1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title/Number</th>
<th>PEGASE: Support for delivery of community services in East Jerusalem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td>€ 6,000,000</td>
</tr>
<tr>
<td>Aid method / Method of implementation</td>
<td>Project approach - centralised (direct) management</td>
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<tr>
<td>DAC-code</td>
<td>16010</td>
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2. RATIONALE

2.1. Sector context

East Jerusalem, since the 1967 occupation and its annexation in 1980 by the Israeli government, depends de facto on the Israeli municipality for its governance and the delivery of public services, although this annexation has never been recognised by the International Community.

Israel has followed a policy of isolating East Jerusalem from the rest of the West Bank, which is severely affecting the economy and weakening the social fabric. Because of Israeli under-investment in East Jerusalem and a lower level of public service provision, it falls far below West Jerusalem in a number of development indicators such as employment rate and income level. It has higher rates of illiteracy, social dependency, early marriage and early child birth. It has far fewer libraries, parks, clinics, social workers and social centres for aged and disabled, road infrastructure, and emergency facilities. Significantly, East Jerusalem also fares worse than many other Palestinian areas in the West Bank and Gaza, especially in school enrolment, completion and literacy levels.

East Jerusalem is also confronted with over-crowding and the pressure of the demand for housing has risen deeply in the past years due to the Wall construction around Jerusalem, which forces thousands inside the Wall boundaries (while further increasing the demand on social services). Yet the demand for housing remains unanswered by the Jerusalem Municipality, which consistently refuses urban planning development in East Jerusalem. Furthermore, 2009 witnessed the concretisation of a trend by Israel to strengthen its hold on Palestinian neighbourhoods of East Jerusalem through continued house demolitions and expropriations, alongside an increased settler presence.

Given the particular status of East Jerusalem, it has been difficult for donors to intervene, although the need for EU intervention is unanimously recognised as a high priority. The necessary political support to encourage actions in East Jerusalem was reiterated in the Council conclusions on December 8th 2009, by which the EU clearly
recalls it has never recognised the annexation of East Jerusalem and reaffirms its commitment to Jerusalem as the future capital of two states.

2.2. Lessons learnt

The last comprehensive review of East Jerusalem was the Multi-Sector Review carried out in 2003. It was partly updated in 2006, but without being edited, which highly limited its dissemination. The currently (May 2010) ongoing update of this review, the Strategic Multi-Sector Development Plan (SMDP), undertaken by the Office of the President with EU funding, is experiencing delays and has not yet been finalized although some information is already available and has been used in the formulation of this Action Fiche.

Previous actions in East Jerusalem, whether funded by the EU or by other donors, have been taken into consideration Projects supported by the Italian or German co-operations in the fields of education and youth have been taken into consideration in order to avoid duplication and to strengthen the sectors by promoting complementarities. In addition, following the analysis of the Member States' action in East Jerusalem, it emerges that education, culture and health are the three major sectors of past interventions. These sectors have high level of needs, but above all they appear as "safe" sectors of intervention. Notwithstanding the highly politically sensitive issues related to means of support to East Jerusalem (especially with regard to contacts with Jerusalem municipality or Israeli NGOs), adopting a more practical approach is crucial in seeking to sustain and develop East Jerusalem so that its population is not further coerced into leaving the city. Concretely, it would mean extending the supporting activities in sectors such as housing, urban planning, economic development, tourism or citizenship.

Although the method of implementation chosen by the EU (partnership between European/International organisation and local organisation) has proven to be efficient in this singular context, first by strengthening the weakened civil society of East Jerusalem, and second by offering the local organisations a sheltering umbrella under which to operate, developments on the ground in 2009 hinted at the need and possible advantages of sometimes working directly with Palestinian organisations. For instance, well established organisations in Jerusalem happen to already work in strong coordination with the PA, and could do so more cost-efficiently when compared with European organisations who do not necessarily offer greater added value. While there may still be cases where implementation should be carried out with both EU and Palestinian organisations together, there may well be an increasing number of instances where direct agreement with experienced and well established Palestinian NGOs could be considered without such involvement.

The lessons learned for actions in East Jerusalem as a whole can be summarised thus:

(1) The EU has to maintain its flexible and creative approach towards means of implementation.

(2) Clearly articulated scope of actions: items/activities in terms of reference which are vaguely worded at the outset tend to remain vague throughout the project, despite discussions and analysis undertaken during implementation.
Clear logical frameworks are an essential component of terms of reference with objectively verifiable indicators.

Timely decisions by the beneficiaries are needed: during project implementation there can be long delays in obtaining approval, especially for policy changes, sometimes causing other activities to be put on hold or not delivered due to lack of time. Projects should start with a realistic assessment of political willingness to benefit from individual activities.

