119 million and supported Common Security and Defence Policy (CSDP) Missions. The remaining 59% of the funds were mostly oriented towards a broad range of projects on democratic governance funded by the bilateral envelope.

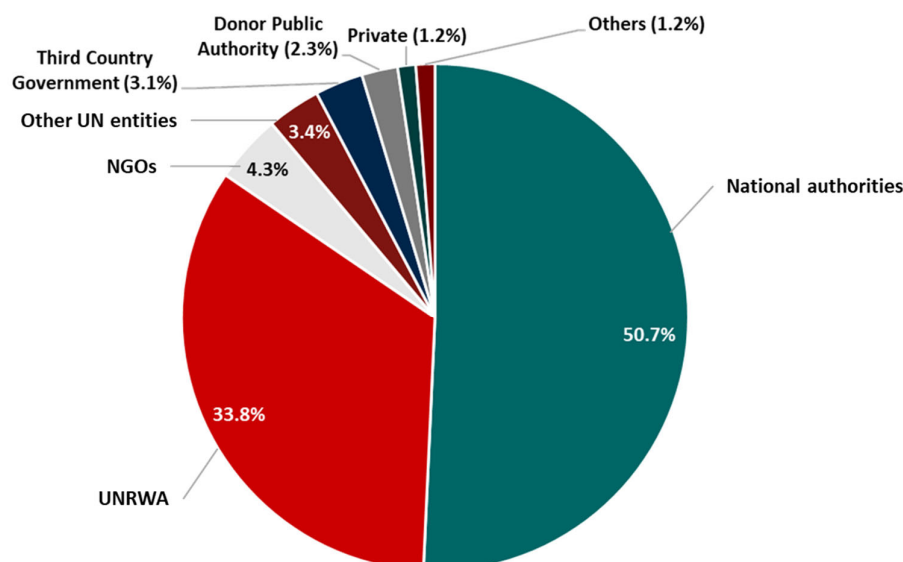
The EJS Pillar 3 accounted for EUR 458 million. Its large scope included Social Protection (85% of funding), Education, and Health. This Pillar was also mostly supported by PEGASE, namely the Cash Transfer Programme and Support to the East Jerusalem Hospital components (EUR 357 million).

The EJS Pillars 4 and 5 each accounted for less than 4% of EU funds (excluding DG ECHO).

Support to the UNRWA accounted for nearly EUR 802 million (34% of EU funds excluding DG ECHO). Most of the EU's support for UNRWA took the form of annual contributions to UNRWA's Programme Budget (about EUR 775 million).

Figure 5 below presents the distribution of EU funding by aid channel.

**Figure 5. Amounts contracted by Aid channel between 2014-2021 (excluding DG ECHO funds)**



Source: ADE calculations based on extractions from the EU statistical dashboard

### 3 MAIN FINDINGS OF THE EVALUATION

This section presents the main findings of the evaluation. These are clustered into five sections, with the following main themes:

- Overall relevance of the EU strategy and of the aid modalities used.
- The coherence of the support and the coordination with other actors.
- The results obtained in the different sectors supported by the EU.
- The support to UNRWA.
- The monitoring and evaluation framework.

#### 3.1 Overall relevance of the EU strategy and of the aid modalities used

##### 3.1.1 Overall relevance of the EU strategy

**EU support was aligned with the defined objectives and identified development needs and geared to the right beneficiaries within this context. The support also took due account of the geographic specificities of providing aid to Palestine.**

The EU's **objectives** as stated in the strategy for its cooperation with Palestine were to contribute to the establishment of an independent, democratic, contiguous, and viable Palestinian State in the context of the two-state solution, to promote peace and stability in the region, and to advance SDG Agenda. As part of this strategy, the EU had a deliberate strategy to make sure its support was aligned with the evolving context and with the priorities of the PA and to consider geographic specificities.

For the design of its support, the EU consulted extensively with the PA to ensure alignment of EU policy priorities with the relevant National Development Plans (NDPs). Policy priorities were set out in the Single Support Framework (SSF) covering 2014, 2015 and 2016. Since 2017 the SSF has been replaced by the "European Joint Strategy in support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State", and its successor the "European Joint Strategy in support of Palestine 2021-2024 Towards a democratic, accountable and sustainable Palestinian state".

As a result, **EU support and PA priorities were well aligned**. The EU also conducted systematic context analyses to promote the relevance of its support to the evolving local and national needs. Sector specific joint analyses were also conducted, but their depth and scope remained limited over the evaluation period.

In terms of **beneficiaries**, the EU geared its support to (i) the Palestinian Authority and its institutions, (ii) the Palestinian people, in particular the most vulnerable, and (iii) the Palestine refugees.

The **five pillars** of EU support as defined in the EJS in support of Palestine were in line with the above-mentioned objectives and the beneficiaries targeted. The first two pillars of the EJS 2017-2020 focused on building the capacity and credibility of state institutions for a viable Palestinian State, whilst the three remaining pillars aimed at supporting the welfare of Palestinians. Indeed, pillar I (Governance Reform, Fiscal Consolidation, and Policy) and II (Rule of Law, Justice, Citizen Safety and Human Rights) are closely linked to supporting the establishment of a viable Palestinian state and the delivery of accountable institutions. Pillars III (Sustainable Service Delivery); IV (Access to Self-Sufficient Water and Energy Services; and V (Sustainable Economic Development) are directly linked to supporting the needs of beneficiaries in Palestine, notably the most vulnerable, and the refugees across the Middle East region, through the EU support to UNRWA (notably under pillar III).

The EU support acknowledged the specific **‘geographic’ needs**, i.e. the specific needs of East Jerusalem, the Gaza Strip, and Area C, providing support in these different areas, while treating Palestine ‘as one’. The type of support provided has considered the different political and administrative arrangements in those areas. It was also designed to take due account of the needs of specific populations, including women, youth, and vulnerable communities.

### 3.1.2 Aid modalities used

**The EU mobilized a mix of aid modalities to deliver its support. Overall, these were well adapted to a complex and unique landscape.**

From 2014 to 2021, the EU mobilised the following aid delivery mechanisms: i) PEGASE DFS to the PA (47% of the EU support); ii) contributions to UNRWA’s Programme Budget (33%); iii) cooperation projects and programmes (19%), including contributions to Single Donor Trust Funds and Multi-Donor Trust Funds; and iv) blending operations, introduced in 2018 in Palestine (2%).

PEGASE was primarily aimed at supporting the PA, particularly to cover its recurring expenditures and to enhance its capacity to sustain access to basic services. Overall, it appeared to be a **reliable and predictable mechanism**. PEGASE was catalytic as it channelled funding from various partners across its different components without high administrative transaction costs. Over time, it evolved into a multi-year programme with the goal of contributing to democratic governance, fostering accountable institutions, and improving the well-being of the Palestinian population. In 2018, it introduced the incentive-based tranche for the CSP component, linking parts of the disbursements to the achievement of public financial management (PFM) benchmarks. Under PEGASE, since 2008, the EU also funded complementary institutional capacity building and policy reform programmes. The PA was involved in the design of PEGASE and demonstrated ownership. External reviews<sup>4</sup> and stakeholders interviewed considered PEGASE as a reliable and flexible mechanism. PEGASE direct financial support has been targeted and safe-guarded by several measures: *ex-ante* audits and controls during the payment process, and *ex-post* audits that provided reassurance over the use of donor funds. In 2018, the incorporation of the incentive-based tranche for the CSP component required progress in public finance management performance over time (e.g. in the payroll IT system, in payroll audits, in financial control). This contributed to provide additional confidence in the PEGASE mechanism<sup>5</sup>.

The yearly contributions to UNRWA’s Programme budget were also well adapted to support the Agency in fulfilling its mandate to provide access to basic services.

Through its support to cooperation projects and programmes, the EU was able to play a more specific role in the sectors spanning the different pillars of the EJS. Complementary technical assistance (TA) was also introduced in the sectors where reforms were supported. The introduction of blending operations aimed at improving private sector competitiveness.

Overall, various sources (ROM reports analysis, interviews) concurred in emphasizing the overall appropriateness of the aid modalities used, even if efficiency varied across operations.

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<sup>4</sup> DT Global for the European Commission, Biennial evaluation of 2018-2019 PEGASE Direct Financial Support (“PEGASE DFS”) to the Palestinian Authority, 2022.

<sup>5</sup> Ibid.

