Evaluation of the European Union’s cooperation with the occupied Palestinian territory and support to the Palestinian People

Summary

May 2014
A Consortium of
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This evaluation was carried out for the
European Commission Evaluation Unit of
the Directorate General for Development
and Cooperation - EuropeAid

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“Development and Cooperation – EuropeAid” Website:
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EVALUATION OF THE EUROPEAN UNION’S CO-OPERATION WITH PALESTINE AND SUPPORT TO THE PALESTINIAN PEOPLE (2008-2013)

EXECUTIVE SUMMARY

This Executive Summary is divided into two parts. Part I summarizes the Evaluation’s overall themes and main findings, conclusions and recommendations. Detailed conclusions and recommendations are in Chapter 3. Part II summarizes the findings and conclusions for the Evaluation’s specific areas of focus, with greater detail and supporting evidence in Chapter 2.

PART I

FINDINGS

A Long-term Effort with Significant Positive Results. For more than twenty years the EU has been a strong supporter of the Palestinians and their quest for self-determination. To underpin its support, the EU has consistently pursued an ambitious, norm-based vision for resolution of the Israeli-Palestinian conflict – the “Two-State solution” including a democratic, viable and contiguous State of Palestine. EU declarations at the highest level have specified and condemned persistent obstacles to realization of its objectives including prolonged occupation, settlements and Palestinian fragmentation.
The EU’s explicit political goals have been underpinned by a generous flow of EU aid – amounting to € 2.5 billion between 2008 and 2013 (see Chapter 1 for more details). There is a broad consensus, including among Palestinian actors that the EU has achieved a great deal - sustaining welfare for Palestinians, preventing fiscal and economic collapse, compensating for occupation losses, fostering stability and security, and building up capacity while preserving functioning PA institutions capable of assuming the responsibilities of statehood in the event of a settlement of the disputes with Israel.

**Yet Without Achievement of the EU’s Overarching Objectives or Sustainability.** Notwithstanding ardent declaratory policies, massive financial support, dialogue and other instruments deployed, EU Cooperation had little demonstrable impact on the main obstacles to achieving the Two-State solution. The Evaluation collected abundant evidence that the goals of the EU have been seriously hampered by “binding constraints,” the most significant being the Israeli restrictions of occupation and allocation of resources for settlements, but also including Palestinian political divisions and the absence of democratic process. While these binding constraints have been highlighted in EU statements, the Evaluation findings indicate that the EU has not been willing or able to address these constraints upfront with an effective political response. While Member States have reached consensus on the Council Conclusions’ declaratory policies, they refrained from taking practical steps further, avoiding confrontational or adversarial measures with Israel and to a lesser extent with the PA.

As detailed in Chapter I, over the twenty years since the Oslo Agreements, a persistent pattern of decreasing access to resources and increasing movement restrictions has led to overall economic decline accompanied by increasing and now entrenched dependency on donors. This pattern suggests ever diminishing prospects for the EU goals of Palestinian economic and fiscal viability and geographic contiguity. Extraordinary measures supporting Palestinian recurrent expenditures and service delivery deemed “temporary” in 2007 have become a permanent feature of the Palestinian landscape, with unlikely sustainability and no clear exit strategy.

**An Absence of Effective Triangulation of Cooperation Efforts.** In this unique context, assessing the impact of Cooperation efforts cannot avoid taking into account the wide range of obstacles that fundamentally affect the
outcomes and sustainability of EU Cooperation and support. This implies consideration of how the EU addresses these obstacles through its partnership not only with Palestine, but also with Israel. Over the Evaluation period there has been little strategic, systematic and sustained results-oriented dialogue at a high level with Israel linking Cooperation effectiveness directly to Israeli actions. The lack of a complementary and effective political track involving Israel - what this Evaluation refers to as “triangulation” - has limited the Cooperation’s sustainable impact in achievement of the EU’s overarching goals (see Chapter 2, Evaluation Questions 1 and 2).

**With Outcomes Increasingly Inconsistent with EU Norms.** By 2014 this exceptional situation of resource and rights deprivations, economic decline, donor dependency, absence of democratic process and political fragmentation has come to undermine EU principles and credibility for democratic good governance, and threaten the State-building accomplishments of the past twenty years. (See Chapter 2, Evaluation Questions 1, 2 and 6).

