

# Evaluation of the PEGASE Programmes of Direct Financial Support to the Palestinian Authority and Results Oriented Framework in the period 2014 - 2105

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## ACRONYMS AND ABBREVIATIONS

AC	Audit Committee
AHLC	Ad Hoc Liaison Committee
AFS	Annual Financial Statements
CBA	Certified Business Accountant
CMA	Certified Management Accountant
CoLA	Cost of Living Allowance
CP	Complementary Programmes (EU funded)
CR	Clearance Revenue
CS	Civil Society
GPC	General Personnel Council
CSDS	Civil Service Development Strategy
CSP	Civil Service and Pensioners
CTP	Cash Transfer Program
DFS	Direct Financial Support
DGIR	Directorate General of International Relations
DG NEAR	Directorate General for European Neighbourhood Policy and Enlargement Negotiations
DPs	Development Partners
ECD	Early Childhood Development
EEAS	EU External Action Service
EJH	East Jerusalem Hospitals
EU	European Union
EUMS	EU Member States
EJS	European Joint Strategy
ENPI	European Neighbourhood and Partnership Instrument
EUREP	European Union Representation in Palestine
FA	Financing Agreement
FY	Fiscal Year
GDP	Gross Domestic Product
GID	Geographic Information Data
GIS	Geographic Information System
GoI	Government of Israel
GPC	General Personnel Council
GoP	Government of Palestine
HLPD	High Level Policy Dialogue
HQ	Headquarters
HR	Human Resources
HRD	Human Resources Development
HRM	Human Resources Management
IA	Internal Audit
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IAOS	International Association for Official Statistics
JPA	Joint Programming Approach
KPIs	Key Performance Indicators
LACS	Local Aid Coordination Secretariat
LMs	Line Ministries
LMAs	Line Ministries and Agencies
LT	Long Term
MEDSTAT	Mediterranean Statistics (EU Regional program)
M&E	Monitoring and Evaluation

MoEHE	Ministry of Education and Higher Education
MoU	Memorandum of Understanding
MoFP	Ministry of Finance and Planning
MoPAD	Ministry of Planning and Development (merged into MoFP in 2016)
MoSD	Ministry of Social Development
NGOs	Non-Governmental Organisations
NIS	New Israeli Shekels
NPA	National Policy Agenda
PA	Palestinian Authority
PAR	Public Administrative reform
PCBS	Palestine Central Bureau of Statistics
PEFA	Public Expenditure and Financial Accountability
PEGASE	Palestinian-European Socio-Economic Management Assistance Mechanism/ Mécanisme Palestino-Européen de Gestion de l'Aide Socio-économique
PFM	Public Financial Management
PMO	Prime Minister's Office
PMT	Proxy Means Tested
PNDP	Palestinian National Development Plan
PNPA	Palestinian National Policy Agenda
PPFI	Palestinian Public Finance Institute
PRDP TF	Palestinian Recovery and Development Plan Trust Fund
PHCP	Public Health Capacity Project
RRC	Regional Referrals Committee
ROF	Results Oriented Framework
SAACB	State Audit and Administrative Control Bureau
SDDS	Special Data Dissemination Standards
SNAO	Swedish National Audit Office
SPD	Service Purchase Department
SWG	Sector Working Group
SMART	Specific, Measurable, Achievable, Realistic, Timely
TA	Technical Assistance
TAIEX	Technical Assistance Information Exchange (European Instrument)
TNA	Training needs assessment
TORs	Terms of Reference
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UNRWA	The United Nations Relief and Works Agency for Palestine Refugees in the Near East
USD/\$	United States Dollars
VPF	Vulnerable Palestinian Families
WB	World Bank
WHO	World Health Organisation



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# 1. Executive Summary

## 1.1. Context, Scope and Focus of the Evaluation

The Palestinian economy continues to be highly dependent on donor aid. effective fiscal and policy reforms remain critical. However as long as the Israeli occupation persists, the Palestinian Authority (PA) cannot be expected to achieve economic viability through austerity measures alone although the PA is taking a number of fiscal measures to stabilise the economy to the extent that is within its control.

An Evaluation Mission by an independent consultant team was undertaken on-site during mid-May to mid-June 2016. A draft report of the evaluation was produced by mid-July and circulated by EUREP to stakeholders. Consolidated comments were provided by EUREP end of October and the final report was available by mid-November 2016. The team then returned for a week in November 2016 to disseminate their findings to stakeholders in Ramallah and Jerusalem.

The period covered by the PEGASE Evaluation Mission is 2014-2015 and the objective is to undertake a comprehensive assessment of the three ‘clusters’ of EU support to the PA: PEGASE Direct Financial Support (DFS) mechanism; Pilot Results Oriented Framework (ROF); and Complementary Programmes (CP). It also consolidates the evaluation of the three clusters of European Union (EU) support into a Global Assessment.

In addition to European Union Representation in Palestine (EUREP), EU Member States (EUMS) and other donors, the PA is a key beneficiary of the evaluation. It is an ambitious evaluation agenda that has required a tightly managed approach with full stakeholder consultation. The scope of evaluation and the evaluation questions were discussed in detail and agreed upon with EUREP.

In terms of context the EU has been supporting the PA's recurrent expenditures through the PEGASE Direct Financial Support (DFS) mechanism since 2008. This European mechanism of support to the Palestinians aims to maintain the viability of the Two-State Solution. Three DFS components are supported: Civil Service and Pensioners (CSP); Vulnerable Palestinian Families (VPF); and East Jerusalem Hospitals (EJH).

The EU and the PA developed a ROF aimed at supporting policy dialogue between EUMS and the PA in relation to the Palestinian National Development Plan (PNDP) 2014-2016. The ROF was planned as part of the EU/EUMS Joint Programming Approach (JPA), which resulted in a European Joint Strategy (EJS) aligned with the PA's National Policy Agenda (NPA) 2017-2022. The initial Pilot of the ROF (‘Pilot ROF’) was undertaken from April to December 2015 and covered six sectors, under two pillars: (Pillar 1 led by EU and UK) Fiscal policy reforms, and (Pillar 2 led by Belgium for Education, Italy for Health and EU for Social Protection) for Service Delivery. The Pilot ROF was extended for another year until the end of 2016. A ‘Future ROF’ will be developed and launched in 2017 based on NPA 2017-2022 strategic priorities, the EJS and JPA, along with the recommendations of this evaluation.

In addition to the DFS support, the EU funds eleven CP supporting the PA to increase the capacities of key institutions, including for design and implementation of fiscal and administrative reforms. Five of these CP, amounting to over €6.5 million were implemented from November 2012 to February 2018, and are part of this evaluation.

## 1.2. Findings

(For detailed conclusions, please refer to Section 6.1. )

### 1.2.1. PEGASE Direct Financial Support

A total of over €390 Million has been allocated through PEGASE DFS to the PA during 2014-2015. Funding to the PEGASE DFS comprised €184.86 million 2014 and €205.55 million in 2015<sup>1</sup>. The key counterpart within the PA for PEGASE DFS is the Ministry of Finance and Planning (MoFP) in terms of the overall financial management of the mechanism as well as being the direct counterpart for CSP. The lead counterpart for VPF is the Ministry of Social Development (MoSD); and the Ministry of Health (MoH) is the lead counterpart for EJH.

In terms of the administration of PEGASE DFS, Deloitte and Touche undertook an efficiency review of PEGASE DFS CSP and VPF processes in 2014 and it found a thoroughly well managed system.

The PEGASE Evaluation Mission recognises that in essence the DFS mechanism is of a political nature geared towards the Two-State Solution and that the three DFS components have provided predictable, reliable and unconditional contributions to the PA. It has enabled the PA to maintain and manage its administration and build capacity despite the very critical political situation imposed by the occupation and the restrictions from Israel.

Although stated as an objective, there is no direct or demonstrable link between PEGASE DFS and service delivery, and the results thereof have not been defined. The aid modality is a response to the Two-State Solution and is political in nature rather than part of a development agenda. As such, improvement of service delivery is not directly targeted. For example, the evaluation found that the payment of salaries to civil servants in Gaza requires a political solution and is not about maintaining service delivery.

Overall, PA beneficiaries appreciate PEGASE DFS support and call for its continuation in the same spirit, together with policy dialogue on PA priorities through the ROF process. None of the EUMS considered a move to conditionality for PEGASE DFS to be appropriate although some wanted more demonstrable results as a result of funding. A transition to a development agenda based on the need to improve service delivery to Palestinians is a cornerstone principle that should be explored in relation to future EU/EUMS support. This could take the form of sustainable financing, institutional strengthening and capacity development, as well as budget support. This may mean that overall levels of support would need to increase during such a transition, providing funding through PEGASE DFS as well as development aid through other complementary funding modalities.

**The evaluation mission considers the PEGASE DFS to be an appropriate, efficient and effective modality for the EU to continue to support the Palestinian Authority towards a Two-State Solution.**

CSP provides a contribution to monthly payments towards the salaries and pensions of around 70,600 employees and pensioners (approximately 88 per cent employees and 12 per cent pensioners) in the West Bank (50,400) and Gaza (20,200) who benefited from CSP payments. In 2015, the number decreased by 2,000 CSP to around 68,000. The key objective is to alleviate the PA's budget deficit and

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<sup>1</sup> EUREP commitment figures provided by EUREP office 24 November 2016

ensure the delivery of essential public services to the Palestinian population including sectors such as health, education and social development. The CSP is the largest component of the DFS with a total contribution to the PA payroll and pensions of €252million during 2014-2015 (contribution of around 16 per cent of the wage bill). Six donors, in addition to the EU, funded CSP in 2013 and three (Ireland, Netherlands and Sweden) in 2015. This may reflect a downward trend or could be simply be an indication of changing priorities of donors, but this should be monitored in coming years. Funding of the component has decreased by around 8 per cent from €141.7 million in 2013 down to €123.6 million in 2015.

**VPF** provides payments on a quarterly basis to Palestinian households living in ‘extreme poverty’ through the Cash Transfer Programme (CTP) administered by the MoSD. The key objective is to support households living in extreme poverty in the West Bank and Gaza. The overall allocation to the CTP by EU and EUMS amounted to €93 Million (43 percent of the overall CTP budget<sup>2</sup>) during 2014 – 2015 benefitting an average of 60,000 households. Whilst payments were relatively regular during 2015, there were delays in 2014 due to PA budget constraints (as Israel withheld Clearance Revenues). This highlights the difficulties the PA has in budget planning due predominantly to a lack of adequate revenues and funding and reinforces the PA’s crucial dependency on PEGASE DFS support.