## 3.2 Coherence and coordination of the support

### 3.2.1 Coherence

**EU cooperation strategies and the support provided showed coherence over time, and geographically.**

The three successive EU strategies (SSF 2014-2016, EJS 2017-2020 and EJS 2021-2024) aimed at protecting the viability of the two-state solution, through the establishment of a sovereign Palestinian State living side by side in peace and security with the State of Israel. The various pillars of intervention were all geared towards this overall objective. They targeted both the PA and the Palestinians, hereby showing potential complementarity. Furthermore, national assistance programmes were implemented in complementarity with EU regional and cross-border programmes involving Palestine.

### 3.2.2 Coordination

**The EU coordinated its support with other players at different levels, leading notably to an increased division of labour. Overall, the effective coordination between European Development Partners (EDPs) and the PA has been primarily affected by weak steering from the PA.**

**Overall, donor coordination mechanisms** in Palestine were framed by the Oslo Accords, which in 1993 established the Ad-Hoc Liaison Committee, and, in 2006, the Local Aid Coordination Secretariat (LACS). Discussions within these fora were not regularly held and the steering by the PA was weak, even if the LACS structure was reformed in 2018 to increase PA's ownership. The Prime Minister's Office (PMO) became responsible for overseeing all planning and aid coordination (except for budget support) and a PA institution chaired each LACS SWG. Collaboration within the SWGs varied across sectors, with SWGs not meeting for years in some areas (e.g., fiscal governance). When the SWGs convened, discussions remained mostly limited to information-sharing rather than oriented on policy decision-making and were not underpinned by evidence of results.

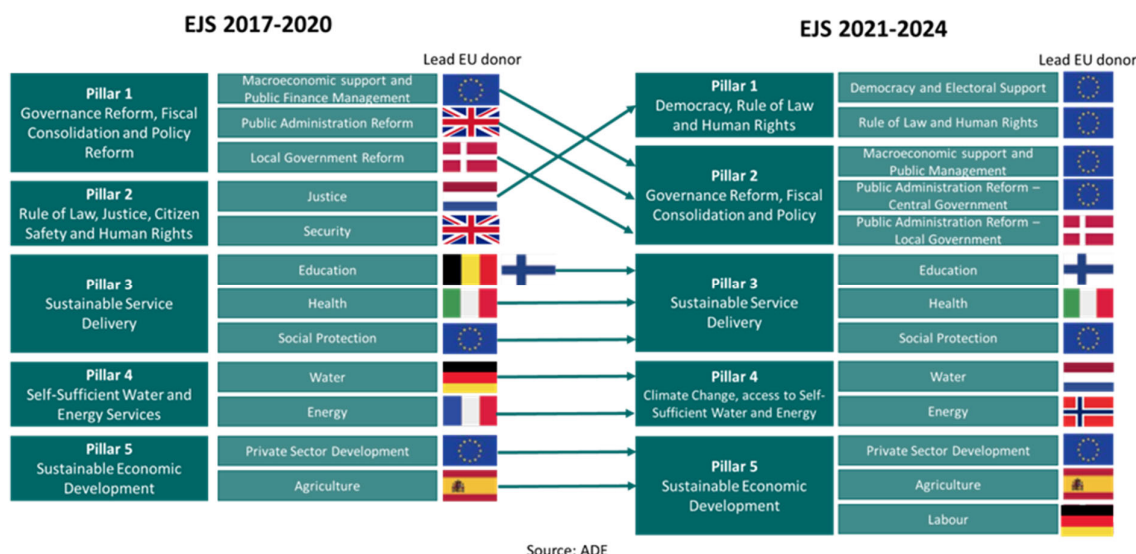
**Collaboration between the different EU services functioned well, but the operationalization of the triple nexus remained a challenge.** Regarding CSDP missions, the EUREP and the European Union Police and Rule of Law Mission for the Palestinian Territory (EUPOL COPPS) coordinated on policy dialogue with the PA and with other donors. For instance, they often coordinated their positions in advance of multilateral meetings, including Heads of mission meetings. In addition, DG NEAR and DG ECHO had regular exchanges, notably with a view to implement the triple nexus. Joint discussions also took place when emergency interventions were needed, especially in Gaza. However, the operationalization of the nexus remained challenging. A joint development and humanitarian needs assessment leading to a joint complementary response did not occur. The lack of human resources in the EUREP for the operationalization of the triple nexus was also highlighted as a constraint.

**Coordination between the EU and EDPs was also further developed over the period.**

- (i) Since 2011, the EU and EU MS worked on an **EU Joint Programming (JP) process**. They progressively developed joint analysis, joint response and joint monitoring. These efforts culminated with the European Joint Strategy (2017-2020/2021-2024), the first joint programming document in Palestine. As acknowledged by several reports and interviews, within the EJS coordination between EDPs has increased and **aid fragmentation has been reduced** as a result of the division of labour among EDPs. The EJS enhanced coherence in dialogue and collaborative approaches between the EU and EU MS. EU donors were identified to lead sector coordination of the thirteen sectors and three mainstreaming themes. The EU's leading role increased over time, with the EU leading six areas in the 2021-2024 EJS in comparison to three in the previous EJS (public financial management; public administration

reforms, social protection; and private sector development in both EJS and then democracy/elections and Rule of Law/Justice).

**Figure 6. Division of labour among EDPs in the EJS**



- (ii) The EJS also comes with a **Results Oriented Framework** (ROF) set up to better follow-up how EDP funding is contributing to priority reforms and to report in a coherent way on sector achievements for a better structured and more coherent results-oriented policy dialogue with the PA. This was instrumental in bringing EDPs together to discuss sector priorities and expected results. Two Annual Sector Policy Dialogue Meetings (ASDPMs) took place (in 2018 and 2020), but it did not escalate to a higher policy level<sup>6</sup>. This dialogue also remained too centred on the sector indicators of the ROF. The ROF is further discussed under section 3.5.
- (iii) The **Team Europe approach** also favoured shared analysis, joint planning and financing between the EU, its Member States and EDFIs (EBRD, EIB, Proparco). In 2021, for instance, a “Team Europe Initiative on Sustainable Growth, Jobs and Resilience” was launched. It proposed a division of labour amongst contributing partners, with leading roles for the EU in trade, for Germany in green economy, for Belgium in entrepreneurship, and for Austria in resilience<sup>7</sup>.
- (iv) **Several meetings and working groups** have been organised by EUREP for exchange of information and coordination with DPs (also beyond EU Member States): bimonthly meetings of the Heads of Cooperation of EU/MS/Switzerland/Norway/UK but also regular meetings at the level of Heads of Political Section and Heads of Mission. Under the EJS division of labour, sector leads are supposed to organise sector coordination. Finally, ‘interest groups’ meeting for PEGASE, UNRWA, East Jerusalem or Area C have been regularly organised by EUREP.

**EDPs held discussions with various PA counterparts who did not coordinate well with each other. This constituted a challenge for EDPs to consistently communicate under a ‘one European voice’.**

There were three main PA interlocutors, who did not coordinate well. The primary PA interlocutor for the ASDPM was the Cabinet Secretariat. Donor coordination under the LACS was dependent on the

<sup>6</sup> The annual meeting, bringing together the Heads of Mission and the Prime Minister never convened.

<sup>7</sup> The lead for the digital economy component was not yet identified.



PMO. Key planning and budgeting functions sited with the Ministry of Finance.

**Being active in these multiple fora for dialogue has required time, investment, and effort from all stakeholders. Still, donors also often worked collectively on jointly funded projects.**

The EU aimed to facilitate close collaboration with other EDPs and at joining forces with other important players on the ground, including international agencies, non-traditional donors and International Non-Governmental Organisations. This included notably the PEGASE DFS, gathering financial contributions from the EU, MS and other donors (e.g. Japan); UNRWA which received contributions from various donors, and notably the United States (US) and the EU; and joint work with EDPs in Area C through the Municipal Development and Lending Fund.

### 3.3 Results of the EU sector support

Different types of results of the EU support are presented hereafter. Results of the support to Palestine refugees are addressed in the next section.

#### 3.3.1 Contribution to the functioning of the Palestinian administration

**The EU support contributed to maintaining the functioning of the Palestinian administration and the provision of basic services, at least until 2020<sup>8</sup>; and to financing the deficit. There was progress in the management of the PFM system, with exceptions, but less in public administration reform.**

The PA has faced a fiscal crisis, with a fiscal deficit averaging 7% from 2014 to 2021. The PA has been heavily affected by the unpredictable transfers of clearance of tax revenues from Israel<sup>9</sup> (almost 70% of domestic revenues) and dependent on donor resources, which sharply declined over the last decade<sup>10</sup>.