Regular update meetings with the beneficiaries at senior level: especially with PA line ministries as in order to ensure synergy with policies being implemented in areas under PA control, and increasing sustainability.

The EU has given consistent support to East Jerusalem hospitals since 2003. In 2008, the East Jerusalem Hospital project was assessed both by a Results Oriented Monitoring mission and by an external evaluation mission. Results of both reviews are largely positive, particularly with regard to the quality improvement component of the project. Recommendations for the improvement of the other two components, i.e. networking of the hospitals and support to social cases, were taken into account for the design of another three year follow-up phase funded under the 2009 Financing Agreement.

It is foreseen that an evaluation of all actions implemented in the past 4 years under the East Jerusalem programme will be launched in 2010.

### 2.3. Complementary actions

A number of donors, including several EU Member States, Norway, UN agencies and the World Bank are supporting projects in East Jerusalem. The current support to this part of the city is decided in light of the variety of ongoing actions. Particular care will be taken to ensure complementarity and continuity with ongoing EU funded projects (including ECHO projects) and in designing the present action.

Despite the impossibility to work directly with the Palestinian Authority (all Palestinian institutions in East Jerusalem have been closed down by the Israeli authorities), the present operation builds on consultations with the Palestinian Ministry of Planning and the East Jerusalem Unit of the Office of the President. Moreover, consultations with line ministries are taking place and complementarity with sector national policies is ensured. The work performed by the Jerusalem Fund of the President's Office has also been taken into consideration.

### 2.4. Donor coordination

Donors tend to find it more difficult to work in East Jerusalem than in the West Bank and Gaza Strip. Indeed, considering that co-operation with the local authorities is not possible, alternative ways of supporting the delivery of social services have to be promoted and donor coordination has not always been easy.

Since 2008, donor coordination is taking place through the Jerusalem Unit of the President's Office (for instance through the Jerusalem Fund). Methods to develop this co-ordination are being reviewed in the framework of the EU funded project aiming
both at strengthening the capacity of the Monitoring and Co-ordination Unit and updating the Strategic Multi-Sector Development Plan (SMDP).

Moreover, EU Member States are in the process of producing an EU East Jerusalem Strategy (alongside a mapping exercise of EU actions in East Jerusalem), which would further strengthen EU co-ordination.

3. DESCRIPTION

3.1. Objectives

Overall objective:

To support the process of institution building and deliver on the EU commitment to maintaining sustainable development, dignity and welfare of East Jerusalem community, in order to consolidate the possibility of reaching a future political agreement on the status of Jerusalem as the future capital of two states.¹

Specific objective:

To improve the socio-economic living conditions of Palestinians living in East Jerusalem.

3.2. Expected results and main activities

(a) Social services:

Result: The access of Palestinians living in East Jerusalem to quality social services (including education, health and legal assistance) is improved.

Main activities: following consultations with Palestinian and international non-governmental service providers, main activities will be identified based on the needs of the East Jerusalem population.

In the area of health, a first round of consultations pointed at the need for preventive health measures (e.g. awareness-raising regarding healthy lifestyles and prevention of non-communicable diseases), youth and school health, and mental health. A change in the organisation of primary and secondary health services in East Jerusalem is also currently being discussed in the context of preparing the health sector in East Jerusalem to be merged with the health sector of a future Palestinian state. Additional consultations will take place to determine if the proposed intervention of reorganising the sector is ready for a pilot project.

In the area of education, results from previous actions and findings of the ongoing SMDP point at the need to increase access to the education system, and also to improve the quality of education. The need for a comprehensive approach encompassing renovation works, upgrade of equipment, on-the-job teacher trainings, principals' trainings, and family involvement comes forward.

¹ Conclusions of Council of EU, December 8th, 2009.
In line with the EU stronger approach to East Jerusalem and the first findings of the SMDP, consultations for possible activities in the fields of legal assistance, housing, or urban planning will take place.

(b) Economic support:

Result: The economic situation of Palestinians living in East Jerusalem is improved.

Main activities: following consultations with Palestinian stakeholders and building on the results of the SMDP, main activities will be identified based on the needs of the population and the review of existing activities and dynamics. Support to actions such as income generating activities, support to Chamber of Commerce, handicrafts or tourism will be considered.

3.3. Risks and assumptions

The pursuit of the EU’s strategy in the occupied Palestinian territory is subject to unusual types and unusually high levels of risk. Any political developments directly affect the situation in East Jerusalem and may immediately impact on the ability of organisations to implement actions. In addition, all projects implemented in East Jerusalem, especially those requiring the import of goods, equipment and the free movement of service providers are at substantial risk from unpredictable policies by Israel. For instance, working through international NGOs, which was put forward as the safer means of implementation by the EU, has shown to be vulnerable to a recent attempt of Israeli policy to restrict working visas for international NGOs' staff. The current agreement to suspend this new regulation is however fragile. Hence the option of supporting well established Palestinian organisations directly will be assessed on a case-by-case basis.