Several studies were undertaken to improve the CTP between 2012 and 2015 and a joint action plan has been produced. Whilst the MoSD has made some progress, several recommendations are still outstanding. The CTP provides a minimal safety net but the amounts are too low and infrequent to make a sustainable difference to extreme poverty. However the CTP and EUREP’s VPF contribution is considered by all stakeholders to be crucial to supporting basic human rights and dignity, enabling the poorest sections of Palestinian society to receive payments used for essential living costs, including medicine for example. In parallel, the MoSD is working on improving quality and access to services as well as the introduction of socio-economic empowerment initiatives through the implementation of its social development sector strategy.

Support to **EJH** provides for the payment of the PA’s arrears to six hospitals in East Jerusalem to which patients are referred from across the occupied Palestinian territories. The EU contribution amounted to €44.2 million in 2014-2015. The main objective is to support access to basic services in East Jerusalem, reduce the PA’s arrears to these hospitals and reduce referrals to Government of Israel hospitals. In parallel, it is part of broader efforts to improve the efficiency and effectiveness of the PA referrals system. The MoH achieved dramatic efficiency savings in reducing the cost of referrals to Israeli hospitals: €25 million (34 per cent of the MoH referrals budget) in 2015. In 2013, the EU was the only donor that supported EJH through the PEGASE DFS mechanism. Finland contributed in 2014 and Denmark and Italy in 2015. This has nearly doubled the EU’s support to EJH from €15.5 Million in 2014 to €28 Million in 2015. Once implementation of a revised national referrals policy and procedure has commenced, it is likely to result in reduced costs of referrals within the Palestinian territories. Donors such as USAID and Italy conclude that insufficient availability of budget support and a lack of a strategic sector-wide approach have resulted in a fragmentation of the health system and donor support although significant progress has been made in relation to tackling arrears.

### 1.2.2. Results Oriented Framework (ROF)

The design of the pilot stage, institutional setting and the rooting of the indicators within the six ‘sectors’ focused on key areas deemed to be of priority relevance for dialogue by and with the

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<sup>2</sup> Total CTP budget of Eur. 265.75 million

community of donors. However the design did not necessarily match the PNDP 2014-16 priorities and the six sector fiches were not completely owned by the PA/LMs despite the consultations held in some sector working groups. The involvement of Civil Society representatives in the overall design and monitoring of the ROF has also not yet been achieved.

In terms of results of the Pilot ROF, out of 24 indicators, 10 were considered as met (of which 7 are in Pillar 2 related to service delivery), 10 others as unmet (of which 7 are in Pillar 1 related to reforms), and 4 as uncertain/not conclusive. The indicators are of four types: short term results, policy elements, reforms and political issues. Unmet targets were mainly due to indicators and targets not being SMART. With such a mixed focus, several interlocutors question the effectiveness of the ROF as instrument for policy dialogue. The Policy Dialogue has been started both at sector level and national level with the PMO, which has been appreciated by all concerned. The Sectors' Leads and EUREP have led the reporting system with inputs from the PA, due to the PA's Monitoring and Evaluation (M&E) and reporting system not having been sufficiently developed.

**Globally, the pilot ROF is valued as a good starting instrument to build upon for policy dialogue: despite its limitations, and in the absence of a national M&E being in place, the PMO considers the pilot ROF to be a positive starting instrument to monitor key policy priorities and reforms and to start a policy dialogue with the community of development partners based on a common framework.**

### 1.2.3. Complementary Programmes

The EU funded Complementary Programmes (CP) support the development of national capacities of institutions that play a critical role in the design and implementation of governance reforms. The evaluation assessed how the CP were defined and whether their scope was appropriate and realistic. The CP, which are implemented by consulting firms - with the exception of the Palestinian Central Bureau of Statistics (PCBS) - were developed before the Pilot ROF.

The Institutional Strengthening of the State Audit and Administrative Control Bureau is in its second phase. It commenced in September 2014 and is due to be completed in March 2017 with a budget of €2,499,880. Good progress is being made in relation to financial, compliance and performance audit training. However the new audit law has not been finally promulgated as yet. SAACB considers their CP and associated TA experience to be extremely positive. They attribute this primarily to being in the 'driving seat' throughout the process.

TA to the PA in Public Financial Management Reforms (PFM) commenced in October 2015 until April 2017 with a budget of €235,587. The beneficiary is the MoFP and since the CP only recently commenced, activity has been limited to the production of a draft PFM Strategy by TA. However the MoFP has not sought to adopt the strategy as yet and there is a perceived lack of ownership by the MoFP. Realistic elements of PFM reform should be now agreed with the PA with coordinated support from EUMS and other donors.

EU Support to a Taxpayer Awareness Campaign commenced in August 2015 until February 2018 with a budget of €949,900. The beneficiary is the MoFP's Directorate of Customs and Taxes. There was a delay in implementation of an awareness campaign in early 2015 and the Directorate concludes that this resulted in a loss of potential increased revenue and awareness. Highly dissatisfied with the CP, they consider legislative reform and an on-line taxpayer registration and payment system to be more important.

The TA to Civil Service Reform (€1.4 M) commenced in November 2013 and ended in May 2016. The main beneficiary was the General Personnel Council (GPC). The project was designed to improve the civil service legal framework and law enforcement capacities; modernise the human resources management policies, practices and systems; optimise the structure and functions of the public administration; and contain the total cost of the public sector. All activities were implemented and completed and recognised by the GPC as key instruments of Civil Service Reform.

The Capacity Building for the Statistical Programme received €1.4 million in 2012-2015. The main beneficiary was PCBS. The aim was to develop PCBS's institutional capacities to carry out statistical activities; disseminate data; update socio economic indicators and promote high-level utilisation of statistical data by stakeholders; and contribute to national planning and monitoring processes. The role of the PCBS in the National Planning and M&E is still to be determined. They were neither involved enough in the policy dialogue around the ROF nor were they consulted during its design phase.

**Overall the results of evaluation of CP demonstrate that the achievements of the programmes have been mixed and further support is required. Future CPs should align more directly to the future ROF.**

### **1.3. 1.3 Visibility**

The Evaluation Mission found that almost all stakeholders were aware of PEGASE DFS and its three components. The EUMS had a higher level of awareness than other donors since this funding mechanism channels funds from EUMS. The EUREP prepares quarterly reports and their website contains a proliferation of information about PEGASE DFS but much of it is out of date. Awareness about PEGASE DFS has also been raised and reinforced since 2013 with the increased coordination undertaken by EUREP in relation to the JPA and EJS as well as the Pilot ROF. The key government counterparts informed that all staff members are generally aware that the EU/EUMS offers support to CSP as well as VPF but there was less awareness about support to the payment of PA arrears to EJH via MoH. Overall the EU is recognised as a reliable donor.

### **1.4. Recommendations**

For more details please refer Section 6.2.

#### **1.4.1 PEGASE Direct Financial Support**

The EU should not consider conditionality of PEGASE DFS as an option in the short to medium term as it is not conducive to a Two-State Solution which remains the primary political objective of this aid modality. There is a need for EU/EUMS to differentiate between political and technical objectives and seek to resolve political issues through effective high-level policy dialogue.

In the social protection sector, the EU/EUMS should support the implementation of outstanding recommendations of CTP efficiency studies. Differential models of targeted assistance to extreme poor (not only VPF) should be piloted based on the multi-dimensional poverty study currently being conducted by PCBS. In the health sector, the EU/EUMS should consider broader sector-wide approach with the MoH, including the potential for Budget Support for this relatively mature sector.

#### **1.4.2 Results Oriented Framework**

The development of the future ROF should incorporate the lessons learned drawn from the 2015 and 2016 ROF annual reports with close monitoring. The alignment of the ROF with only the NPA sector priorities is a prerequisite. Those sectors with comprehensive plans should be eligible for the ROF and for well-informed policy dialogue. Other sectors that are not yet well advanced in sector planning should be assisted.

The selection of indicators and targets needs to be pragmatic, consistent and realistic. The PA should lead the process of M&E and reporting of the ROF, involving the new M&E Secretariat General of Cabinet as a key stakeholder together with PMO Policy, Priorities and Reform Unit, key Line Ministries, the MoFP, Civil Society and the private sector. There is a need to closely bridge the gap between the pilot ROF process (2015 and 2016) and the EJS process so one instrument emerges. Therefore a transitional ROF may be required during 2017.

#### 1.4.3 Complementary Programmes

During the process of finalisation of the future ROF, EUREP should discuss with all PA beneficiaries how the present and future CP could be improved to enable them to build the capacity needed to achieve and monitor their strategic objective and have greater control of the focus and operational management of the TA support. Based on the conclusions of the evaluation, further support would be required for (i) PCBS, to match the requirements of the future national M&E framework and its strategic statistical plan; (ii) for GPC, to pursue the civil service management framework; and for (iii) joint formulation of agreed upon and progressive PFM & public administration reforms. New CP would be required to support the national planning and M&E framework and increase the capacity of the PMO priorities, policies and reforms unit. A Policy Dialogue Facility could be established to fund the policy dialogue activities of the future ROF.

Most importantly, intensive support from the EU/EUMS to the political and technical resolution of the Clearance Revenue need to be prioritised, through policy dialogue between the PA and the EU/EUMS, as well as with GoI.

#### 1.5. Global Conclusions and Recommendations

The global architecture of the three clusters (PEGASE DFS, Pilot ROF and CP) was set at different stages, with specific perspectives that would ultimately converge. They have contributed altogether to building progressively positive support that is highly appreciated by the PA. Although each has room for improvement, they contributed to building capacities of institutions that are the foundation of contributing to the Two-State Solution. This is a highly complex process within a fragile political context that needs time to consolidate.

**The continuation of the PEGASE DFS, the development of a future ROF, aligned to NPA priorities 2017-22, and embedded within the European Joint Strategy and the Joint Programming Approach with expanded funding to sector development and progressive reforms, will further consolidate institution building and policy development necessary for a Two-State Solution.**



## 2 Introduction

### 2.1 Political and macroeconomic context

After a period of sustained state-building progress and economic recovery between 2007 and 2011, the democratic path (no electoral process and limited institutional accountability) and the economy (slowing growth, high unemployment, and large fiscal deficits) have significantly slowed down since 2012. The general outlook has deteriorated dramatically over the past two years. During 2014, the Peace Process negotiations collapsed and the Gaza Strip suffered a major humanitarian crisis and massive destruction as a result of Israel's "Operation Protective Edge", while Israeli-imposed restrictions on Palestinian people and their economy continued unabated<sup>3</sup>.

The World Bank (WB) predicts stagnant growth in 2016 of 3.3 per cent<sup>4</sup> due to the reconstruction required due to the aforementioned destruction in Gaza in 2014. Whilst real GDP reached a 5 per cent increase in West Bank in 2015, Gaza suffered from a slowing of real GDP down to 2.8 per cent. The crunch was primarily due to: a significant reduction in donor aid (aid commitments having dropped by nearly half from 2010 to 2015); the devastating impact of Israeli economic restrictions; and unpredicted, temporary suspension of Clearance Revenue (CR) transfers in early 2015, which resulted in a USD 650 million financing gap for the PA. The International Monetary Fund<sup>5</sup> (IMF) concurred with the WB's forecast and estimates a funding gap of USD 500 million during 2016. This unstable period has contributed to the poverty rate in Palestine of 25 per cent and in Gaza of nearly 40 per cent. The PA is taking a number of fiscal measures to stabilise its economy, including: the development of a comprehensive framework to increase revenue; widening the tax base and raising tax-payer compliance; adopting a zero-net hiring policy and the creation of an aid-restructuring strategy<sup>6</sup>.