In this context, EU contributions channelled through PEGASE (EUR 1.137 billion committed from 2014 to 2020) created fiscal space that served to finance the deficit, maintain the functioning of the Palestinian administration and upkeep the provision of basic services. They were key to keep the PA afloat, notably when other funds were delayed, such as delays or stand-offs related to clearance revenues. EU contributions channelled through PEGASE showed a declining trend with the decrease of the CSP component as of 2017, beneficiaries in Gaza having been declared ineligible. They still represented 4% of total revenues in 2020 – which is significant. In a context where the public sector wage bill in West Bank and Gaza has been particularly high, EU contributions to the CSP component of PEGASE<sup>11</sup> remained critical to finance civil servant salaries and pensions. They represented an average of 6% of total wages during the period 2014-2020<sup>12</sup>. From 2018 to 2020, those contributions directly benefited around 55,000 eligible Civil Servants and Pensioners, which represented approximately half of the civil servants in West Bank.

The PA deployed efforts to improve the overall functioning of the PFM system, and approved a first comprehensive PFM reform strategy (2017-2022) in 2017. Progress was made in terms of (i) public debt management; (ii) predictability and control in budget execution; and (iii) accountability and reporting. But progress stalled on improving policy-based fiscal strategy and budgeting, mostly due

<sup>8</sup> In 2021, the EU did not contribute to PEGASE following the publication of the controversial study on the Palestinian textbooks.

<sup>9</sup> Clearance revenues i.e., taxes on imports to West Bank and Gaza collected by Israeli authorities and remitted to West Bank and Gaza as per the Paris Protocol, represented 67% of total revenues and grants from 2014 to 2021.

<sup>10</sup> As per International Monetary Fund (IMF) data (IM, Report to the Ad Hoc Liaison Committee, 2018 & 2022), from 2014 to 2017, donor aid to the PA has declined on average by 20 percent a year. Grants represented 3% of Gross Domestic Product (GDP) in 2020.

<sup>11</sup> EU payments amounted EUR 684,85 million from 2014 to 2020.

<sup>12</sup> The trend declined from 8% in 2014 to 5% of total wages in 2020.

to external factors, notably the worsening relation between Palestine and Israel, an unpredictable and unstable flow of clearance revenue, and additional expenditures to contain the COVID-19 pandemic. The EU supported progress in public procurement, financial accountability, and budget transparency. It used in a complementary way (i) technical policy dialogue, notably with the incentive-based mechanism for the CSP component of PEGASE introduced as of 2018, which included several PFM performance indicators, and (ii) capacity building, provided notably through the Public Financial Management Improvement Project Multi-donor Trust Fund administered by the World Bank, which supported the implementation of the PA's PFM Strategy, and institutional strengthening to the State Audit and Administrative Control Bureau.

Overall progress in Public Administration Reform (PAR) has been modest. Repeated efforts to reintegrate the two administrations in Gaza and the West Bank have not succeeded due to the absence of progress on the internal Palestinian reconciliation process. Efforts to support wider PAR, in particular institution building at the centre-of-government and regarding civil service reform, also led to little progress. In addition to financing the salaries of civil servants through PEGASE, the EU supported Technical Assistance (TA) interventions supporting civil service reform and PAR and using institution-building instruments like Twinning, Technical Assistance and Information Exchange (TAIEX) and Support for Improvement in Governance and Management (SIGMA). They led to some progress in modernising human resources management practices.

### *3.3.2 Rule of law, human rights, and citizen safety and security*

**The EU's support to rule of law, human rights, and citizen safety and security, addressed identified needs. It contributed to technical results, but could not change the generally worsening trends in these fields.** The EU aimed at contributing to the institutional capacity of the Palestinian justice sector and increase access to justice, especially for vulnerable groups. This was reflected in its different strategic frameworks over the period considered. EU support over the period 2014-2021 amounted to EUR 210 million and was spread across a series of 127 relatively small and thematically varied projects. The EU support contributed to achieving results in terms of policy reform; improved monitoring of human rights treaties implementation; technical improvements to the judicial system; capacity building and support for CSOs working on legal aid, awareness and accountability; and direct provision of legal aid. However, the situation with respect to human rights; rule of law; and citizen safety and security continued to worsen.<sup>13</sup> Progress was hampered by a series of contextual factors. These included the continuously delayed Palestinian parliamentary elections, which hindered the passing of laws in a consultative way; the fragmented authority of the PA in the West Bank and its limited presence in the Gaza strip; the human rights and international humanitarian law violations related to the occupation of the Palestinian territory by Israel; the shrinking space and operational freedom for CSOs in Palestine.

### *3.3.3 Healthcare, education, and social protection*

**The EU support to healthcare; education; and social protection contributed to maintaining a level of basic service provision, but important challenges remained.**

The EU supported the **healthcare** sector in Palestine throughout 2014-2021, pursuing national objectives for achieving progress towards universal health coverage. EU support to the health sector mainly contributed to maintaining specialised essential health care services for Palestinians, notably by paying partially the outstanding invoices for cost of medical referrals issued by the PA to the East-Jerusalem Hospitals through the PEGASE mechanism. The EU support accounted for around 15% of the total cost of referrals to the East Jerusalem Hospitals (EJH) and was considered critical to ease the cash flow crisis, which EJH continue to face due the accumulation of debts by the PA to the cost

<sup>13</sup> The Independent Commission for Human Rights (ICHR) recorded 7746 complaints about the rule of law or human rights of various categories committed by Palestinian security forces or institutions between 2019 and 2021, an indication of the threat against the rule of law and the upholding of human rights.

of referrals that may hinder provision of health care. This allowed to maintain a level of access to specialized healthcare services in Palestine, described in the 2016-2017 biennial evaluation as a “lifebuoy to the six EJH”. Palestinians from the West Bank and Gaza, where there is limited availability of tertiary healthcare services, were reliant on access to the EJH for specialized treatments, which were made more affordable through the payment of the referral costs. The EU support also allowed creating financial space for the Ministry of Finance to meet other obligations towards its citizens amid the ongoing fiscal crisis. In 2020, the additional contribution to cost of referrals enabled the Ministry of Health to focus resources on tackling the COVID-19 pandemic without risking the availability of the referrals. There were, however, limitations in addressing the health system reform through PEGASE and the policy dialogue<sup>14</sup>. The EU/EUREP was not in the lead of the healthcare sector and was not a member in the Health Sector Working Group. This limited its engagement in health sector dialogue. Activities outside PEGASE such as TA, were under the responsibility of the MS sector lead (Italy) and other EUDPs active in the sector. The incentive-based approach through PEGASE as introduced in 2018 did not include healthcare-related indicators. The need for structural change and resources to support reform in the health sector hence remained, and the Ministry of Health remained dependent on referrals.

Over the period considered, the EU also supported the **education** sector (EUR 32 million). This support was spread across different types of interventions; school construction and renovation in East-Jerusalem; funding channelled through PEGASE for the payment of teachers’ salaries and through UNRWA schools (for Palestine refugees); Erasmus+ programme, despite substantial mobility problems notably from Palestinians from Gaza to obtain travel permits. The EU was not the lead in the sector. Given the spread and the magnitude of funding, results remained confined to the project level.

In terms of **social protection**, EU support through the PEGASE funding for the Cash Transfer Programme (CTP) contributed to maintaining the partial payment of social allowances by the PA. The EU committed an average of EUR 48 million annually to the CTP, which represented 46% of the CTP total budget over the period 2017-2021. According to available evaluations, the EU payments to the CTP benefited an average of 60,000 households annually in 2014-2015 and 70,000 between 2016-2019, 80% of which in Gaza. Despite the critical PEGASE funding, the PA could not maintain regular quarterly CTP payments due to financial constraints and lack of prioritisation by the authorities. Furthermore, the CTP used a poverty proxy means-based method to determine eligible beneficiaries, while EU was advocating for social protection floors (SPF), life-cycle entitlements some to be used for targeting. Reforms proceeded slowly due to the PA’s budgetary constraints and the slow process of passing new laws or amending existing laws. Finally, documentary sources and interviewed stakeholders suggested that the low value of the social allowance limited the impact of the CTP. The EU also provided capacity building support for the Ministry of Social Development (MoSD) for policy reforms along the SPF, case management system (for people with disability and elderly), monitoring and evaluation system and decentralization. However, the MoSD reforms continued to be difficult to implement due to budget limitations.