**While Facing Limitations in Implementation.** In addition, despite the efforts of a highly committed EU Delegation, particularly their efforts in since 2012 to achieve better donor harmonization and more effective results, the Cooperation programmes (bereft as they were of coherent political EU support for addressing binding constraints) were also confronted with major limitations, including (i) the lack of a coherent strategy to link the different instruments deployed for better outcomes; (ii) a deficit of adequate tools and human resources for performance-based programming, implementation, monitoring and evaluation, thus hindering a results-based dialogue with the PA and Israel; and (iii) a deficit of accountability mechanisms towards the Palestinian people in all dimensions of the Cooperation (see Chapter 2, Evaluation Questions 3-9).

**CONCLUSIONS**

All this leads to a quite sobering overall picture. On the one hand, Evaluation findings suggest that important accomplishments have been achieved. The EU can legitimately claim to be the most reliable partner of the PA, and the largest contributor to Palestinian welfare. All these efforts contribute to the broad ENP goal of stability, at least in the short term.
Yet little was done to remove the most significant obstacles to sustainable Cooperation outcomes and the achievement of a viable, democratic and contiguous Two-State solution, particularly Israeli occupation and settlement policies and the political division of the West Bank and Gaza. Absent effective measures to address these obstacles, the EU is unlikely to achieve its goal of a Two-State solution. Moreover prolonged failure to achieve the Two-State solution, combined with unsustainability of service delivery at current levels of support, jeopardizes the ENP goal of stability.

In addition, the lack of democratic process has left Palestinians with virtually no mechanism for holding the PA accountable for resource allocation and management. Over time, as the Cooperation continues to support public service delivery through the PA, it also facilitates a governance system without mechanisms for accountability to the Palestinian population served – a pattern increasingly counterproductive to EU norms for good governance.

Finally, Cooperation effectiveness is hampered by limitations in implementation, particularly a lack of results based programming and monitoring within and across Cooperation programmes, but also by missed opportunities to forge stronger alliances with regional actors, civil society and UNRWA.

Thus, there is a widespread view (among both Palestinian and EU stakeholders) that the current Cooperation paradigm has reached its limits in the absence of a parallel political track that addresses the binding constraints and more effective implementation measures. Continuing the 2008-2013 pattern would reduce EU Cooperation efforts to a Sisyphean task, relegating the EU’s role to a “payer rather than a player”.

Chapter 3 presents a detailed summary of the Evaluation conclusions based on the findings from the Evaluation Questions coupled with analysis of the present context and discussions with Palestinians, Member States, EU staff in Palestine and Brussels, and UNRWA staff in Palestine, Jordan and Brussels.
RECOMMENDATIONS

The Green Field Approach. Whatever the relevance and effectiveness of EU Cooperation in the past, by 2014 the conclusions presented above justify consideration of a profound shift in the Cooperation’s strategic approach. From 2012 a number of initiatives were taken to reshape the Cooperation for better results. However, these measures still lack the structural supports necessary for coherence and success, including a comprehensive strategy (political and operational) lodged in a clear authorizing environment (within the EU, but also including Israel and Palestine) and the necessary resources for effective and efficient implementation.

Consequently the evaluation team’s overarching recommendation to the EU is to commence a “greenfield approach” to its overall Cooperation with Palestine. The evaluation team sees this as the necessary first step – a holistic fresh overview not bound by past assumptions. A greenfield approach invites the EU to step back, face upfront the structural limitations of current approaches and on that basis design a more interconnected and coherent Cooperation framework – a solid architecture for going forward, a design better suited to the context, EU norms and effective implementation. Not limited to ad hoc measures or simply augmenting or automatically repeating existing modalities, the exercise, initiated at a high level, would undertake a complete Cooperation review – open to possible substantial restructuring, taking full advantage of the Lisbon Treaty and the Agenda for Change.