In the absence of successful peace negotiations, the Palestinian economy will continue to be unsustainable and dependent on donor aid. Increased fiscal and policy reforms will also remain critical, although as long as the Israeli occupation persists, the Palestinian Authority (PA) cannot be expected to achieve economic viability through austerity measures alone. As long as there is a political horizon for the resolution of the 'Two-State Solution', donor contributions will probably be sustained, albeit at a level that cannot match real needs on the ground.

### 2.2 Context of EU support to PA's recurrent expenditures through PEGASE DFS

Since 2008, the EU has been supporting the PA's national reform agenda by providing financial support to the PA's recurrent expenditures through the PEGASE Direct Financial Support (DFS) mechanism, the European mechanism of support to the Palestinians. This support aims to maintain the viability of the Two-State Solution by avoiding the fiscal collapse of the PA and sustaining basic living conditions of the whole Palestinian population (overall objective). PEGASE support operates through systematic, predictable and unconditional contributions. Three DFS components are supported: Palestinian Administration and Services – Civil Service and Pensioners (CSP); Social protection system – Vulnerable Palestinian Families (VPF); and East Jerusalem Hospitals (EJH programme). The EU and EU Member States (EUMS) as well as Switzerland and Norway have contributed around €1.9 billion to

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<sup>3</sup> Specific Terms of Reference, Evaluation of The Palestinian Programmes of Direct Financial Support to the Palestinian Authority and Results Orientated Framework in the Period 2014-2015, EUREP West Bank and Gaza, 2016

<sup>4</sup> MENA Economic Monitor Report - Spring 2016 World Bank

<sup>5</sup> Economic Monitoring Report to the AHLC, World Bank, September 2015

<sup>6</sup> PA Report to ADLC, PA, 30 September 2015



the PA recurrent budget since 2008, including €178million in 2015. Over this eight year period, the EU has contributed around €1.5 billion, whilst the EUMS<sup>7</sup> contributed around €0.4 billion. In addition, the EU is funding five Complementary Programmes (CP) related to fiscal and public administrative reform amounting to €6.5 million over the period from November 2012 to February 2018<sup>8</sup> through the provision of Technical Assistance (TA).

The institutional arrangements of two of EUREP's main PA counterparts are new, with revised roles and responsibilities of the Prime Minister's Office (PMO) having been approved in late 2015 and the merged Ministry of Finance and Planning (MoFP) having been established recently. The Monitoring and Evaluation General Secretariat of the Cabinet Office is also a new entity, established with staff from the former Ministry of Planning of Administrative Development. In addition, the policy environment and processes are in their infancy, with the PA's PMO PNPA matrix of key sectors and priorities having been issued for consultation to donors towards the end of May 2016. The EUREP/EUMS are currently preparing a unified response aligning support to the content of these national priorities.

### 2.3 Development of a Results Oriented Framework

While the PEGASE DFS *is* an unconditional instrument supporting the political objective of maintaining the viability of the Two-State Solution, the EU and the PA have agreed to progressively develop a Results Oriented Framework (ROF) aimed at supporting a more coherent and focused policy dialogue between the EUMS and the PA on their main sector policies and reforms.

The ROF was planned to be part of the EU Joint Programming Approach with EUMS, which would result in a European Joint Strategy (EJS) aligned with the Palestinian National Policy Agenda (PNPA) currently in the making for the period 2017-2022. The initial Pilot of the ROF was undertaken from April to December 2015 and covered six sectors under the umbrella of two pillars: (1) Fiscal consolidation and policy reforms, and (2) Service Delivery. Pillar 1 comprises the following programmes: (1) Macro-economic support/Fiscal Outlook – led by the EU (2) Public Financial Management (PFM) – led by the EU (3) Public Administrative Reform (PAR) led by the United Kingdom (UK). Pillar 2 comprises: (1) Education – led by Belgium (2) Health – led by Italy (3) Social Protection – led by the EU. The focus and priorities along with indicators and targets were articulated within six Sector Strategy Fiches. The Pilot ROF was extended for another year until the end of 2016. A future ROF<sup>9</sup> will be developed and launched in 2017 on the basis of the strategic priorities defined in the PNPA 2017-2022, along with the recommendations of this evaluation.

The future ROF is still at its development stage and aims to cover the wide areas of the PA's upcoming PNPA expected by the end of 2016. As several EUMS and other donors contribute bilaterally to development programmes in various sectors, the new ROF is seen by the PA as an interesting instrument with two prospects: a) to provide inputs to the PA national Monitoring and Evaluation (M&E) Unit that has been recently established within the General Secretariat in the Cabinet Office to establish the national M&E framework; and (b) to become a common instrument to facilitate dialogue between the PA and the donor community and avoid parallel, overlapping reporting systems. The future ROF is considered by the EUREP and EUMS to be an instrument that would inform: (a) policy dialogue on the overall objectives and achievements of the upcoming six-year PNPA, including sectors (in

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<sup>7</sup> As well as Switzerland and Norway

<sup>8</sup> The EU also funds other CP that are beyond the scope of this evaluation.

<sup>9</sup> 'Future ROF' relates to the redesign of the Pilot ROF as a result of this evaluation; the PA's PNPA; and other factors that may pertain to the EU's JPA and EJS.

relation to both recurrent and development budgets, programmes, and reforms); and (b) donor aid effectiveness in contributing to the PNPA.

## 2.4 EU-funded Complementary Programmes

The EU-funded Complementary Programmes (CPs: see table 1) amount to over €6.5 million (November 2012 to February 2018), in the form of Technical Assistance (TA). They support the development of national capacities of institutions that play a critical role in the design and implementation of the reforms that are ROF ‘pillars’, supporting the PA state building blocks (such as macroeconomic stability, fiscal consolidation, governance, service delivery, etc.). It should be noted that, in relation to the Pilot ROF, the CP were developed before the Pilot ROF and therefore did not sequentially link with it.

Table 1: Summary of 5 Complementary Programmes

Contract Number	Contract title	Amount (EUR)	Implementation period
ENPI/2014/324-763	Institutional Strengthening of the State Audit and Administrative Control Bureau (SAACB) - Phase 2	2 499 880	19/09/2014 - 18/03/2017
ENI/2015/363-265	Technical assistance to the Palestinian Authority in Public Financial Management Reforms	235 587	20/10/2015 - 10/04/2017
ENI/2015/357-417	EU support for tax payer awareness campaign in Palestine	949 900	08/08/2015 - 07/02/2018
ENPI/2013/329-527	Technical Assistance to Support the Civil Service Reform in the West Bank and Gaza Strip	1 408 500	25/11/2013 - 24/05/2016
ENPI/2012/280-370	Capacity Building for the Statistical Programme 2012 - 2013	1 419 804	02/11/2012 - 02/09/2015
	Totals	6 513 671	142 months

## 2.5 Scope and objectives of evaluation

The objective of the evaluation assignment is to undertake a comprehensive assessment of the three clusters of the EU support to the PA: PEGASE DFS mechanism, Pilot ROF (April to December 2015) and CP; as well as consolidate the three clusters of EU support into a Global Assessment. The assessment, with resulting conclusions, lessons learned and recommendations covers a two-year time period from January 2014 to December 2015. This is with the exception of the ROF, which focuses on the Pilot period between April and December 2015.

EUREP, EUMS and the PA are key beneficiaries of the evaluation. It is an ambitious evaluation agenda that has required a tightly managed approach with full stakeholder consultation. An Evaluation Mission by an independent consultant team was undertaken on-site during mid-May to mid-June 2016. The team also consulted with the DG/NEAR in Brussels and produced a draft report by mid July 2016. The EUREP circulated the draft report to stakeholders and consolidated their comments that were then incorporated by the evaluation team in the final draft report. The team returned for a week in November 2016 to disseminate their findings to stakeholders in Ramallah and Jerusalem. This technical update builds on but does not repeat the previous PEGASE DFS evaluation (2011-2013). EUREP advised the consultant team not to undertake an extensive contextual analysis but rather focus on the technical evaluation and a forward-looking evaluation of the three clusters. Ranked priorities were agreed with EUREP as follows: (1) Pilot ROF (2) CP (3) DFS PEGASE. The three clusters were not been designed simultaneously and so the global assessment will present the common strands across the three clusters. For further information about the Evaluation Methods, underlying assumptions and key questions see Annex 3: Evaluation Method.

## 3 Answered Questions and Findings

### 3.1 PEGASE Direct Financial Support

#### 3.1.1 Introduction and overview of modality

The global objective of the DFS is to maintain the viability of the Two-State Solution through support to the operational costs of the PA, thereby sustaining basic living conditions of the Palestinian population in the West Bank and the Gaza Strip, including maintaining service delivery in East Jerusalem.

PEGASE (DFS) is the EU mechanism to support the PA's recurrent expenditures and was established in February 2008. A total of over €390 Million has been allocated through PEGASE DFS to the PA during 2014-2015. Funding to the PEGASE DFS comprised €18486 million 2014 and €205.55 million in 2015<sup>10</sup>. (See Annex 4: 'PEGASE DFS EU budget and EUMS donor contributions to support 3 components). Using 2013 as a baseline, 11 donors including the EU have contributed to the 3 components to date: PA Civil Servants' Salaries and Pensions (CSP): Ministry of Finance and Planning (MoFP); PA social allowances to Vulnerable Palestinian Families (VPF) Ministry of Social Development (MoSD); and PA arrears to East Jerusalem Hospitals (EJH): Ministry of Health (MoH).

EUMS can transfer funds to the EU through the PEGASE DFS mechanism in one of two ways: firstly they can sign a transfer agreement with the EU which then pays the EUMS's contribution (i.e. assigned revenues) together with EU funds to the PA treasury sub-account. Alternatively the EUMS may pay their contribution directly to the PA treasury sub-account, in which case they sign a Memorandum of Understanding (MoU) with the EU, as well as a separate one with the PA.

The DFS is designed to be unconditional in nature to take into account the political, socio-economic, financial, institutional and capacity challenges faced by the PA and its people. The mechanism and transactions thereof are regularly and rigorously audited and evaluated to international standards<sup>11</sup>.