### 3.3.4 *Water and energy sectors*

**The EU provided support for policy reform in both the water and energy sectors, but progress was uneven and slow; EU support to infrastructure in these sectors addressed well identified needs, and generated results, although the development of sustainable infrastructure remained difficult in both sectors.**

The Palestinian **water sector** is characterized by an absence of control over available resources, as a consequence of the occupation of the Palestinian territory by Israel. The Oslo II Accord adopted a quantitative approach to the water issue that detailed the quantities of ground water extraction from

<sup>14</sup> The EU/EUREP was not in the lead of the healthcare sector. and was not a member in the Health Sector Working Group. This limited its engagement in health sector dialogue. Activities outside PEGASE such as Technical Assistance, were under the responsibility of the MS sector lead (Italy) and other EUDPs active in the sector.

West Bank Aquifers to be allocated to Israel, the West Bank and Gaza (with 483 million Cubic Meters (MCM) per year allocated to Israel and 118 MCM to Palestinians). This approach coupled with Israeli control over Area C, left Israel controlling approximately 80% of water resources in the West Bank and Palestinians unable to extract the aforementioned 118 MCM to date. Furthermore, as part of Oslo II Accord, a Joint Water Committee (JWC) of Israelis and Palestinians was formed to oversee management of the aquifers under Oslo II, but it never allowed any effective collaboration.<sup>15</sup> Insufficient infrastructures and ineffective water resource management have also led to a severe water shortage both in the West Bank and in Gaza. In Gaza water quality and available quantity are way below international standards.

Over the period 2014-2021 the EU allocated EUR 108 million to the water and wastewater sector. The EU's engagement with the water and wastewater sector used a twin-track approach focusing on both sector reform and infrastructure investments (for both water and wastewater). In Gaza, the EU focused on access to water through desalination plants, while in the West Bank the focus was on wastewater.

Under the EJS and the lead of the Netherlands, the EU was engaged in policy dialogue with the Palestinian Water Authority (PWA), the National Water Company and the Water Sector Regulatory Council. The EU contributed to legislative and regulatory change in the water sector, notably to the drafting of the 2014 Water Law aimed at enhancing the development of water resources in both the West Bank and Gaza. While the 2014 Water Law had not yet been fully implemented as of the end of the evaluation period, several bylaws related to the Law were issued with the support of the EU. These included the related Unified Tariff Regulation for Water and Wastewater bylaw, the Well Drilling and Abstraction bylaw and the Establishment and Licensing of Regional Water Utilities bylaw in 2021. Stakeholders linked the positive advancements with the PEGASE incentive-based tranche, which included indicators related to water sector reforms since 2019.

The EU also supported water and wastewater infrastructure development mainly focusing on large scale bulk programs, which contributed to decreasing water shortages<sup>16</sup>. Some of the projects such as the desalination projects in Gaza were confronted with important difficulties and delays, linked to various factors such as the Covid-19 pandemic or the escalation of hostilities in Gaza in May 2021, and the occupation of the Palestinian territory by Israel and blockade. Also, support provided in Area C faced major issues related for instance to the difficulty to import materials. Overall, EU staff and national authorities agreed that progress was made in infrastructure development both in the West Bank and in Gaza, despite some inefficiencies mostly due to contextual limitations and the level of needs remaining high. Operation and maintenance costs were mentioned as key challenges to the effectiveness and sustainability of the EU infrastructure support. Globally, results at a more global level, as measured by the ROF indicators, signalled uneven results across sub-sectors and geographies. Notably, there was progress over 2017-2020 in terms of access and management of water and sanitation services, measured through the percentages of households connected to the public network and the wastewater system, in focal areas of EU support in the West Bank in particular. In Gaza, there was a deterioration of the situation in terms of water supply for domestic purposes, operating service providers and wastewater reuse for irrigation. This could be linked to a lack of funding directed to Gaza and a huge increase in needs due to the population growth. Improving the quality and reliability of water supply services remained a concern, as three out of four selected indicators of the ROF were not met both in the West Bank and Gaza Strip.

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<sup>15</sup> Jan Selby - 2013 study on the functioning of the JWC during the period 1995-2008 noted that the Palestinian Water Authority had approved all Israeli applications for new water supply facilities for West Bank settlements, while Israel had vetoed every application from Palestine.

<sup>16</sup> An example is the 'Nexus North project' in the northern West Bank, which rehabilitated 30 km of the water network and expanded it with 74 km, built two water reservoirs and rehabilitated 11 others, with over 1,500 new households connected. For wastewater about 956 houses and 889 public establishments have been connected with a network. Furthermore around 60,000 persons benefited from improved access to water and sanitation services at affordable prices.

Over the period considered, the EU allocated EUR 18 million to support the **energy sector**, in terms of policy reform, institutional capacity-building, and infrastructure development. EU supported capacity building activities were overall successful, and progress was made in the formulation of regulations in various areas of the energy sector. However, actual reform processes were overall slow and uneven, with challenges in the implementation of the adopted regulatory system and new laws remaining in the draft stage. Political concerns between different levels within the PA (municipalities – PENRA) and a lack of political interest on the PA side slowed or halted the implementation of the existing regulatory framework and the passing of new laws in the energy sector. This can be linked to the overall slow legislative process in Palestine, which hindered policy reform. To encourage reform, PEGASE incentive-based tranche included indicators related to the energy sector. This approach noted promising preliminary results notably in the sense that in 2021 the renewable energy indicators were met.

The EU support to the energy sector's infrastructure included rehabilitation of electricity distribution networks, development of local capacity to design and implement renewable energy in the industrial sector and for wastewater plants, aiming at creating demand for clean energy technologies in the industrial sector and water and wastewater sector, supporting the green economy agenda and fostering innovation and entrepreneurship in the clean technology. Synergies were achieved by integrating renewable energy with (waste)water infrastructure projects, while preliminary evidence suggests that there was untapped potential in terms of synergies between energy and private sector development.

At the impact level however, results in the broad sector were mixed and, in any case, difficult to link to EU interventions.

Several contextual challenges affected the EU's support to the water and energy sector<sup>17</sup>:

- The legislative process is slow, which hindered progress on adopting or updating water, wastewater and energy laws and regulations;
- COVID-19 led to restricted staff movement and delays and cost overruns in the procurement and import of critical materials;
- Israel's control over the West Bank, especially Area C<sup>18</sup>, hampered the implementation of water, sanitation, and energy projects there;
- Limited power in Gaza hampered the effective functioning of water infrastructure;
- Procurement of equipment for water and energy projects (especially goods considered as dual use material) in Gaza is subject to the approval of the Coordination of Israeli Government Activities in the Territories (COGAT); which is usually a time-consuming process. Staff entering Gaza also need permits, which can be delayed or denied.
- The EU supports projects in Gaza but the accumulation of debts by the Palestinian Authority, including as a result of net lending<sup>19</sup>, and the inability to enforce the updated or newly endorsed energy, water and wastewater laws must also be taken into account.

### 3.3.5 Sustainable economic development

**The EU support to sustainable economic development contributed to positive changes, notably in terms of private sector development for which the EU was the sector lead. Overall, however, results at the macro-level remained limited. This was linked to**

<sup>17</sup> In a similar manner these factors also constituted challenges to the other sectors.

<sup>18</sup> Area C constitutes 60% of the West Bank territory, suitable for future expansion of water and energy projects.

<sup>19</sup> Net lending refers to the system by which Israel deducts payment for unpaid electricity, water and sewage services provided to Palestinian consumers from the funds it collects on behalf of the PA.

**contextual challenges, but also to the fragmented nature of support provided by the EU and other EDPs. The EU has also not been able to leverage its support to push for reforms.**

Between 2014 and 2021, the EU contributed EUR 93 million to Sustainable Economic Development. This encompassed support to private sector development, labour market development, and agriculture.

The bulk of the support was focused on **private sector development** for which the EU was the lead. It included TA and financial support for Micro-, Small and Medium Sized Enterprises (MSMEs), and capacity building to the PA, and to Palestinian financial institutions. EU support contributed to improving MSMEs' competitiveness; access to finance; and resilience, and to promoting the adoption of green sustainable practices; encouraging entrepreneurship; and improvements in the Business environment and Trade. As an example, the so-called 'Palestinian Market Development Programme' (PMDP) financed by the EU and the Department for International Development (DFID) between 2014 and 2018 led to improvements in the business environment of Palestine. Palestine jumped from place 140 to 114 under the World Bank Doing Business Indicators, which can, at least in part, be linked to this programme (notably through the support for the implementation of the 2016 Secured Transactions Law in improving access to credit for MSMEs). The project also directly supported the competitiveness of 800 beneficiary firms and the creation of jobs<sup>20</sup> through the TA and matching grants. Another example is the Sustainable Use of Natural Resources and Energy Finance (SUNREF) project launched in 2017 for which the EU provided EUR 8 million. Through its TA component it contributed to strengthening the capacities of local lending institutions. It also contributed to increasing the share of renewable energy in the energy mix and increasing local production of energy.