Even if the main political risks do not materialise, there are a number of other risks, of a more usual nature, to be taken into account. Given the still-high level of dependence of the Palestinian economy on donor financing and the likely constraints on donors' assistance budgets as they seek to reduce their own deficits during the lifetime of this project, insufficient donor financing remains a risk.

The internal Palestinian disputes over who should be primarily responsible for the assistance to East Jerusalem increases the risks that assistance is not delivered in a coordinated and strategic manner. The promise of Arab states taken during the last Arab summit to commit around $500 million to the support of East Jerusalem further increase the internal tensions. The risk can be mitigated by a unified position on the part of the donor community on the channelling of the funds targeting East Jerusalem.

EU guidelines on publications of EU funded projects and on visibility need to be adapted to the sensitive situation in order not to jeopardize the implementation of activities.

3.4. Crosscutting Issues

Attention will be paid to ensure that projects incorporate the promotion of co-education, gender equality, child rights protection and empowerment of vulnerable groups in their activities. For instance, the issue of environment will be incorporated.
in actions targeting youth in areas where solid waste management or water management are crucial. Also, good governance and children's rights will be integrated as part of the education process, and in urban planning activities. Gender components will be incorporated in economic development as well as in health activities, and good governance and environment would have to be considered in case of urban planning activities. Particular attention will be given to ensure that gender issues are incorporated in economic development activities.

3.5. Stakeholders

Stakeholders are primarily community-based organisations, local NGOs serving or targeting East Jerusalem communities, and community leaders.

The institutional capacity of East Jerusalem organisations is often fragile, mainly due to the limited level of support they receive. Since many of the local NGOs moved to Ramallah in the last 2 years (mainly to escape the heavy Israeli taxation), it appears even more important to support the remaining civil society.

At the occasion of the various sector assessments conducted in the framework of the EU funded SMDP of the Jerusalem Unit, sectoral consultations have taken place, and mechanisms to maintain a consultative process will be set up. In addition, line ministries and the Ministry of Planning were also involved in the process, and part of the committees responsible for approving the sectoral reviews (and the resulting proposed interventions).

Health and education professionals are particularly involved, and a number of Member States are active in the areas of proposed support including Italy, UK, France, Spain, Denmark and Germany.

Considering the difficulties of working in some sectors without the municipal authorities in East Jerusalem, the possibility of using the services of Israeli NGOs serving the East Jerusalem communities could be considered on a case by case analysis.

As the last connection between the East Jerusalem population and the Palestinian central authority, the involvement of the Office of the President is crucial.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Direct centralised management

A Financing Agreement will be concluded between the the European Commission and the Office of the President.

The Commission is the contracting authority for all the contracts and grants and all the payments are executed by the Commission.
4.2. **Procurement and grant award procedures**

1) Contracts

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7) ENPI.

2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget.

When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 90% given the crisis situation. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Union.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

4.3. **Budget and calendar**

The budget of the operation amounts to € 6,000,000.

The indicative breakdown of the overall amount is as follows:

<table>
<thead>
<tr>
<th>Project Activities (grants)</th>
<th>€ 5,880,000</th>
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<tr>
<td>Visibility</td>
<td>€ 30,000</td>
</tr>
<tr>
<td>Monitoring, Evaluation and Audit</td>
<td>€ 90,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>€ 6,000,000</strong></td>
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Contracting procedures for grants (i.e. direct agreements) will be launched in 2010 and finalised in 2011.

The foreseen operational duration is expected to be 48 months as from the signature of the Financing Agreement. A closure phase of 12 months is also foreseen.
4.4. Performance monitoring

The project will be monitored according to relevant indicators of performance.

The choice of key progress indicators will form part of the project identification and formulation process and each action will be supported by a logical framework including objectively verifiable indicators to evaluate each stage's level of achievement. EuropeAid Standard Indicators will be taken into account where available and as appropriate. Basic population data as well as basic socio-economic data are usually not disaggregated to show the specific situation of Palestinian residents in East Jerusalem. Therefore, in case of non availability of existing information on baseline values necessary to establish relevant indicators, the projects could be designed in such a way that the baseline is established during the first months of implementation, and target values adapted accordingly.

4.5. Evaluation and audit

Due to the nature of the actions, i.e. grants to non-governmental organisations in divergent fields, evaluation and audit will be arranged individually for each project. It is foreseen that each action will be covered by at least one external audit and a final evaluation at the end of the implementation period. An overall programme evaluation is also foreseen.

4.6. Communication and visibility

Communication and visibility activities will be organised within the limitations of the specific context of East Jerusalem.