#### 3.1.2 Component 1: Civil Service Salaries and Pensions

<b>Q1</b>
<b>a) Is the PEGASE CSP mechanism efficient?</b>
<b>b) Does it enable fund flows to be delivered and utilised by PA, provide the PA with sufficient flexibility to face PA budget variations, and reduce the deficit?</b>
<b>c) Do all targeted eligible Civil Servants and pensioners receive their salaries and pensions on time?</b>

The CSP is recognised as providing a predictable, unconditional contribution to the PA's payroll. The CSP contributions represented approximately 16 per cent of the PA's payroll and pension in 2014 and 2015 and remain the PA's most substantive form of donor revenue support. It is important to underline that the PEGASE DFS contributions are always made in the context of the PA payment of salaries and pensions – in other words, CSP contributions are only disbursed when there is a payment of PA salaries/pensions. In 2014 around 70,600 employees and pensioners (approximately 88 per cent employees and 12 per cent pensioners) in the West Bank (50,400) and Gaza (20,200) benefited from

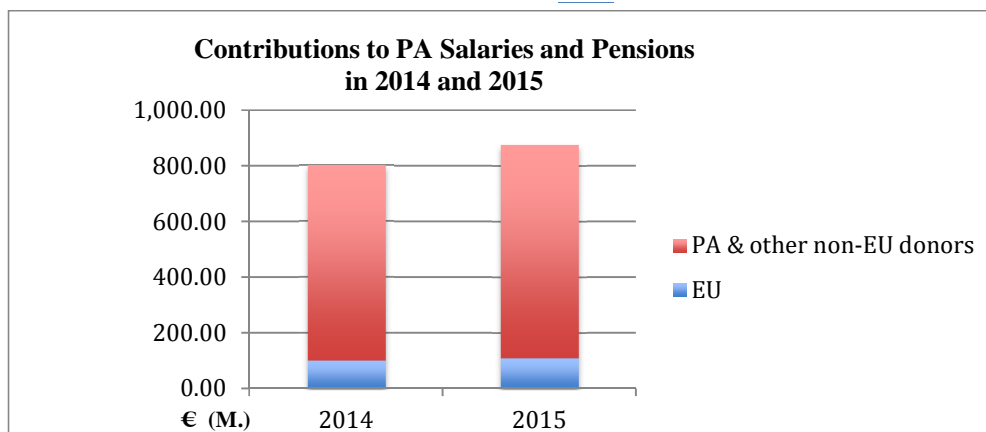
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<sup>10</sup> EUREP commitment figures provided by EUREP office 24 November 2016

<sup>11</sup> For example annual audits, and the 'EU Support to the Palestinian Authority, Special Report Number 14', European Court of Auditors, 2013

CSP payments. In 2015, the number decreased by around 2,000 CSP to around 68,000 (with 49,000 in the West Bank and 19,000 in Gaza)<sup>12</sup>. However the PA still relies predominantly on its own resources that amount to nearly half of its overall annual public expenditure<sup>13</sup>. See Figure 1: Contributions to PA Salaries and Pensions in 2014 and 2015 and Table 2: Amounts paid by EU/EUMS through PEGASE DFS to CSP’.

[Figure 1: Contributions to the Salaries and Pensions of the PA civil servants and pensioners in 2014 and 2015](#)



Source: MoFP for PEGASE DFS evaluation, June 2016<sup>14</sup>

[Table 2: Amounts paid by EU/EUMS through PEGASE DFS to CSP](#)

Year	Total payroll CSP (EUR)	(EUR)
2015	948,276,753.80	123,613,924.00
2014	846,950,406.50	128,564,529.00

Source: PEGASE DFS database

The PEGASE and MoFP contributions are disbursed directly to the local bank accounts of the civil servants and pensioners. The EU and the PA agree on an annual schedule of monthly payments for the fiscal year (FY) at the time of the signing of the Financing Agreement regarding the PEGASE DFS contributions. The schedule for 2014 commenced monthly payments from May, with no payments scheduled by the EU for the first four months of the year. In 2015, the EU commenced monthly payments from April to July and from November to December according to the schedule, with no payments received by the PA for the first three months of the year and months of August, September and October. This scheduling resulted mainly from internal funding transfer arrangements of the EU; and a delay in the signing of the Financing Agreement impacted the schedule in 2015. While it is understood that the EU strictly adhered to the agreed disbursement schedule and the PA was fully aware of it in advance, the PA informed that these periods, at the beginning of each of FY when payments were not scheduled, caused the MoFP immense difficulties in administering its payroll and pensions as it did not have access to sufficient alternative resources to make up the perceived shortfall.

<sup>12</sup> Figures provided by MoFP during the evaluation; and Causes behind the Palestinian Authority’s Large Wage Bill and the Road to Its Sustainability, World Bank, April 2015

<sup>13</sup> PEGASE DFS of Recurrent Costs of the PA Budget, Implementation Progress, 31 December 2015 EUREP

<sup>14</sup> It was not possible for the PA to provide a breakdown of other non-EU donors’ contributions to the PA salaries and pensions within the time available during this evaluation.

**d) Is the PEGASE DFS CSP funding mechanism sufficiently simplified and conducive to unified PA management?**

Deloitte and Touche undertook an efficiency review of PEGASE DFS processes in 2014<sup>15</sup>. It found a thoroughly well-managed system but one that could be improved through: automation of processes; elimination of duplication in verification; and streamlining logistics in relation to the communications between EUREP, PA and the associated parties. Many of the recommendations have already been implemented including: contracting a dedicated IT Agent; automating testing processes; strengthening physical security for accessing databases; improving logistical processes: exchanging data electronically instead of using CDs to transfer data between EUREP and the PA, for example. Monthly verification of the CSP beneficiaries' eligibility list is now undertaken every 18 months. These two actions in particular represent significant efficiencies. However the MoFP still considers the CSP payment system to be cumbersome with a tight period of a few days at the end of each month when databases are aligned to check the eligibility of employees for CSP payments. This process involves a Technical Committee undertaking a comparison of Human Resource database lists kept by the General Personnel Council (GPC) and the MoFP Payroll Directorate. This would be improved if the databases were integrated so the need for crosschecking would be eliminated.

Although most of the audit processes are undertaken by the EU auditors, the MoFP considers that the Ministry itself does not have sufficient human resources to manage the CSP administration process efficiently and at the fast pace required and the PA's payroll I.T. system is antiquated (over 10 years old).

**Q2**

**a) Is the PEGASE DFS mechanism effective?**

**b) Does it keep the PA and its Civil Servants accountable to deliver the basic services?**

Although a key objective of the PEGASE DFS is to support the PA in its delivery of services to the Palestinian people, notably in the areas of health, education and social services<sup>16</sup>, there is no direct or demonstrable link between them and results areas have not been defined. However a more tangible link between the mechanism and service delivery achievements could be established: 67 per cent of the civil servants and pensioners who received payments from PEGASE DFS during 2014 and 2015 were working in Health and Education. It could be argued that donors would be more likely attracted to the humanitarian, development and accountability dimensions associated with directly funding teachers, doctors, nurses and other front line staff rather than generically contributing to the PA's salaries and pensions. See Table 3: CSP who received at least one payment during the year through PEGASE DFS. However, when the PEGASE DFS was established, the EU made the decision to broadly and partially fund a wide range of civil servants rather than targeting specific groups and EUREP considers that this creates an environment conducive to policy dialogue with the PA. While the PA stakeholders value the CSP support, the MoFP and the MoEHE consider that it would be more logical for specific groups to be funded. In addition they consider that this approach would allow donor funds to be targeted away from Gaza, where verification of civil servants' eligibility is more difficult to ascertain. Having said this, the earmarking of the CSP support has certain technical consequences that would need to be analysed (e.g. monthly absorption limits).

<sup>15</sup> Review of the DFS Processes, Deloitte and Touche, November 2016

<sup>16</sup> ANNEX I to Financing Agreement DFS to Recurrent Expenditures of the PA, 2014 (Part 1: reference: ENI/2014/024-990)– APPENDIX 1 □ Component 1: Supporting Palestinian administration and services, EUREP, 2014

Table 3: CSP which received at least one payment during the year through PEGASE DFS

Sector	2014		2015	
	Number*	%	Number*	%
Education (Ministry of Education and Higher Education)	36 963	52.3%	35 885	52.7%
Ministry of Health	10 068	14.3%	9 719	14.3%
Other Civil Servants	15 356	21.7%	14 152	20.8%
Pensioners	8 262	11.7%	8 363	12.3%
Total	70 649	100.0%	68 119	100.0%

Source: PEGASE database

The payment of salaries to civil servants in Gaza is a controversial issue. Around 19 000 civil servants and pensioners in Gaza received payments from the CSP in 2015<sup>17</sup>. All the ministries in Gaza are operational but are paid by either the PA in Ramallah or the de-facto government in Gaza. Significant numbers of PA Gaza civil servants in health, education and social development are working, but the EU/EUMS do not know the exact numbers although they have been requested from the PA. The GPC, MoFP, and MoEHE confirm that the integration of Gaza staff is a political rather than a technical matter. The GPC informed that they estimate that approximately 80 per cent of staff could be technically re-deployed if political will was apparent. The MoEHE noted that changes in payments to Gaza CS is likely to lead to civil unrest and is an extremely sensitive matter that cannot be resolved through civil service reform. All PA stakeholders concurred that the ADLC is best placed to address this issue.

The WB produced a Wage Bill report in 2014<sup>18</sup> that found that while the worldwide average wage bill is around 10 per cent of national Gross Domestic Product (GDP), the PA's is approximately 17 per cent. See Table 4: Salaries account for half of PA's expenditures and 83 percent of its revenues. The PA is currently revising its national accounts estimates and informally disputes<sup>19</sup> the comparative countries (which include Israel) referenced by the WB. The WB recommends that the MoFP and GPC develop policies to contain annual wage increases and staff hiring which it estimates could save around USD 450 million or 3 per cent of GDP.

Overall public debt, including arrears, rose to USD 5.4 billion/43 per cent of GDP in 2015. Arrears to the Pension Fund constituted about half of the total arrears. The Pension Fund debt is unsustainable and is highly relevant to the CSP, which contributes to the payments of approximately 8,000 PA pensioners every quarter<sup>20</sup>.

<sup>17</sup> Figure provided by MoFP during evaluation

<sup>18</sup> Causes behind the Palestinian Authority's Large Wage Bill and the Road to Its Sustainability, World Bank, April 2015

<sup>19</sup> As informed by MoFP during this evaluation

<sup>20</sup> Report to the West Bank and Gaza Ad Hoc Liaison Committee, IMF, 5 April 2016

Table 4: Salaries account for half of the PA's expenditures and 83 percent of its revenues

Item	(USD in millions)
Total net revenues	2312
Gross domestic revenues	852
Tax revenues□	597
Non tax revenues	255
Clearance revenues	1690
Recurrent expenditures and net lending	3694
Wage expenditure	1919
Non-wage expenditure	1564
<b>Net lending</b>	<b>210</b>
Recurrent balance	-1381
Development expenditures	186
<b>Overall balance (before external support)</b>	<b>1568</b>

Source: Ministry of Finance, 2013, World Bank, 2015<sup>21</sup>

#### c) Does it support the PA's reform agenda?

The PEGASE DFS CSP funding is not directly tied to the PA's reform agenda although objectives defined in the Financing Agreement (FA)<sup>22</sup> state that the CSP "reinforces the PA's public finance management and public finance reform implementation". Likewise, support to VPF anticipates that the funding will indirectly promote the reform of the social protection sector<sup>23</sup>. The EU-PA FA relating support payment of PA arrears to EJH does not specifically mention a linkage to or promotion of a reform agenda. However the reform of the MoH's referral policy is fully underway and is subject to a successful highly coordinated and integrated multi-donor-PA approach, which includes the EU.