<sup>21</sup>

EU support in the **agricultural sector** aimed at improving farmers' access to agricultural resources, and the strengthening of private sector led agriculture and agribusiness. The project on the 'Reform and Development of Markets, Value Chains and Producers' Organisations' launched in 2017 and financed by several EDPs contributed to increases in harvested land area, in the level of investment in fixed productive assets, and to improvements in the agribusiness environment. Furthermore, two PEGASE programmes channelled EUR 18 million to assist farmers and agribusiness affected by the occupation of the Palestinian territory by Israel in Areas B and C and by Israel's Gaza blockade and wars in Gaza. By 2021, the EU had financed 520 development plans in both the West Bank and Gaza, and had supported the Ministry of Agriculture (MoA) and the PADRRIF authorities<sup>22</sup> through its capacity building component.

EU support for the **labour sector** was limited. It consisted mainly of EUR 8 million of support to a programme on Technical and vocational education and training (TVET) from 2015 to 2019 implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (Germany had the lead in the sector). For instance, the programme contributed to strengthening students' and graduates' competencies, to enhancing the capacities of teaching staff and relevant TVET staff and authorities, and enhanced employment.

**Across the three sectors, EU supported projects contributed to positive changes. However macro-level results and sustainability did not occur** as contextual factors also played a role in this respect: (i) the reform processes by the PA have been slow, and many of the targeted reforms

<sup>20</sup> The PMDP Final Report and its Final evaluation state that 2,978 net jobs were created as a direct result of the support provided to MSMEs, with additional jobs having been indirectly supported. This also included an increase in jobs for women and for youth of both genders.

<sup>21</sup> The EJS 2021-2024 included a proposed Team Europe Initiative (TEI) on Sustainable Growth, Jobs and Resilience, allowing for the PSD support to evolve into a TEI.

<sup>22</sup> The PADRRIF is the Palestinian Agriculture Disaster Risk Reduction and Insurance Fund, an independent semigovernmental institution under the Cabinets of Ministers, to ensure prompt and efficient delivery of insurance and risk management services to the Palestinian farmers.

did not advance<sup>23</sup>; (ii) the occupation posed substantial systemic constraints<sup>24</sup>. Indicators in terms of productivity, trade, business environment, farmers resilience and steadfastness on their land stagnated or even deteriorated.<sup>25</sup> Several EU projects faced significant challenges in terms of ensuring the sustainability of their results, as mentioned during interviews. A notable example is the PMDP, which generated significant progress, but that could not be maintained following its completion. Momentum for the adoption of reforms advanced under the PMDP was not sustained, and the PA slowed down in terms of the implementation of already adopted reforms<sup>26</sup>.

Several factors hampered the reaching of results in a more comprehensive and sustained manner. The EU signed over 45, mostly small contracts, between 2014-2021, allowing it to support a wide range of activities. This meant however that apart from a few large scale, jointly funded programs, with other donors, especially EU MS (e.g. the PMDP and the Reform and Development of Markets, Value Chains and Producers' Organizations), support was fragmented and did not allow for critical mass. The Team Europe Initiative on inclusive growth and jobs, launched at the end of 2021 and covering trade, green economy, entrepreneurship, digital economy, and economic resilience, laid the foundations for a notable shift in this approach. The EU-Palestine Investment Platform has also provided an opportunity for strengthening cooperation with European Financial Institutions. Contextual factors also played a role in this respect: (i) the reform processes by the PA have been slow, and many of the targeted reforms did not advance<sup>27</sup>; (ii) The occupation posed substantial systemic constraints<sup>28</sup>.

### 3.4 Support to UNRWA

**Through the critical mass of its funding the EU contributed to UNRWA's ability to maintain basic services for Palestine refugees.** Despite a prolonged financial crisis, an unstable voluntary funding base and the increased demands on its services by a growing Palestine refugee population, UNRWA was able to maintain core basic service delivery in its five areas of operation. It thus contributed to regional stability (West Bank, Gaza, Jordan, Syria, and Lebanon). This was possible because of the continued financial support from large-scale donors such as the EU. The contributions

<sup>23</sup> Notable exceptions are the updating of the 1953 Law of Crafts and Industries in 2019, and the adoption of the Companies Law in 2021. The Telecommunication Law was also adopted in 2021, but was not fully aligned with international standards. Other reforms such as the Competition Law, the Commercial Agents Law, the Plant Health Law and the Pesticide by-law revision were not completed, sustaining an unfavourable environment for economic development.

<sup>24</sup> The repeated crises and destructions have resulted in a significant concentration of resources on rebuilding and promoting resilience, limiting the potential for significant progress. The restriction on the access to land and water; and the limited opportunities for export, especially for Gaza; have posed important structural constraints for agricultural development and entrepreneurship.

<sup>25</sup> The share of locally produced energy remained very low between 2017-2020, with 92% of energy being imported in 2020; The share of locally produced agribusiness also declined between 2017-2020, and was less than 45% in 2019; The share of exports to GDP of the Palestinian economy was among the lowest in the world, ranging from 14.3% to 16.1% between 2014-2020; The share of exports to countries beyond Israel declined between 2017-2021 (IOC1.1), from 17.5% to 14%; Palestine's ranking in the World Bank Doing Business Report went from 114 in 2017 to 117 in 2019; the total cultivated land in crops and trees decreased from 1,599 km<sup>2</sup> in 2010, to 1,450 km<sup>2</sup> in 2020, to 1096 km<sup>2</sup> in 2021.

<sup>26</sup> In the agriculture sector, stakeholders mentioned in interviews that EU projects had successfully achieved outputs, but that there were difficulties in translating outputs into sustainable change. Notably, no progresses were made in impact level indicators regarding poverty and food security.

<sup>27</sup> Notable exceptions are the updating of the 1953 Law of Crafts and Industries in 2019, and the adoption of the Companies Law in 2021. The Telecommunication Law was also adopted in 2021, but was not fully aligned with international standards. Other reforms such as the Competition Law, the Commercial Agents Law, the Plant Health Law and the Pesticide by-law revision were not completed, sustaining an unfavourable environment for economic development.

<sup>28</sup> The repeated crises and destructions have resulted in a significant concentration of resources on rebuilding and promoting resilience, limiting the potential for significant progress. The restriction on the access to land and water; and the limited opportunities for export, especially for Gaza; have posed important structural constraints for agricultural development and entrepreneurship.

made by the EU were significant (overall EUR 802 million of which EUR 775 million in the form of annual contribution to the Programme Budget) and together with those of EU MS represented nearly half of UNRWA's operating budget<sup>29</sup>. Indeed, between 2014 and 2021, the EU contributed between 11% and 17% to UNRWA's programme budget. If added to EU MS contributions, the EU contributed between 34 and 51%. In this context, the EU (and other donors) advocated for UNRWA to prioritise the delivery of its core basic services. This has been done by the Agency, with on average 55 % of its programme budget being allocated annually for services in Gaza and the West Bank.

**UNRWA considered the EU as a reliable donor, providing steady and predictable contributions seen as crucial for the delivery of core services, and to deal with yearly cash flow problems.** The EU's continued support has been critical for the agency to continue delivering its core services. The EU decision in year 2021 to provide multi-year funding allocations commitments also contributed to increase predictability of funding. When needed, the EU has furthermore provided additional funding in times of unforeseen financial shocks<sup>30</sup>.

The EU recognises that UNRWA has made efforts to cut costs to become more efficient and cost-effective. UNRWA's reform process has been closely linked, over the years, with the Agency's financial crisis. The EU, with other donors, has taken a central role to help the Agency explore alternative sustainable funding models/approaches. Through consultative processes – mainly in the twice-yearly meetings of the Advisory Commission and in bilateral meetings and working groups, the EU has encouraged the Agency to reduce costs where possible and work within a zero-growth budget. Starting in 2020, dialogue between UNRWA and the donors have also emphasised possibilities of enhancing the synergies with hosting countries and other actors (like IFIs, other UN agencies and private sector), putting the refugees at the centre of the attention.