Realistically, any abrupt disruption in support for health care and education workers and for refugees’ welfare is probably untenable. But this consideration should not prevent a thorough review and recalibration of the Cooperation based on the findings, conclusions and lessons learned from the past six years. This review would include not only the political and operational strategies but also the Cooperation’s human and financial resources and operational modalities in the interests of greater impact and avoidance of further erosion of gains. It would seek to adopt an encompassing approach for the Cooperation including aid-supported results-based policy reforms linked to focused EU leverage at a political level including triangulation. The greenfield approach will be compelling however current political initiatives resolve, as a fresh approach is essential in any case.
The approach assumes that EU principles and goals as stated in the series of Council Conclusions (2009-2013) will continue. It would also take into account changes in the context, including those resulting from the current initiatives underway, and presume sufficient stability to continue a high level of Cooperation efforts. Essentially the review would inform multi-annual programming linking the Joint Action Plan with the PA to the new ENP Instrument. The greenfield approach would consider a Cooperation risk/success equation factoring in the prospects of likely ownership by the PA as well as Israel and overall support from the MS.

A greenfield approach would begin with two threshold scenarios:

1) The first is based on the assumption that political conditions within the EU/Member States regarding Palestine and Israel will shift so that internal EU structural impediments to a more coherent EU approach can be mitigated. This would create space for the EU to seriously address the binding constraints and engage Israel and Palestine in the triangular dialogue essential to achieve a viable, democratic, sustainable and contiguous Palestinian State. This scenario would be most favourable for a reinvigorated, coherent and effective Cooperation. It would also have a more significant impact on the recommendations below regarding results orientation, performance monitoring and realignment of resources;

2) A second and not so unlikely scenario rests on the basis that there will not be a significant change in the overall political approach of the EU/MS towards Palestine and Israel. In that case, focus would be on a more realistic and coherent strategy with operational improvements designed for achievement of short and intermediate goals consistent with EU norms.

In either of the two scenarios above, the operational recommendations, discussed in greater detail in Chapter 3, centre on adopting a more results-focused orientation through the following:

- designing and implementing a Results Measurement System and a Reporting for Management Programme;
- building a results culture through systematic results frameworks at both strategic and programme design stages;
- supporting Palestinian (PA as well as UNRWA and Civil Society Organizations) capacities to participate in design and implementation of
results-based approaches, for instance statistical capacities for monitoring and evaluation, working with regional communities of practice (sector or function oriented) for information exchange as well as oversight functions related to results; and

- using geo-mapping and other mechanisms to enhance social accountability.

The Evaluation stresses that the second scenario above is not a means of fully resolving the Evaluation’s conclusions on political coherence or reconciling EU practice with its declared policy goals. However, combined with the operational recommendations, it would address those conclusions relating to the internal coherence of the Cooperation, the tools and resources necessary for greater coherence and complementarities and the conclusions relating to establishing greater accountability for democratic good governance. Nevertheless, while these measures would be an improvement, they would remain a palliative for want of political will, as fundamental structural problems and binding constraints may not be addressed.

Detailed recommendations addressing the four clusters of Evaluation Questions summarized below and discussed in detail in Chapter 2 would follow the threshold considerations noted above. These recommendations are detailed in Chapter 3.

**PART II**

**EVALUATION FOCUS**

1) **EU Coherence**

EU Cooperation lacked measures for political coherence in a number of critical areas:

- there was a disconnect or incoherence between declared policies and the practice for achieving them. In particular, the EU stopped short of bringing to bear effective tools to address the binding constraints on achievement of its main policy objectives;
• there was a lack of results orientation and accountability mechanisms across the elements of Cooperation implementation which over time became counterproductive to EU goals of advancing Palestinian viability and democratic good governance, depleting the EU’s normative credibility and contributing to the PA’s institutional erosion;
• there was avoidance of strategic and operational actions taking into account that outcomes in the Cooperation depended not only on the partnership with the PA, but also on close cooperation and coordination with Israel. The EU has not successfully exercised leadership for strategic and systematic triangulation of a results-based dialogue with Israel and the Palestinians;
• fully coherent Cooperation was hampered by a number of structural issues, in particular an absence of consensus among the MS to have the EU apply conditionality measures to either Israel or the PA in relation to the binding constraints or final status issues;
• as a result of self-imposed restrictions, few actions were taken and the EU has little leverage to advance Palestinian reconciliation; and
• opportunities for strategic alliances to enhance complementarities and coherence, especially with regional actors, were missed.