#### Q5. Is the PEGASE DSF mechanism deemed secure, controlled and transparent by EUMS?

The contributions of the EU have remained stable over the past few years (See Table 1: PEGASE DFS EU budget and EUMS donor contributions to support 3 components); however the number of EUMS donors and their contributions are steadily reducing from around 17 per cent of contributions to CSP in 2013 down to 6 per cent in 2015 of the overall CSP budget.

All donors are highly satisfied with the operation of the mechanism that offers them the assurance of strongly administered fund management that is well audited. The aforementioned Deloitte and Touche review of DFS processes corroborates this view. Most existing donors consider that the concept of full 'Conditionality' as being contrary to the key objectives of the PEGASE DFS, which are essentially to support the viability of the 'Two State Solution' and as such is essentially political in nature. Those donors who shifted their support from CSP to VPF (Spain) and from CSP to EJH (Denmark) cite the overtly humanitarian aspects of this support to be more politically acceptable to their governments,

<sup>21</sup> Causes behind the Palestinian Authority's Large Wage Bill and the Road to Its Sustainability, Word bank, April 2015

<sup>22</sup> Ibid

<sup>23</sup> ANNEX I to Financing Agreement DFS to Recurrent Expenditures of the PA, 2014 (Part 1: reference: ENI/2014/024-990)– APPENDIX 2□ Component 2: Supporting the Palestinian social protection system, EUREP, 2014



rather than funding CSP. Denmark ceased support to CSP in part due to concern about a lack of demonstrable results.

### 3.1.3 Component 2: Vulnerable Palestinian Families

#### Q.3

##### a) Is Component 2 VPF efficient, effective, and impactful?

The PEGASE DFS VPF's key objective is to support households living in extreme poverty in the West Bank and Gaza, eligible to receive cash assistance under the Cash Transfer Programme (CTP) operated by the MoSD. The EU contributes 43% of the overall CTP budget, benefitting an average 60,000 households out of an overall average of 118,000 households.<sup>24</sup> Around 35 per cent of recipients were in the West Bank and 65 per cent in Gaza<sup>25</sup>. EUR 40,800,000 and EUR 53,225,000 were allocated to VPF by the EU and EUMS in 2014 and 2015 respectively. An additional budget injection of EUR 10 million from the EU was paid in 2015 as a result of the June-July 2014 hostilities in Gaza.

The MoSD considers its relationship with the EU to be “respectful and dignified” and it greatly values the EU/EUMS contribution to CTP. The Ministry identified the key benefits of the DFS PEGASE support to VPF as contributing towards macroeconomic stability, supporting resilience within the West Bank and Gaza and investing in Palestinian human capital.

Eligible applicants are ‘Proxy Means-Tested’ (PMT) by the MoSD using 31 variables of household welfare. The data relating to over 41,000 CTP beneficiaries was updated and corrected in the first half of 2015. As a result, the allowances of over 15,000 CTP beneficiaries decreased (77 per cent in Gaza) and increased for around 28,000 CTP beneficiaries (70 per cent in Gaza)<sup>26</sup>. The number of CTP beneficiaries classified as ‘Poor and Vulnerable’ and ‘Poor’ in the CTP database decreased by nearly 4 per cent and 25 per cent respectively.

The PEGASE DFS support to VPF is designed to provide payments from the EU/EUMS to the MoFP on a quarterly basis. While payments were regular during 2015, there were delays during most of 2014 due to a lack of PA funds<sup>27</sup> primarily due to Israel withholding CR. The EU issued only 3 instalments of support to VPF during 2014. The payment of social allowances due in December 2013 was postponed to January 2014 and there was no contribution through PEGASE for VPF in March 2014 (due to delays in the availability of EU credits at the start of 2014, as a result of the budgetary cycle). Again the payment of social allowances due in June was postponed to 1 July 2014 due to a lack of PA funds and the final payment of 2014 by the EU was disbursed in September. This meant there was no PEGASE VPF payment during the second or last quarters of 2014, until February 2015. This reinforces the PA's crucial dependency on the PEGASE DFS support.

The PEGASE DFS VPF funding, like the CSP funding, is tightly administered, verified and subject to ex-ante and ex-post audit to international standards. Beneficiaries are paid directly into their bank

<sup>24</sup> PEGASE DFS of Recurrent Costs of the PA Budget, Implementation Progress, 31 December 2014 and 2015 EUREP

<sup>25</sup> PEGASE DFS of Recurrent Costs of the PA Budget, Implementation Progress, 31 December 2015 EUREP

<sup>26</sup> Track 2 – Sector 3: Social Protection (SP) Progress report April to June 2015 (2015/Q2), ROF Social Protection Sector Group

<sup>27</sup> PEGASE DFS of Recurrent Costs of the PA Budget, Implementation Progress Reports January 2014 to December 2015, EUREP



accounts (or over the counter in Gaza) and this ensures transparency and convenience<sup>28</sup>. The WB concluded that it is “one of the most effective social safety programmes in the region”.<sup>29</sup>

By funding the VPF, the EU also aims to promote the rationalisation and homogenisation of the CTP. MoSD has reformed and streamlined the CTP, which in practice is led by WB and UNICEF. Administrative improvements are still required such as the finalisation of a Cash Transfers procedure manual and workload redistribution amongst district directorates and branch offices. See Box 1: ‘Social Protection NGOs/CSOs Focus Group findings’ which highlights some issues about the lack of understanding on the ground of the CTP criteria and assessment process. The EUREP is piloting a new modality in Tulkarem, which is anticipated to ease the CTP workload of social workers enabling them time to work on non-cash services. They also intend to make further efforts to explain and raise awareness of citizens and NGOs/CSOs

The WB has supported the MoSD to introduce a complaints procedure for applicants who have been deemed ineligible for CTP assistance. The latest figures from an ODI study<sup>30</sup> found that although a grievance mechanism is in place only 40-50 per cent are dealt with. This is mainly due to limited staffing in the Complaints Unit. There is also a lack of clear guidance on the decision-making role of regional social protection committees that review potential beneficiaries. Feedback mechanisms such as community scorecards and social audits are not in place but MoSD established 3 Beneficiaries’ councils as a tool to strengthen the feedback channel.

**Box 1: Social Protection NGO/CSO Focus Group in Nablus reflects on their communities’ experience of CTP eligibility assessment**

This evaluation included a focus group held in Nablus with representatives from nine NGO/CSOs working in the field of social protection, along with representatives of the MoSD Regional Directorate. Their views confirm the MoSD’s own view as well as an ODI study that the MoSD at national and regional levels is perceived to be institutionally weak suffering from inadequate funds and capacity. The Social Protection NGO/CSO focus group reported that this lack of capacity is demonstrated through minimal information being provided about the CTP at community level, and social workers not understanding CTP criteria, which they are often asked to explain by communities.

The MoSD has established Social Protection Networks at local levels to consult with stakeholders in reaching families eligible for assistance but the focus group found them to be ineffective due to insufficient coordination and communication. This has resulted in some NGOs/CSOs perceiving CTP and PEGASE DFS support to VPF to be inflexible and excluding individuals, particularly those facing multiple disadvantages. The EU’s Impact Evaluation of the CTP in 2013 also found that nearly half of households surveyed about the CTP perceived the application process was unfair with regards to targeting. Since then the National Team on Poverty Reduction has developed the concept of multidimensional poverty, along with the dimensions and indicators of non-material poverty, but they have not been incorporated into the assessment model as yet as PECS 2017 is needed for that.

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<sup>28</sup> Financing Agreement, PEGASE: DFS to Recurrent Expenditures of the PA, 2014 (Part 1: reference: ENI/2012/024-990) ANNEX I – APPENDIX 2 □ Component 2: Supporting the Palestinian social protection system, EUREP, 2014

<sup>29</sup> “Inclusion and resilience: the way forward for social safety nets in the Middle East and North African regions”, World Bank, 2012 MENA Report

<sup>30</sup> Transforming Cash Transfers: Beneficiary and community perspectives on the Palestinian National Cash Transfer Programme, Part 1: The case of Gaza Strip and Part 2: The case of the West Bank, Overseas Development Institute (ODI) and UK Department for International Development (DFID), 2012

Two key reviews of the CTP were undertaken during 2014. UNICEF<sup>31</sup> reviewed the effects of the programme on children and adolescents, and the WB<sup>32</sup> analysed the effectiveness of the eligibility assessments undertaken for the CTP in the West Bank and Gaza. Three previous studies of the CTP had been undertaken in 2012 and 2013, including the aforementioned EU impact evaluation; a targeting assessment study by the WB<sup>33</sup>; and comprehensive studies of the CTP from the perspective of beneficiaries in the West Bank and Gaza by ODI/DFID<sup>34</sup>. UNICEF worked with the MoSD and other donor stakeholders to produce a joint action plan based on these recommendations in March 2015<sup>35</sup>. Relevant recommendations are pertinent to the improvement of the beneficiary targeting, administration and tracking the impact of the CTP. Whilst MoSD has made progress in implementing a number of actions, several aspects of the action plan remain largely unfunded and have not been implemented by the MoSD as yet.

The EU's impact evaluation of the PEGASE DFS VPF support in 2013<sup>36</sup> found that while the CTP enabled most households to bridge the poverty gap in terms of affording most, but not all basic necessities including food, education, housing and healthcare (which are subsidised through other programmes for CTP beneficiaries), there was no evidence that households were able to move out of poverty. However the CTP and EUREP's VPF contribution is considered by all stakeholders to be crucial to supporting basic human rights and dignity, enabling the poorest sections of Palestinian society to receive payments used for essential living costs including medicine for example.

The CTP alone cannot address the issue of poverty – the programme only bridges 50 per cent of the poverty gap. Socio-economic empowerment initiatives need to complement financial support to households in need and this is being developed as part of the MoSD's strategic approach for the future years. To reliably assess whether the CTP has contributed to poverty alleviation, a longitudinal impact study would be required. Such a study is currently being undertaken by the PCBS. An M&E system is also required to monitor the CTP, although support through an EU-funded CP was implemented through TA did not succeed in establishing and piloting a monitoring system for Social Protection in the area of disability within the MoSD.