### 3.5 The monitoring and evaluation framework

**EDPs, under the leadership of the EUREP office, progressively developed a framework for monitoring and evaluation.** This ROF started in 2015 under PEGASE and was extended to all sectors of the 2017-2021 European Joint Strategy in 2018<sup>31</sup>. Its objective was to jointly assess progress and to have a joint policy dialogue, reporting and monitoring mechanism. It was in line with the findings and recommendations of the 2013 European Court of Auditors performance audit and the 2014 external evaluation of the EU cooperation with Palestine to address the weaknesses of the existing M&E framework. At the same time, the PA was designing the National Policy Agenda (NPA) 2017-2022 sectors' results framework. European sector leads aligned results and indicators for European cooperation when relevant.

**Whilst the ROF was recognised for having enabled discussions on results and indicators between the PA and partners, some weaknesses were also highlighted.** An evaluation underlined that it was intervening as a late reporting framework due to insufficient active monitoring during implementation<sup>32</sup>. The medium-term review of the 2017-2020, EJS also indicated that the 'ROF provides limited insight into the extent of progress towards the EJS's political objective of protecting the viability the two-state solution'. The PA also had its own reporting system, but monitoring by the PA of sector progress over time therefore remained limited. For instance, monitoring reports were not published. Interviewed stakeholders explained they saw the ROF as a complex system not leading to useful policy dialogue, and remaining a donor reporting exercise, covering too

<sup>29</sup> The timing of the payments posed at times a cash flow problem when not paid during the first quarter of the year. While the EU has regularly provided top-ups during the year to its programme budget contributions, the annual contribution did not consider inflation or other cost increases borne by the Agency.

<sup>30</sup> This includes for instance the US halting its contributions in 2018, and the impact of the COVID-19 pandemic.

<sup>31</sup> They encompass more than ten sectors and three cross-cutting issues (gender equality, environment and youth).

<sup>32</sup> DT Global for the European Commission, Biennial evaluation of 2018-2019 PEGASE Direct Financial Support ("PEGASE DFS") to the Palestinian Authority, 2022.



many sectors with too many indicators, hereby not matching well the limited capacities of the PA, and with some indicators being too vague or generic to measure progress in the sectors.

## 4 OVERALL ASSESSMENT AND CONCLUSIONS

### 4.1 Overall assessment

Under the overarching goal of the two-state solution, the EU designed its support to Palestine over the period 2014-2021 to address the needs related to the overall objective of the establishment of a viable Palestinian state, and to provide public services to the Palestinian population, including Palestine refugees. It did so by framing its support around five sectoral pillars, by intervening in different geographic zones, and by gearing the bulk of its support to the Palestinian Authority and to UNRWA. Over the period under review, the EU provided close to EUR 2.4 billion of support. In a challenging and difficult context, this allowed the EU to contribute to the overall objective of Palestinian state-building, by allowing both the Palestinian Authority and UNRWA to continue providing basic services, despite their increasing financial difficulties. The EU also contributed to generating results in different sectors, such as the rule of law, social sectors, energy and water, and private sector development. Often those results remained, however, confined to the projects supported. Generating sustainable change at a more macro level was hampered for reasons linked to the multiple challenges of providing support in the specific context of Palestine, many of which were out of the EU's control.

### 4.2 Conclusions

*Conclusion 1: on the overall EU strategy*

**C1.** The EU's strategy for supporting Palestine was in line with the needs of Palestinians, including the refugees, and with the overall objective of supporting the building of a Palestinian state within the framework of the two-state solution. It considered the geographic specificities of the region and remained coherent over time.

The EU support aimed at fostering the establishment of an independent, democratic, and viable Palestinian State within the framework of the two-state solution, to promote peace and stability in the region, and to advance the SDG Agenda. EU support was strategically directed towards addressing the specific needs of the Palestinian people, focusing on three key components:

- The Palestinian people in Palestine: Special attention was given to the rights of the most vulnerable groups, including women, youth, and vulnerable communities.
- Palestinian Authority's institutions: The EU contributed to key governance reform, fiscal consolidation, and policy development. These efforts aimed to establish accountable institutions that are crucial for the viability of the Palestinian state.
- Palestine refugees: support for UNRWA was geared to address the needs of Palestine refugees across the Middle East region, emphasizing access to basic services and humanitarian assistance.

This assistance was organized around five pillars in the EJS, aligned with NDPs. Extensive consultations with the Palestinian Authority contributed to policy priorities alignment. Some national programmes were implemented with EU regional and cross border programmes.

The EU's approach acknowledged the geographic specificities of the region by tailoring support to East Jerusalem, the Gaza Strip, and Area C, while maintaining a unified approach towards Palestine as a whole. Across all geographic areas, the EU supported access to basic services and infrastructure to supporting living conditions for vulnerable people including access to clean water.

The EJS under which EU programming was made remained coherent over successive periods and

continued to work within the overall framework of a two-state solution.

Based mainly on EQ 1 and EQ 2.

*Conclusion 2: On the magnitude of the support and the aid modalities used*

**C2. The EU played a key role in providing substantial ODA during the period considered, particularly through contributions to the national budget of the PA and to the programme budget of UNRWA, amidst significant financial challenges for both entities. It used a mix of aid modalities well-suited to the cooperation landscape.**

Over the assessed timeframe, the EU contracted EUR 2.374 billion for its cooperation with Palestine (averaging around EUR 298 million annually). Most of these funds (68%) were allocated to Pillars 1 and 3 (governance reform, fiscal consolidation and policy, and social sectors) through PEGASE Direct Financial Support to the PA and for UNRWA's operations.

There was a declining trend in donor grants - including budget support - to the PA over the past decade. This also applied to EU contributions channelled through PEGASE (EUR 1.137 billion committed from 2014 to 2020) which fell from 8% of total revenues in 2014 to 4% in 2020. More specifically, EU commitments to the Civil Servants and Pensioners (CSP) component of PEGASE (EUR 689,25 million) decreased from 8% of total wages in 2014 to 5% in 2020. Although EU contributions declined over time, they remained essential to keeping the PA afloat, notably when other funds were delayed, such as delays or stand-offs related to clearance revenues. For UNRWA, EU contributions fluctuated over the period considered but represented - together with the ones of EU MS - around 40% of UNRWA's operating budget (see also conclusion 6).

The mix of aid modalities used by the EU was well adapted to the complex and unique landscape of the cooperation with Palestine. The PEGASE mechanism allowed the financing of the recurrent expenditure of the budget of the PA to contribute to build effective institutions for statehood. Its aim was to secure the delivery of basic services to the Palestinians. PEGASE was catalytic, reliable, and flexible until 2020. The mechanism enabled to channel funding from various partners across more than one component of PEGASE without multiple administrative transaction costs. PEGASE showed positive evolutions over time. In 2018, the EU started to provide multi-annual support, hereby increasing predictability of funding. The same year, the EU introduced an incentive mechanism for reform under the CSP component, linking a significant part of disbursements to progress in key policy reform areas. It provided complementary support under PEGASE to reinforce policy reform capacity in selected areas (such as PFM). In addition, EU contributions to UNRWA Programme Budget supported the Agency's operations in favour of Palestine refugees. The EU also deployed various cooperation projects, and programmes to reinforce the capacities of PA institutions and to support various social and public infrastructure projects. Finally, blending operations, introduced in 2018, gradually rolled out (they represented 2% of total EU aid to Palestine in the period under review).

Based on EQs 3, 4 and the inventory.

*Conclusion 3: On donor coordination*

C3. Over time, donor coordination amongst EDPs improved through the concrete application of a joint programming process, with an increased role of the EU over time. Coordination with other development partners and the Palestinian Authority was uneven across sectors, with insufficient steering by the Palestinian Authority.

Collaboration between the different EU services (e.g., DG NEAR, EEAS, DG ECHO, FPI for the management of the two CSDP missions) functioned well, although there were specific challenges, such as for the operationalisation of the triple nexus.

The EU, EU MS and other like-minded EDPs (Norway and Switzerland) deepened the efforts deployed since 2011 on an EU Joint Programming Process. These efforts culminated with the European Joint Strategy (2017-2020/2021-2024), the first joint programming document in Palestine. The EJS enhanced coherence in dialogue and collaborative approaches between EU and MS. It reflects division of labour, with an increased role of the EU over time as lead of specific sectors. Since 2017, the EU substituted its bilateral programming with the EJS.