The findings and analysis of the now twenty-year “interim” period suggest conclusions with lessons to be learned for the future Cooperation. While it continues to provide much-needed welfare and keeps the PA and the Palestinian economy afloat, the EU lacks an adapted policy that addresses the binding constraints to achieving its goals, so as to build a real economy, reduce donor dependency and advance good governance.

Without a political settlement, abatement of binding constraints and establishment of accountability mechanisms, the consequences of incoherence in the present context are that the Cooperation:

• is unsustainable, even at the present levels of funding, given that important issues of sustainability (e.g., size of the combined public service providers’ wage bill, hollowed-out Palestinian economy) have not been resolved to date;
• undermines transparency and democratic good governance in the absence of mechanisms and incentives for public expenditure accountability to the Palestinians;
• is marginally effective (even if a results framework is adopted) in the three focal areas of governance, private sector development and
water/land development, given depleting PA institutional capacity, ownership and legitimacy;

- undermines EU credibility as a normative agent, given the absence of effective actions to address the binding constraints, particularly those actions the EU regards as illegal, giving an impression of a de facto pattern of accommodation; and

- facilitates continued dependency and inhibits formation of a constructive exit strategy from the ongoing funding patterns.

Perhaps the best summary on coherence was expressed by two senior Palestinians long familiar with the Cooperation. They expressed great appreciation for the EU’s strategy and implementation in supporting the PA and services to the Palestinian people, for preserving the institutional gains, and for creating the space for the PA to be able to continue and participate in efforts to resolve conflicts, both internally and with Israel. However the same interlocutors indicated that they did not consider the strategy to be coherent, either internally or externally, as it did not “touch the third line” (i.e., the occupation). In addition they concluded that the gains achieved by the EU are not sustainable unless the Palestinians can build their economy. Otherwise they remain dependent on reliable donor funding, subject to many external pressures. Failure to address the binding constraints has contributed to a dependency frame of mind within the PA. And Palestine cannot build its economy unless the

“The “Binding Constraints”’. Evidence collected in this Evaluation from many sources conclude that the two greatest obstacles to the Two-State solution with a democratic, viable and contiguous state of Palestine – to which all EU Cooperation efforts seek to contribute, are (i) the multiple and complex occupation and settlement-related restrictions imposed by Israel on movement and access to resources, and (ii) the continued absence of Palestinian reconciliation and national elections. Together, throughout this evaluation these obstacles are collectively referred to as “binding constraints.” However, the two factors are weighted differently in regards to how they affect achievement of the Two-State solution. The occupation restrictions over twenty years combined with the blockade of Gaza are the primary causes of Palestinian economic decline, lack of viability and contiguity and increased donor dependency. The absence of reconciliation and elections contribute to diminishing Palestinian political process, legitimacy and democratic good governance.
barriers are removed, thereby expanding resources and gaining access to markets. One noted “...and all the projects in these areas add up mostly to staying where we are. So we go nowhere. We would much prefer to stop the projects and reduce financial support, in exchange for removing occupation barriers.”

2) **EU Responsiveness Resources and mechanisms.** Evidence collected strongly indicates that the overall institutional capacities of the EU do not match the political and Cooperation ambitions set by the EU for Palestine. The EU Delegation or Office of the EU Representative can count on significant positive assets, including a capable and motivated team, sound local coordination, good understanding of the context, risks and constraints, and an above-average level of interaction between EEAS and DEVCO. However, the overall effectiveness of the EU’s action is severely constrained by internal factors including the limited capacity to bring upfront the triangular political dialogue indispensable to moving forward towards political goals.

Delivery capacities have been constrained by a fragmented approach to Cooperation, a system that is “instrument and mechanism oriented” but lacking a comprehensive overview, strategy and management for all its components linked to overarching EU goals. Historically, operational work and lessons have not systematically fed back into the Action Plan and Cooperation programming strategy. Limited linkages are established between interventions in the same sector financed from different tracks and instruments. Recent efforts have been made to better link the financial support for political and policy dialogue. The Local Development Strategy (LDS) and recent Single Support Framework (SSF) are evidence of efforts for a better division of labour among EU, MS and other donors, including a shift from generic infrastructure facilities to sector-wide arrangements. Results-oriented monitoring and evaluation processes for these measures are being developed but are yet to be tested.