#### **b) Does support to VPF through the CTP contribute to sustained Social Services delivery?**

The objectives of the EU in supporting VPF included indirectly promoting the reform of the social protection sector in line with the sector's priorities within the then NDP 2014-2016. Since 2014, the MoSD has developed a range of legislation and policies relating to children, the elderly and juvenile justice. The MoSD Social Development Strategy (2014-2016) acknowledges that the Ministry requires institutional strengthening and capacity development. It recognises that at grass roots level services have not been coherent or effectively coordinated. However a joined-up approach is demonstrated in part by the CTP in that beneficiaries are also eligible for related social protection services including: free health insurance, food assistance, and school fee waivers for example.

<sup>31</sup> Effects of the Palestinian National Cash Transfer Programme on Children and Adolescents, UNICEF, April 2014

<sup>32</sup> West Bank and Gaza Targeting Assessment of the Cash Transfer Programme – Phase II, September 2014.

<sup>33</sup> West Bank and Gaza Targeting Assessment of the Cash Transfer Programme, The World Bank, June 2012

<sup>34</sup> Transforming Cash Transfers: Beneficiary and community perspectives on the Palestinian National Cash Transfer Programme, Part 1: The case of Gaza Strip and Part 2: The case of the West Bank. Overseas Development Institute (ODI) and UK Department for International Development (DFID), 2012

<sup>35</sup> The Palestinian National Cash Transfer Programme, The Way Forward, Draft, UNICEF, March 2015

<sup>36</sup> Impact Evaluation of the EU Contribution to the Palestinian Cash Transfer Programme, EU, 2013

The Ministry's Social Development Strategy 2014-2016 represents a fairly comprehensive strategy but is constrained by severe shortages of resources and capacity<sup>37</sup>. The MoSD national priorities during 2014-2016 included the establishment of a social service system based on partnership with CSOs as well as the private sector. The PA only outsources 10.5 per cent of its services to NGOs/CSOs<sup>38</sup> and this, along with delayed payments due to the financial crisis of the PA, results in a relationship of misinformation and mistrust between the two parties.

The MoSD has established a national database of over 160,000 poor and marginalised families in the West Bank and Gaza Strip. The database was established to determine and confirm the eligibility of beneficiaries for CTP payments. The development of this database has been one of the sector's national priorities and enables donors to harmonise approaches and avoid duplication. However regular periodical statistical and narrative reports based on database analysis have not been produced to date. Nonetheless, the results of this indicator demonstrate that the Ministry is on its way to meeting its priority to coordinate cash and non-cash social assistance.

The development of a Social Security System is pertinent to the CTP. The ultra-poor will not be able to afford to join pension schemes or social insurance schemes and therefore a key component of the system will be to incorporate the CTP within the system. In terms of moving from aid towards more sustainable development solutions, the aforementioned studies propose that a major study be undertaken to assess options for socio-economic programmes targeting poor families including special programmes such as cash for work, job creation, vocational training of adolescents and youth and private sector development including self-employment through enterprise creation. Interestingly, the World Bank public opinion survey 2013-2014 found that nearly half of respondents thought that the most important factors to affect poverty reduction were economic growth (49 per cent) and job creation/employment (42 per cent).<sup>39</sup>

### 3.1.4 Component 3: East Jerusalem Hospitals

<b>Q.4</b>
<b>a) Is the PEGASE DFS support to the EJH mechanism efficient and effective in reducing arrears?</b>
<b>b) Does PEGASE DFS support to EJH promote a sound MoH referral policy?</b>

The MoH provides health services to approximately 4.5 million people in the West Bank and Gaza with 49 hospitals in West Bank and 30 in Gaza Strip with a total of approximately 5,500 beds, 58 per cent of which are in the West Bank<sup>40</sup>. The Israeli annexation of East Jerusalem has resulted in restricted access to the city for Palestinians living in the West Bank and Gaza even when they need to avail of specialist health facilities. This had made maintaining medical services in East Jerusalem politically and socially imperative for both the PA and the EU/EUMS. In 2008 the EU/EUMS began to support the six Palestinian hospitals (Makased, Augusta Victoria, St. John, St. Joseph, Red Crescent Society – Maternity, Princess Basma Hospital for the Disabled) in East Jerusalem that provide specialist oncology, renal care and cardiac surgeries that had not been available elsewhere in the Palestinian Territory.

<sup>37</sup> MoSD Social Development Strategy (2014-2016), MoSD, PA, January 2014

<sup>38</sup> Ibid

<sup>39</sup> West Bank and Gaza Opinion Survey, 2013-2014, WB

<sup>40</sup> Page 10: Technical Brief 1, Rapid Assessment Of Health Services Capacity In The West Bank, Palestinian Health Capacity Project, USAID-Inter-health April 2014 (Referred to as the 'Intra-health PHCP study')

Approximately 85 per cent of referrals to the EJH are from the MoH<sup>41</sup> with referral costs amounting to New Israeli Shekels (NIS) 241.7 million in 2014 and NIS 228.8 million in 2015<sup>42</sup> (see Table 5: Cost and number of referrals to EJH 2014-2105).

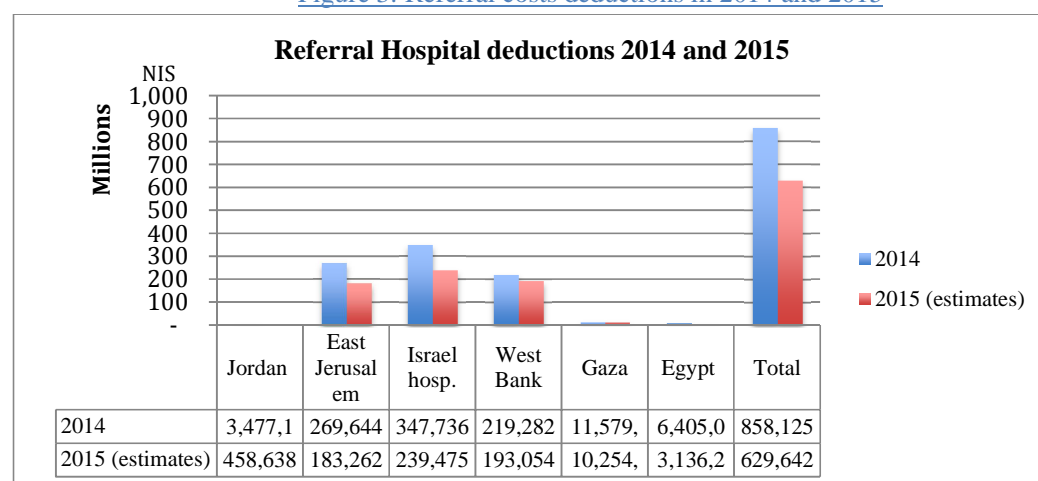
**Table 5: Cost and number of referrals to EJH 2014-2105**

Expenditure and Patient Volume	2014		2015	
Total expenditure on invoices paid for EJH by MoH	NIS 241 774 618		NIS 228 827 732	
Total number of patients referred to EJH	West Bank	Gaza	West Bank	Gaza
	26 463	7 410	27 150	9 579
	33 873		36 729	

Source: MoH during Evaluation Mission June 2016

This level of referrals has created a co-dependent financial relationship between the PA and the EJH and has exacerbated the PA's financial crisis. The issue of arrears came into particularly sharp focus following the Gaza conflict in 2014. By September 2014, an estimated 127 per cent of the full year budget allocation for the health sector had already been spent, significantly on referrals to Israeli hospitals. Consequently, the PA was even further curtailed in providing basic health services, pharmaceuticals and recurrent expenditures.<sup>43</sup> At the end of 2014, accumulative arrears had exceeded USD 250 million. However, due to the financial support of the international community, the MoH showed resilience through continuing service delivery in all districts. Nevertheless debt continued to escalate, and in May 2015 the MoH's total debt amounted to NIS 854 million of which NIS 414 million were referral debts, and NIS 360 million were outstanding debts to pharmaceutical and disposable companies<sup>44</sup> (see Figure 3: Referral costs deductions in 2014 and 2015).

**Figure 3: Referral costs deductions in 2014 and 2015**



Source: MoH, 2014; Presentation: Referral cases realities and challenges, USAID-Intra-health, 15 December 2014

<sup>41</sup> Percentage figure provided by MoH during Evaluation Mission June 2016

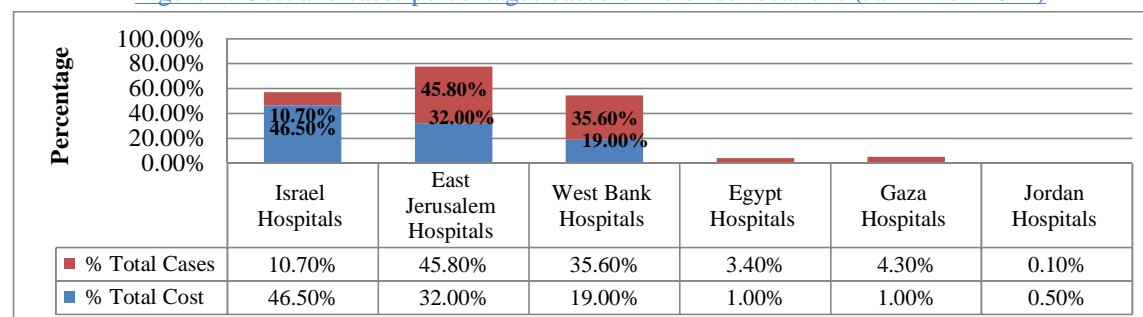
<sup>42</sup> Ibid.

<sup>43</sup> Project Appraisal Document, Proposed Grant for Health System Resiliency Strengthening Project, WB, 6 January 2015

<sup>44</sup> Minutes of LACS Health Sector Working Group meeting, 7 May 2015

Figure 4 shows that referrals were made predominantly (45 per cent) to EJH, accounting for 32 per cent of MoH costs in 2014, with 33,844 of patients being referred in 2014 and 36,747 in 2015 respectively<sup>45</sup>. 10 per cent of referrals were made to Israeli hospitals but accounted for nearly half of the budget and a third of referrals were made to hospitals within the West Bank that accounted for one fifth of the budget in 2014.<sup>46</sup>

Figure 4: Cost and cases percentages based on referred locations (Jan – Nov 2014)



Source: MOH, 2014: Presentation: Referral cases realities and challenges, USAID-Intra-health, 15 December 2014

The EU's understanding is that the MoH refers patients to the EJH because bed spaces and/or medical services required are not available/provided by national hospitals in their locality. The Referrals Policy priorities are in ranked order as follows: 1: EJH; 2: NGO/private charitable hospitals in West Bank and 3: national hospitals.