The EJS also comes with the ROF – a monitoring system set up to better follow-up the efforts of Palestinian institutions on reforms and report in a coherent way on sector achievements. Since the launch of the ROF in 2018, Annual Sector Policy Dialogue meetings have been organised in 2018 and 2020, with the Cabinet secretariat as primary PA interlocutor. These meetings aimed to review the attainment of results under the ROF. However, dialogue and reporting remained focused on the numerous indicators of the ROF and insufficiently results-oriented. Moreover, discussions did not escalate at a higher political level; higher decision-makers (Heads of Missions and Prime Minister) and European capitals (for some EDPs) having their own annual dialogue on bilateral agreements with the PA. Since 2021, the Team Europe approach also favoured shared analysis, common positioning, and joint planning and financing between the EU and Member States. EDPs were in contact with various PA counterparts (PMO, Cabinet Secretariat, MoF), who did not coordinate well with each other. This constituted a challenge for them to consistently communicate under a “one European voice”.

Wider coordination between development partners and the PA was managed through the Local Aid Coordination Secretariat (LACS). In 2018, the LACS was reformed to increase PA ownership. The Prime Minister’s Office (PMO) became responsible for overseeing all planning and aid coordination (except for budget support). However, the steering by PA institutions in each LACS SWG remained limited. Performance of the LACS was uneven across sectors. Information sharing took place in the sectors where the SWGs met, but discussions were not oriented on policy decision-making. The EU joined forces with other important players on the ground, notably through the PEGASE DFS, UNRWA and joint work with EDPs in Area C through the Municipal and Development and Lending Fund.

Based mainly on EQ1, EQ 2 and EQs 5 to 9.

*Conclusion 4: On the EU contribution to establishing a Palestinian state*

C4. In a difficult and challenging context, EU support contributed to the overall goal of establishing a viable Palestinian state in the framework of the two-state solution through its role in financing the deficit and maintaining the functioning of the Palestinian administration, which helped the PA to continue providing basic services. It also contributed to progressively build the capacity of PA institutions, accompanying incremental progress on PFM but only a little on PAR.

The EU - through PEGASE - created fiscal space that contributed to finance the budget deficit and to maintain the functioning of the Palestinian administration. Ultimately, the PA could continue delivering basic services to the population. EU commitments to the CSP component of PEGASE were critical to finance civil servant salaries and pensions. Although declining over time, they represented an average of 6% of total wages during the period 2014-2020. From 2018 to 2020, the CSP component directly benefited around 55,000 eligible civil servants and pensioners, which represented approximately half of the civil servants in West Bank.

The EU also supported the institutional building of PA institutions. Since 2018, it focused on building capacity for policy reforms in the sectors where reforms were targeted (PFM, PAR, water and energy). Through PEGASE complementary support, contribution to Trust Funds and several institution-building tools (Twinning, TAIEX and SIGMA), the EU accompanied progress in public procurement, financial accountability and budget transparency, despite a challenging political and fiscal context. Overall, progress in key PFM reforms remained incremental. This is linked to the process-oriented nature of PFM and to the still limited capacity of the beneficiary Palestinian administration. The EU also contributed to accompany some progress in modernising human resources management practices and in developing a new payroll management information system. However, little progress was made at the centre-of-government to strengthen policy and planning and on the reform of the civil service towards a modern, efficient and merit-based organisation.

Based on EQ4, EQ10.

#### *Conclusion 5: On results at sector level*

C5. The EU support contributed to generating results in different sectors, but these results remained mostly linked to specific projects or were limited to maintaining basic services. They did not allow to reverse trends at a more global level. In several sectors support was widely spread, which allowed to have a broad scale of interventions, but limited the ability to reach critical mass.

Overall, the EU support generated results in the sectors in which it intervened (see figures 6 for the sectors in which the EU was lead).

In social sectors, EU support contributed to maintaining a level of basic service provision delivery. This was the case notably thanks to the three components of PEGASE (CSP and, more specifically, EJP and CTP). This included contributing to the payment of teachers and health staff, contributing to the payment of social allowances by the PA; maintaining certain specialized medical services for Palestinians; and improving competences of students and staff.

In the other areas of intervention of the EU-Palestine cooperation results were also generated. In the sector of rule of law, human rights, and citizen safety and security, the EU contributed to policy reform; to technical improvements of the judicial system; and to capacity building for CSOs. In the water and energy sectors, the EU contributed to some results in terms of reform (notably in terms of legislation in the water sector or the drafting of the hydrocarbon law in the energy sector), but changes remained limited, notably because of the obstacles in terms of legislative process in Palestine. Support to infrastructure also generated results (for instance leading to a decrease of water shortages). In terms of sustainable economic development, results concerned mainly private sector development. EU support allowed, among other things, to contribute to improvements in the business environment in Palestine and to the competitiveness of beneficiary firms.

Overall, the macro-economic tendencies could not be reversed, and continued to deteriorate in the different sectors of intervention. This was mainly linked to an unfavourable and deteriorating

context (see conclusion 7 below). In some sectors, notably economic development, support was widespread or remained very limited. This allowed the EU to contribute usefully, but not to reach sufficient critical mass to generate changes at a level that went beyond specific interventions.

Based mainly on EQ5, 6, 7, 8.

*Conclusion 6: On the support to UNRWA*

**C6. Through its consistent and reliable support to UNRWA, the EU played a crucial role in supporting access to basic services for Palestine refugees in the region.**

An important share of the EU support (34%) was geared towards UNRWA. This enabled the agency to sustain the delivery of core basic services to Palestine refugees amid a financial crisis and an escalating demand for its services due to a growing refugee population.

This concerned UNRWA's five sectors namely health, education, relief and social services, protection, and environmental health. The EU was a reliable donor and played a key role in supporting UNRWA. First, because it provided a critical mass of funding. The EU alone accounted for EUR 114 million annually on average over the period 2017-2021. EU contributions represented over the period considered between 9 and 13% of UNRWA funding and between 29 and 46% when adding the EU MS. The EU also took into consideration UNRWA's financial crisis by prioritizing funding to its programme budget. Second, the EU adopted a constructive and proactive approach by providing multi-year funding allocations, which increased the predictability of financial support. The EU also provided additional funding in response to unforeseen shocks, demonstrating its commitment to ensure the continuity of essential services provided by UNRWA.

Based on EQ1 and 9

*Conclusion 7: On providing support in a deteriorating context*

**C7. As per overall objective of the strategic frameworks, the EU provided relevant and valuable support to strengthen the foundations for the establishment of a Palestinian state, in the framework of the two-state solution,. However, the sustainability of results achieved and the capacity to support broader change were hindered by a progressively difficult and deteriorating context. The occupation of the Palestinian territory by Israel posed substantial systemic constraints.**

The EU has played a key role in establishing the foundations of a Palestinian state. It contributed flexibly and with sufficient levels of assistance to addressing functional aspects linked to state-building, governance, rule of law, public services, and economic development. The EU also maintained its relevance in a shrinking democratic space by advocating for democracy, the rule of law, human rights and support for civil society.

However, achieving change and higher-level results faced challenges due to various contextual factors including, but not limited to, the following: ongoing occupation, the PA's heavy reliance on external funding and unpredictable transfers of Clearance Revenues from Israel, besides the challenges in mobilising domestic resources stemming from limited control over the Palestinian territory; Israeli imposed constraints on the movement of goods and people, the blockade on Gaza and settlement expansion; no Palestinian control of its resources or economic independence; lack of

geographic and political unity; the absence of general elections and absence of a functional Palestinian Legislative Council (PLC); closure Israeli unilateral deduction of clearance revenue payments; increased poverty and vulnerability among the Palestinian population.

The repeated crises and destructions have resulted in a significant concentration of resources on rebuilding and promoting resilience, limiting the potential for significant progress.

Based on all EQs

## 5 RECOMMENDATIONS

### Box 2. Disclaimer on recommendations

As mentioned at the beginning of this report, recommendations are formulated based on what happened in 2014-2021 and within the perspective of the EU's strategy that was applicable during this period. The evaluation does not attempt to assess past EU support in light of the events of 7 October 2023 and their consequences, nor to pronounce itself on future EU support from this perspective.

#### *Recommendation 1: Maintain the overall strategic priorities*

In the framework of the two-state solution, the EU should continue its comprehensive strategy of supporting state-building and the Palestinian population, including refugees, women, young people and the most vulnerable groups. The EU should define together with the EDPs, and in consultation with other DPs, the thematic priorities to focus on. It will remain essential to consider geographic specificities and territorial integrity. It will also be key to make sure the strategy is flexible enough to be able to adapt it to an unpredictable and unstable environment.