Other factors constraining effectiveness are (i) an internal organization not yet fully oriented to ‘results-based’ programming and management; (ii) a lack of suitable tools for results-based Cooperation and (iii), underpinning the foregoing, a critically understaffed EU Delegation (which also requires new skills and competences).
The Evaluation found scope for strengthening internal (including improved harmonization among Member States) and external coordination arrangements (e.g., through revitalization of LACS and creation of a similar platform for East Jerusalem).

With regard to communication, the evaluation team found well-structured and active efforts aimed at promoting awareness of EU aid flows. These efforts seem to produce results in terms of a positive perception (including in Gaza) of EU support for the Palestinian people. However, the effectiveness of communication is hampered by a lack of communication resources, operational/logistic/political challenges (i.e. communication in Gaza and East Jerusalem) and the lack of a widespread communications culture among stakeholders. Effectiveness of communication is also impaired by limited availability of messages related to EU support for democracy, peace and the Two-State solution.

**Mix of tracks and instruments.** A range of Cooperation instruments, progressively adjusted through time, address a complex landscape of contextual factors, needs and high risks. The complex mix of tracks and instruments, with 88% of resources flowing from DEVCO to track 1 (PEGASE DFS), track 2 and track 3 (UNRWA) and 12% from ECHO to humanitarian needs, human development and regional stability is little understood by the Palestinian counterparts and stakeholders, leading often to misunderstandings and misperceptions concerning transparency and reinforcing perceptions of incoherence. Nevertheless, the evaluation team found the Cooperation flexible in adjusting aid volume and modalities to the context, ensuring a reliable pattern of disbursements over time, supporting needs and short-term stability.

However, the EU approach to its various instruments does not favour direct contributions to the wider political goals and therefore tends to support a rather precarious, almost *ad hoc* stability, not based on effective conflict resolution and peace over the longer term. This, in turn, hampers the overall relevance, impact and sustainability of Cooperation interventions for the EU's overarching objectives.

The findings include a limited capacity of EU Cooperation mechanisms to contribute effectively to wider political goals through Cooperation instruments due to (i) lack of engagement in the political dialogue; (ii) scarcity of human
resources; (iii) the relative lack of clearly-defined sector goals and cohesive results frameworks across instruments and financings; (iv) missed opportunities in using EU leverage for policy reforms; and (v) lack of capacities to establish effective complementarities across various tracks of Cooperation.

Direct Financial Support is an instrument adapted in 2007/2008 to the context, taking into account the high level of risks and the need for a reliable financial flow to promote short-term stability and operation of institutions and the PA. While the verification procedures established are generally robust, evidence suggests that the injection of just over €1 billion of aid flow to the PA through DFS has not been accompanied by political engagement and leverage sufficient for substantive policy reform.¹ The Evaluation concludes that over the six-year period reviewed insufficient attention was paid to DFS’s political, economic and social long-term effects, including risks of nepotism and socio-economic distortions, thereby limiting PA accountability while providing opportunities for increased spending in the other sectors, including security. More recently these issues have been recognized but the efficacy and Palestinian ownership of remedial measures remains to be tested.

Focal Sector Programmes (Track 2) were financed through geographical and thematic instruments to a total of €373m in the period under evaluation. Activities have been evolving positively, from simple infrastructure delivery to broader and complex interventions addressing the need for capacity-building, with an increasingly results-oriented approach (including monitoring and evaluation systems). However, the overall effectiveness of these programme and project approaches is limited by a number of factors including:

- lack of EU engagement in addressing “binding constraints” (often projects tend to mitigate the effects of occupation while not addressing the root causes of conflict);
- overstretched PA absorption capacities;

¹ European Court of Auditors, Special Report no. 14, 2013, Executive Summary, para.iv, also paras. 40-41, pps.20-21. See also para. 55 noting the lack of EU information on the practice of paying individuals who may not be working. And see also paras. 55-56 concerning communications and the risks of corruption. A number of Palestinians told the evaluators that in their opinion issues of concern are not individuals not being able to work (largely for political reasons) and not so much corruption, but rather their concerns are more focused on non-transparent nepotism and the appointment of individuals less competent, but hired for reasons of political loyalty.
• projects accruing recurrent costs for beneficiaries, often undermining sustainability in the context of Palestine;
• projects in general responding to a fragmented number of demands not necessarily adding up to a strategic approach to sector or Cooperation goals.