The Local Aid Coordination Secretariat (LACS) Health Sector Working Group (SWG) is addressing the referrals policy issue in a systematic manner<sup>47</sup>. A technical Referrals Thematic Group was established in 2014 to focus on coordination and effective communication among Palestinian Health Sector Providers, international donors and development partners and the MoH. Effective TA through the USAID-funded Public Health Capacity Project (PHCP) has been implemented by Intra-health, along with assistance from the WB through its Health System Resiliency Strengthening Project (USD 8.5 million Special Financing Grant from the Trust Fund for Gaza and the West Bank). This has resulted in a fundamental root and branch reform of referrals to Israeli hospitals<sup>48</sup>. Results include: a clear referrals policy; fully automated e-referrals system; clinical and financial audit systems; contracting policies, terms and conditions included within MoUs that have been signed with five Israeli hospitals along with preferred health providers; and a schedule of inclusions, exclusions and costs of procedures and services have been produced. Consequently, dramatic efficiency savings have been achieved amounting to € 25 million (34 per cent of the budget) in 2015. Donors and development partners in this sector include: EU, Italy (lead donor for the health sector among EU/MS), Denmark, Finland Austria, and UK (non-focal sector); USAID-Inter-health; World Health Organisation (WHO) and the WB, along with several other regional and international donors.

USAID-Intra-health has commenced an efficiency review of the referrals process to 3 EJH and others.<sup>49</sup> A National Referrals Strategic Plan is being prepared by the MoH towards rationalising and nationalising all referral services with the support of USAID-Intra-health and the WB. Once implementation of a revised national referrals policy and procedure has commenced it is likely to bring

<sup>45</sup> Figures provided by MOH during PEGASE Evaluation Mission.

<sup>46</sup> Presentation: Referral cases realities and challenges, USAID-Intra-health, 15 December 2014

<sup>47</sup> Minutes of LACS Health Sector Working Group meeting, 30 June 2014

<sup>48</sup> LACS, Health Sector Working Group, Referral Thematic Group Update, MOH, 17 February 2016,

<sup>49</sup> PMOH Hospital Referrals Section, Draft Report, PHCP, USAID-Inter-health, June 2016

a sustainable solution to the arrears issue through institutionalising and strengthening the MoH's referral policy, planning process, and associated systems and procedures, including building on the financial management and auditing established by EUREP as part of the PEGASE DFS mechanism. The cost of referrals depends mostly on the payment system used. The PA should shift to a case-based, prospective, payment system based on predefined tariffs. When a pricing list has been applied for the contracted Israeli hospitals dramatic savings have been achieved. This is not yet used for referrals to Palestinian hospital providers. For EJH, a price list derived from the Israeli one is applied, but the MoH might further reduce the financial risk inherent to referrals establishing a "national" payment system for external hospital service providers. The issue of accreditation, contracting out and equitable and efficient payment system for external providers has been included in the health component of the Sustainable Service Provision Pillar fiche of the EU joint response.

**c) Has PEGASE DFS support to EJH contributed to improving the level and quality of services by EJH and does it promote the sustainability of EJH?**

The levels of arrears/costs of referrals to EJH and quality or efficiency of EJH are not addressed in the ROF Sector Fiche and linkages between the PEGASE DFS and the ROF in relation to EJH are absent. Anecdotal evidence gathered from the MoH and donors during the PEGASE Evaluation Mission described improvements in the quality of EJH medical services against international standards. However, stakeholders observe that the support to EJH and current referral priorities may have had the indirect effect of diverting focus away from increasing the efficiency and quality of government hospitals, although this issue has not been specifically addressed as part of recent studies. The PHCP data does show however that there is strong capacity in West Bank hospitals to take on more referrals in the high volume and high cost categories. Although more detailed information is needed to pinpoint which medical procedures and practices could be undertaken within the PA system and the opportunities for reducing costs.

Taking these factors into account, a more pertinent question may be: *what has been the impact of referrals to EJH on the capacity and quality of National hospitals in the West Bank and Gaza?* The aforementioned Intra-health PHCP study found that bed occupancy is generally high in the Palestinian territories, but even with occupancy rates of 75 to 80 per cent, even higher occupancy rates are likely to be possible through more efficient management of bed spaces and referral practices. Furthermore it was concluded that there has been an uneven expansion of services since 2012 in the key clinical areas subject to referral interventions, resulting in a disparity between the number of beds and specialists. In haematology, for example, there had been an increase in beds from 5 to 45, whereas the growth in the number of specialists available only increased from 9 to 13. This and other similar trends in relation to other medical specialisations highlighted the absence of efficient workforce planning required to address capacity issues within national hospitals as part of a strategy to reduce the need for referrals to hospitals outside of patients' localities.

Whilst it is apparent that the need to build the capacity of government hospitals remains, few European donors are involved in the sector. According to key Health sector donors, including Italy, whilst support to the health referral review is an example of aid effectiveness,, there is still insufficient budget support and no strategic sector-wide approach<sup>50</sup>.

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<sup>50</sup> ROF Reporting on Health Sector Fiche, Health Sector Group, 27 November 2015



**Q.1: Is the Pilot ROF relevant, appropriate and well designed, in relation to its set goals?**

The ROF principles represent a relevant and appropriate initiative in relation to its general goals as spelled out in the MoU. The design of the Pilot stage, institutional setting and the rooting of the indicators within the six “sectors” focused on key areas deemed to be of priority relevance for dialogue by and with the community of donors. However the design did not necessarily match the PNDP 2014-16 priorities, including its M&E KPIs and the PNDP priorities were not clearly reflected in the Pilot ROF. This is because the constraints faced during the design of the ROF included the PNDP indicators not being realistic and implemented by the PA, and an M&E system not being in place so in that context the ROF was developed in a vacuum. The sectors that did have plans and indicators (such as the MoH and MoEHE) agreed on the ROF indicators although these did not always fully match the sectors’ key priorities and indicators as set in their plans.

#### Ownership of the ROF process

*(a) Involvement of PA counterparts:* The process by which the key PA Line Ministries and agencies which are counterparts in the 2 pillars (Education, Health, Social Development, MoEHE, SAACB, GPC, MoPAD and its M&E/GD) were involved in the understanding of the ROF objectives, its design, and the selection of sectors, priorities and indicators, was not anchored to their own priorities in the PNDP 2014-16. It rather resulted from the (internal EUMS) six sectors fiches for which the ownership by the counterparts was not clearly and formally established. This approach led to LMs and Agencies being reactive to proposals submitted to them rather than being the initiators of proposals for priorities and targets that were in line with their own approved sector plans.

*(b) Selection of sectors and priorities:* Stakeholders during this Evaluation Mission informed that the selection of priorities and indicators was a process of negotiation between, on the one hand, donors (EUMS and others on the basis of Division of Labour) who wanted to see results in specific reform areas, and on the other hand, the PA (coordinated by PMO) who wanted to safeguard the support of the community of donors and have only one system of reporting for policy dialogue. It is observed by the mission and recognised by EUREP that during this pilot phase such a process could not successfully be anchored to national sector priorities spelled out in the PNDP 2014-16 and its M&E indicators. These elements were not sufficiently advanced and implemented by the PA at the stage of the ROF development. It is also recognised by sector partners that instead of ‘negotiations’ of priorities and indicators, technical sector reviews supported by sector specialists would have provided a better approach. Such reviews would have likely contributed to the joint efforts to design indicators representative of the PA sectors priorities, at least for those sectors, which had robust sector plans and M&E systems, such as Education and Health.

*(c) Ownership of two key reforms (PFM and PAR):* The six sector fiches were not completely owned by the PA/LMs. They remained internal to EUMS and served as a basis for identifying areas in which progress was required; some of the key reforms named as such in the ROF (PFM, PAR) did not even officially exist, although they were valuable initiatives by themselves under those areas and could have led progressively to a real Reform Programme. However, it seemed difficult to build policy dialogue on reforms that were not officially approved by the PA institutionalised, and budgeted by the respective line ministries and agencies. This also explains why there were little results in those areas.

In the case of the PFM reform, there are two different questions: (a) whether the PA found it justified and appropriate to embark on a holistic PFM reform programme. This question is suggested by the lack of technical reactions of the General Directorates of the MoFP to the PFM ‘reform’ document proposed

in the report of the TA mission that was funded by the EUREP, upon request of the MoFP. (This matter is further discussed in the analysis of the PFM CP); (b) the other question is the selection of the EUREP principal counterpart to coordinate the PFM ‘Reform’ within the MoFP. Is this choice appropriate? The DGIRP can indeed play the role of coordinating the formal institutional relations of MoFP with international organisations, as it is organised and equipped for. However it cannot replace the necessary technical involvement of the main General Directorates of the MoFP to such an important reform, nor the necessary political leadership of the Minister, as proof of ownership.

It is also important to note that the reform itself must be articulated and approved by the Cabinet with a steering committee involving the MoFP but also other key Ministries. If such an institutional setting is not secured, there is little chance that a PFM reform that is not even agreed upon would take place. Finally, progress in the two priorities set for PFM in the ROF do not necessarily request or depend on a fully-fledged PFM reform programme, at least at this stage of the development of the PA.

<b>Q.2</b>
<b>a) Did the Pilot ROF meet the goals of structuring the policy dialogue between EU and PA on the PNDP 2014-16?</b>
<b>b) Are the indicators and targets well designed and SMART?</b>

The selection of indicators in the ROF is a mix of:

- i) **Results** oriented: for example indicators selected in Pillar 2 for Health are mostly results oriented; but it is not clear which Health Policy priorities they express; the ROF does not establish a clear link between the Health Policy pursued and the results oriented indicators that are selected. Therefore the results can be monitored and analysed as such, but this is not sufficient to inform and discuss the Health Policy;
- ii) **Policy** oriented: The example of Education whereby a PA approved Policy and Sector plan (2014-19) does exist with clear priorities and programmes that are established following the programme budgeting process. Two out of the three indicators that are selected in the ROF (Curriculum and Institutional MoEHE restructuring), which are supposed to express the sector’s Policy Priorities and Reforms, do not really summarise the latter. Education policy priorities like Early Childhood Development (ECD) and Technical Vocational Education and Training (TVET) are not captured in the ROF although they are critical priorities for the MoEHE and its development partners for the upcoming medium term period;

This does not mean that the indicators selected are irrelevant, but their formulation and their timeframe are not consistent with the scope and timing of the ROF. For example, a Curriculum reform is not a policy by itself. The policy should spell out the objectives of the Curriculum Reform. A Curriculum Reform is a long term process -8 years at least- which has a number of critical implications and changes not only on the content of the curricula, but also on the textbooks, the syllabus, the teaching materials and methods, teacher training, evaluation and exams, etc. Besides, it encompasses important societal and philosophical changes that require thorough national consultations. Therefore the selection of this indicator is not necessarily appropriate for short term targeting as set in the ROF (9 months). International experience in developing countries shows that the development of a curriculum reform framework requires more time, extensive consultations, and a budgeted action plan including relevant technical assistance.