This recommendation is linked to conclusions 1 and 7.

The evaluation concludes that the directions taken by the EU in its support were relevant in the framework of the two-state solution and given the development and humanitarian objectives pursued by the EU and the PA. The EU should, therefore, maintain its overall approach in the framework of a two-state solution and consider the operating context of increased vulnerability among the Palestinian population (including among the refugees). The EU should define together with EDPs the thematic priorities to focus on, within the frame of the development of a new EJS (the current one ending in 2024). This evaluation proposes several priorities to guide the choice of priority areas. The EU should continue to (i) support state-building towards the establishment of a viable Palestinian state; (ii) ensure that support targets the most vulnerable; (iii) ensure that support for refugees is sustained; (iv) provide sector support, ensuring there is a critical mass to achieve results (see Recommendation X below); and (v) ensure that support takes due account of the geographic specificities in Palestine. It will also be key to make sure that the approach can be swiftly amended and revised where necessary to adapt it to unforeseen contextual changes and shocks.

#### *Recommendation 2: Continue supporting the strengthening of Palestinian institutions*

Continue making sure that sufficient support is geared towards the establishment of a viable Palestinian state institutions, and continue using PEGASE as a tool for this purpose among other modalities and instruments for support.

This recommendation is linked to conclusions 2, and 4.

Within the framework of a two-state solution, the establishment of a viable Palestinian state is essential. While PEGASE created fiscal space for the PA to deliver crucial public services, progress on results on reforms, improvement of public services and accountability towards its citizens was slow. International aid remains essential, and even more as the fiscal situation of the Palestinian economy has become increasingly dire. While PEGASE was found to be a suitable mechanism to provide support to Palestinian institutions, this should be complemented with other instruments.

The evaluation recommends the EU to:



- Provide multi-annual funding through PEGASE DFS – at a sufficient level to guarantee leverage for the EU.
- Continue using the Incentive-Based Tranche under the CSP component to further increase the commitment to and pace of reforms that are supported. More specifically:
  - The share of the incentive-based tranche in total commitments should remain modest to strike a balance between providing incentives for reform and contributing to finance the deficit in a predictable way.
  - Ensure that the number of indicators selected remains limited and that the number of areas targeted by the incentive tranche indicators remains commensurate to funding to maximise policy leverage on reforms.
  - Put emphasis on PAR (e.g., wage bill, functional reviews) and PFM reforms in the incentive tranche indicators to deepen these reforms. Consider the inclusion of sector reforms in the incentive-base tranche only if a critical mass of funding is envisaged under the CSP component. Further support to health sector reforms – in particular on health referrals which is critical – could be envisaged.
  - Systematically provide complementary TA to each sector/area subject to an incentive-based indicator to accompany the design and/or implementation of reforms and create a hook for better policy dialogue.
- Continue PEGASE support to the Cash Transfer Programme, which has been crucial to ensure regular payment of social allowances.
- Enhance regular monitoring and reporting of PEGASE reform progress and increase coherence between PEGASE and ROF policy dialogue and monitoring.
- Enhance the involvement of CSOs in budgetary reform processes to enhance accountability to citizens. Involve CSOs in the PEGASE Steering Committee and the related ROF policy dialogue and consultation processes.
- Enhance visibility and communication around PEGASE to make sure the mechanism and its achievements are well known by the public and to target current and potential additional EDP/non-EDP funders.

*Recommendation 3: Further strengthen the joint programming approach and collaboration with EU MS*

The EU should continue to further strengthen its joint programming approach with and among EU member states, making sure that strong monitoring and accountability mechanisms are in place to support evidence-based decision making.

This recommendation is linked to conclusion 3.

The EU's efforts to implement a joint programming approach have led to better coherence in policy dialogues and coordination between EDPs, division of labour, and reduction of aid fragmentation. Having a European Joint Strategy in place has also supported improved coherence with the Palestinian national priorities. The EJS 2021-2024 will come to an end in 2024.

Based on the findings associated with joint programming, it is recommended to persist in its application and further refinement. This approach should support coherence and complementarity and prevent spreading support too thin in some sectors. Similarly, to the approach followed for the EJS

2021-2024, EDPs – including the EU – should define priorities together with the Palestinian Authority and institutions, civil society actors, the private sector, UN agencies and IFIs present in Palestine. EDPs should also make sure that a robust system is in place to monitor the implementation of the joint strategy and to report on sector progress and change over time. Joint programming should also remain sufficiently flexible to ensure it can take due account of the situation's evolution and emerging needs.

The EU should build on the EJS review and the ROF that were carried out in 2023 to better articulate member states' coordination. There is indeed room to finetune the ROF to the needs better and to make sure it can be better used to measure results obtained by specific donors, including the EU.

*Recommendation 4: Target the most vulnerable population groups with adequate levels of support*

Increase crucial support at scale targeting assistance to the most vulnerable populations across all Palestinian geographic areas, ensuring access to basic services, social protection, and economic opportunities.

This recommendation is linked to conclusion 1, 4, and 6.

Despite challenges, the EU should maintain its financial support for sustainable service delivery in Palestine, particularly in critical sectors like healthcare, education, and social protection. The EU should advocate for structural reforms within Palestinian institutions to enhance their capacity for service delivery and ensure sustainability beyond external support. The EU should continue supporting the East-Jerusalem Hospitals to maintain specialised Palestinian medical services. Efforts should be directed towards advocating for structural reforms within the Palestinian healthcare system to reduce dependence on referrals and ensure sustainability. The EU should support efforts by the MoSD to reform the CTP targeting method, moving away from proxy means-based targeting to specific allowances for vulnerable groups. This reform process should be expedited despite budgetary constraints. The EU should promote coordination among all actors involved in social protection, including the MoSD, DG ECHO, UNRWA, World Bank, WFP and CSOs, to avoid duplication of efforts and ensure efficient delivery of assistance. The development of a single interoperable registry for social protection payments could facilitate coordination.

*Recommendation 5: Continue supporting refugees through UNRWA*

Continue the support for the refugee population by providing adequate levels of programme budget support to UNRWA, to enhance access to services, human development, and protection services for the refugee population.

This recommendation is linked to conclusion 2, and 6.

The EU should continue its critical financial support to UNRWA's core basic services, particularly in regions like Gaza where vulnerability is high and humanitarian needs are acute. Emphasis should remain on providing support to the Programme Budget to enable the agency to prioritise its service delivery based on needs among the refugee population in the region. The EU should continue to complement its programme budget support with additional emergency funding in times of acute needs and shocks. Insufficient support to the agency may lead to a crisis affecting millions of Palestinians. There should be an increased focus on core areas of UNRWA's mandate except in situations of shocks and violence where the logistical capacity to bring scale in emergency response should be supported. Although focus on reform remains important, it is also key to emphasize strategies and critical interventions to support human development and protection of the refugee population. Make sure that support to other areas properly takes on board the refugee dimension.

*Recommendation 6: Ensure critical mass for sector support*

The EU should continue providing support in the key sectors of intervention, but making sure support can be of critical mass and conditions for the support to reach results are fulfilled.

This recommendation is linked to conclusion 5.

The EU has provided useful assistance across various sectors, including the rule of law, social development, water and energy, economic and private sector development (PSD). However, this support has often been widespread. This led to limited outcomes, often not beyond project results. In some cases, support failed to yield results due to unmet conditions, such as the inability to pass necessary legislation, thereby rendering reforms effectively unfeasible.

It is hence recommended to focus on sectors where the EU has sufficient leverage and to make sure that support is not scattered across many projects. It is also key to make sure that necessary contextual conditions are fulfilled to ensure the project to yield results (e.g. the possibility for a law to be voted).

## The European Commission Directorate General for Neighbourhood and Enlargement Negotiations - NEAR

### NEAR Mission

The mission of DG NEAR is to take forwards the EU's neighbourhood and enlargement policies, as well as coordinating relations with EEA-EFTA countries insofar as Commission policies are concerned. DG NEAR works closely with the European External Action Service and the line DGs in charge of thematic priorities. By implementing assistance actions in Europe's eastern and southern neighbourhood, DG NEAR supports reform and democratic consolidation, and strengthens the prosperity, stability and security around Europe. DG NEAR helps to promote EU values, policies and interests in this region, and to contribute to developing the special relationship of the EU with its neighbouring countries

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