Project effectiveness and efficiency are also constrained by cumbersome financial and procedural mechanisms and shallow design.

EU support for refugees through UNRWA is effectively contributing to human development of refugees and supporting regional stability and peace, through the promotion of EU values of dignity, tolerance, humanity and solidarity among the refugee population. Good standards of basic services are delivered in a difficult environment; UNRWA is facing increasing demand for services, with no commensurate expansion of the budget. However, notwithstanding significant contributions to long-term goals of stability and peace and improving conditions for eventual resolution, this track 3 of EU Cooperation, as activated now, has limited contributions to political goals of building a viable, contiguous State. Improved effectiveness of service delivery should continue to build on the ongoing reform efforts, including:

• increased accountability to refugees and more generally the Palestinian people for service delivery;
• strengthened results-based system, monitoring and evaluation with focus on standards and quality of service delivery;
• increased complementarities with tracks 1 and 2 aimed at improved education and health sector outcomes and sector reforms;
• improved collaboration with the PA, seeking areas of mutual reliance and comparative advantage;
• improved partnership with Civil Society;
• focus on core UNRWA mandate;
• prioritizing poverty reduction, decreased vulnerability and, whenever possible, decreased reliance of refugee communities on UNRWA
• developing additional complementarities with EU bilateral Cooperation in Jordan.

3) **Actors and strategic alliances**
Relatively solid partnerships, supported by common goals and dialogue, have been established by the EU with Palestinian Civil Society, UNRWA and
International Finance Institutions, primarily with a view to supporting Cooperation activities and increasing the effectiveness of aid delivery. However, the potential of these alliances to make progress towards achieving EU political goals in Palestine has not effectively been exploited owing to the absence of a clear strategy, limited human resources and lack of political back-up.

The role and engagement of Civil Society in policy definition has been increasing, including participation in the definition of National Development Plans, consultation on national policies and participation in local governance. EU Cooperation has been supporting this recent shift, by promoting a stronger involvement of Civil Society in ENP sub-committees consultations and in domestic policy dialogue with the Palestinian Authority. Thematic programmes priorities have been redefined in consultation with Civil Society, favouring support for governance and policy dialogue. An active and continuous dialogue is established between EUREP and Civil Society. The Single Support Framework defines a strategic commitment to increased engagement of Civil Society as a Cooperation partner and domestic governance actor.

Notwithstanding the shift of paradigm and increased involvement in policy dialogue and governance, capacities for EUREP to establish an effective partnership throughout sectors of Cooperation and temporary measures (PEGASE DFS, UNRWA) are still at an initial stage. Critical factors limiting increased engagement of Civil Society are the definition of a clearly agreed strategy and plan of action, the availability of human resources within EUREP and the capacity / willingness to provide adequate political support for such partnership.

The partnership with UNRWA is founded on longstanding and solid Cooperation agreements. The existing dialogue between the two institutions is fluid, structured and constructive. EU has been working with UNRWA to increase transparency of budget and supporting reform. However, despite the convergence of objectives for a stable solution of the Palestine refugees’ plight, and the recognition that UNRWA could be a valuable partner in working toward this solution, there has been little engagement for mutual action regarding the political goals pursued by the EU. UNRWA could do more in improving PA and Jordanian service quality performance which in turn would prepare the way for convergence.
The EU has taken a leadership role for full political support, among donors and host countries, of the UNRWA reform process. EU should also increase pressure for accountability to Palestine refugees and their systematic, predictable participation in the dialogue, reform process and assessment of services.

The EU has worked closely with the international financial institutions in Palestine. By all accounts it is an excellent working relationship with almost continuous contact in exchanges concerning PA budget formation and expenditure, wage bills, revenue streams and overall macroeconomic management. The EU relies on the IMF for information informing its internal briefings and dialogue with the PA both in the Action Plan and in the Cooperation finance assistance programmes, especially in the focal sector of governance. The relationship with the World Bank has been close and productive, including formal donor fora, informal consultations and partnership in a wide range of activities with both co-financing and parallel financing. The WB and EU have sought to foster more synergies (including policy dialogue leverage) between donors, providing direct financial assistance to the PA.