The indicator related to the Management Reform of the MoEHE also poses questions, as it is not well defined in its content and the wide consultation, legitimately required as milestone, is again inconsistent with the short timeframe of the ROF. In addition, the requested approval by the Cabinet requires prior approval from the GPC and MoFP in relation to the staffing and costs implications, and therefore



requires more time for ensuring its consistency with the Public Administration rules and regulations and also with the budget. The extent to which this priority is one of the most important and urgent for the sector is also questionable. The pressure that would be put by the PMO on the LMs to reach the ROF targets in relation to these two criteria by end of 2015 could even be counterproductive in terms of the quality of the results.

iii) **Reforms** (process) oriented: The ROF uses terminology quoting a number of reforms, however there is no definition of what is a 'policy' and what is a 'reform', and also the conditions that are needed to design and implement a reform, including the institutional setting. For example, the ROF quotes the PAR, Civil Service Reform, PFM Reform, as well as Curriculum Reform, Management Reform, etc. As mentioned earlier, some of these are not officially supported by national reform programme documents or properly established; others are part of sector plans, sector policies, and national priorities. Several are not formulated, costed, budgeted, or programmed as yet. Therefore, the consideration of the monitoring of unofficially established reforms through the ROF is not technically relevant. Whether the ROF could be used as an instrument to negotiate the establishment of reforms with the PA is a different question that could be part of the policy dialogue.

iv) **Political** issue: For example, the reunification of Gaza and West Bank Civil Service. This criterion is placed under PAR reform, although it is not an element of Public Administration Reform, but rather a political issue that is beyond the control of the administration.

In summary, the indicators include short term **results, policy** elements (with no progressive targets and milestones over medium term period as it should be the case for policies), **reforms** (which are more complex medium and long term programmes and processes that need to be owned and committed to by the national authorities, LMs and Agencies, and **political issues** that are beyond the control of ROF counterparts. With this mix of focus, several interlocutors question the effectiveness of the ROF as instrument for policy dialogue.

The targets in the form that they have been set in Pilot ROF 2015 for reforms (PFM, PAR, Curriculum) are reported as not having been met. From this Mission's point of view, this is mainly because these indicators and targets are not SMART for these three areas. However, substantive progress has been achieved in some areas (like Curriculum having been developed and implemented for grades 1 to 4) but not captured through these indicators. Reformulation of some of the indicators would provide a better fit, capture the real progress achieved and recognise the achievements of the sectors. .

Several targets, principally those related to reform processes, are not realistic in terms of timing. International practice shows that such reforms need to be thoroughly prepared, involving all key stakeholders and internal structures of LMs, their fundamentals discussed and fully owned by the future implementers and the LMs to which they apply.

The scope and thoroughness of policy dialogue that could take place during the period of the pilot ROF were experimental. They were constrained by a number of factors. Policy dialogue was not systematically organised, structured and supported technically. Another important limitation is the low level of representation for Line Ministries and Agencies at the HLPD meetings, particularly when discussing policy priorities and reforms. However, notwithstanding those limitations, a process was started both at sector level and national level with the PMO. Building on this, it can be improved provided that it focuses on commonly agreed key areas and is well informed through solid technical support accompanying the future ROF.

### Q.3

#### **Was the Pilot ROF effective? Were the indicators and targets properly and jointly reported, analysed and used for policy dialogue?**

*Joint reporting:* the Sectors' Leads and the EUREP have mainly led the reporting system. It has built on internal and external inputs, notably reviews by the WB and the IMF as well as other relevant reports such as on World Bank (PRDP) Trust Fund Quarterly Progress and contributions to Ad Hoc Liaison Committee (AHLC) meetings. Annex 2 of the MoU clearly states that the report on the monitoring of the ROF, once established, would then be shared with the PA. This process is different from a joint reporting system. Several issues are noted. The present reporting setup is not inclusive enough of the PA counterparts at sector and global level during the preparation of the reports. The use of inputs for reporting on the ROF is not well defined. Inputs used for reporting, whether internal or external, should have a status and be agreed upon by the PA. The content of internal reports for monitoring indicators and targets are specified without sufficient precision in many cases.

The technical consolidation of the sector quarterly reports and their contribution to the biannual HLPD is also an important piece of work to be jointly managed by the EUREP and the PA/PMO, although the EUREP was defined as responsible for the Annual Report. The quarterly reports focused on the assessment of the level of achievement of targets for each indicator. However, the analysis of relevance of indicators and targets during their experimentation on the ground in specific sectors and proposals for their improvement has not been part of the pilot process. They were also not a topic for review in each bi-annual HLPD meeting. The reasons for non-performance or achievements were not analysed/reported although this would have been expected for quarterly reports, and, therefore, no informed adjustment of indicators or targets was envisaged during the pilot process. So far there have been only two HLPD meetings; the first one was at the very start of the process and it focused on the launching of the process. The second one –in February 2016- was substantive and it drew lessons from the 2015 experience to take into account during the 2016 ROF.

In terms of results of the Pilot ROF, out of 24 indicators, 10 were considered as met (of which 7 are in Pillar 2 related to service delivery), 10 others as unmet (of which 7 are in Pillar 1 related to Reforms), and 4 as uncertain/not conclusive. The measurement of results for each sector and priority is reported through 'smileys'. Several interlocutors, including sector leads and counterparts question this choice. To assess whether targets are met or not, smileys are not sufficiently accurate as a method of measurement. When targets are not met, a sad face is found unfair by some lead sector partners, as well as counterparts- towards positive efforts that are deployed in the right direction; a neutral face is not necessarily meaningful of the status of the result and a smiling face does not enough inform on the extent to which the target is achieved. Altogether the system of 'smileys' reflects the weak measurability/measurement of the indicators. In addition, there is little joint reporting and joint analysis of the causes of unachieved targets towards which remediating actions could be taken.

As spelled out in the ROF MoU (Article 1.4) "the civil society is involved in the design and the yearly monitoring". Annex 2 of the MoU indicates that consultation with Civil Society (on the overall ROF) will be organised regularly, and at least once a year. Although the MoU does not further specify the scope, content and modalities of such consultation, the rationale behind it is to involve Civil Society in the Policy Dialogue between development partners and the PA on the areas covered by the ROF and in the design and the yearly monitoring of the ROF.

Consultations with Civil Society are said by EUREP to have taken place at sector level. There is no evidence that such consultations took place specifically on ROF priorities and indicators and no results

of such consultations are reported in the ROF annual report. The annual meeting with CS foreseen in the MoU, specifically on the six sectors covered by the ROF, was not yet held by June 2016. Dialogue with Civil Society at sector level -which is part of stakeholders' consultations independently from the ROF- is a positive step as it involves Civil Society in the discussion of the sector policies and plans. However, such dialogue is not evidenced at this stage for the sectors covered by the PEGASE DFS and the ROF, as evidenced through the focus group undertaken by the Evaluation Mission including the exchange with counterparts. When developed, it could certainly contribute progressively to the informed participation of the CS to the HLPD. At this stage however the involvement of Civil Society representatives in the overall design and monitoring of the ROF, as specified in the MoU, has not yet been achieved.

Despite the above-mentioned limitations, and in the absence of national M&E in place, the PMO considers the pilot ROF to be a positive starting instrument to monitor key areas of policy priorities and reforms and to commence policy dialogue with the community of development partners using a common framework. As the latter corresponds to the two objectives of the pilot ROF, we can observe, from the PMO appreciation, that the process itself of the pilot ROF is globally effective. However, the selection of indicators was inconsistent with the horizon of policies and reforms that they monitored and their targets inconsistent with realistic milestones.

<b>Q4</b>
<b>Is the Pilot ROF sustainable i.e. can it generate/evolve towards a PA framework for M&amp;E of the PNPA and guide joint policy dialogue with DPs (consistent with DPs reporting requirements)?</b>
As it is now, in its pilot phase 2015 the ROF requires a number of adjustments and improvements to evolve towards the future ROF as a practical instrument that will guide joint policy dialogue between the PA and the DPs on the PNPA 2017-22 during the upcoming six year period. Three elements need to be considered to figure out those improvements: (i) the lessons learned, pointed out by the 2015 annual report; (ii) the specifications of the future ROF as well as the articulations between the different components that the future ROF would need to incorporate (see Figure 1 presented in section 5); and (iii) the new institutionalisation of the PA and the new entities that will be in charge of the national M&E and management of the ROF.

### 3.3 Complementary Programmes

See Annex 4 for the questions answered/findings of the evaluation of the CP. Table 6: Overview of results of evaluation of CP demonstrates that the achievements of the CP have been mixed and further support is required.

Table 6: Overview of results of evaluation of CP

Complementary Programmes and Beneficiaries	Result of mission's evaluation of CP	(a) Sufficient contribution to fiscal consolidation & PAR?	(b) Sufficient increased capacity of PA stakeholders?	c) Donor's support complementary & met needs of PA?	What else is needed to ensure impact and sustainability?
Institutional Strengthening SAACB, MoFP	Positive	Yes	Yes but need further assistance	Yes but needs further support	Further consolidation of results achieved and strengthened internal audit in MoFP & in LMs
PFM MoFP	Insufficient	No	No	Issue of PA ownership; relevance and complementarity to be improved.	Dialogue with PA Leadership to agree on a PFM improvement priorities owned and driven by MoFP.
Tax payer awareness Directorate of Customs and Tax, MoFP	Insufficient	No	No	No	Timely implementation of awareness campaigns driven by MoF. Support required for MoF key priorities: to update legislation and modernise on-line tax registration and payment system, but overriding issue is resolution of CR.
Civil Service Reform GPC	Positive	No	Yes but need complement	Room for improvement	Further support for consolidation of CS Reform, and its implementation. Further development of PAR programme to be agreed upon.
Capacity building PCBS	Positive	NA	Yes but need complement	Insufficient. Support to Statistical Plan.	Support to PCBS to develop the National Statistics Strategy 2017-22, for building national M&E and for participating in policy dialogue in future ROF.
Overall appreciation for the 5 CP	3 Positive 2 Insufficient	1 Yes 3 Insufficient	3 Yes 2 Insufficient	1 Yes 1 No 3 Insufficient	See Section 6 Conclusions below for possible common features for future CPs.

### 3.4 Global Effectiveness and Impact

#### Q.1

##### **Is the overall setting conducive to a European Joint Strategy (EJS) to support the PNPA 2017-22?**

In principle, yes, however there are three challenges. First there is a need during the remaining period of development of the future ROF to closely bridge the gap between the pilot ROF process (2015 and 2016) and the EJS process to ensure that the 2 processes are converging into one instrument. The second challenge lies in the EUMS joint flexibility to adjust to the NPA political and sectorial priorities. PMO indicated to the mission that donors had agreed the NPA matrix with only minor wording adjustments were proposed. The third challenge is related to the availability on time of the NPA and its M&E indicators which, in the context of the recent restructuring of the national planning process, might require more time than foreseen. In that case it might be necessary to adopt during 2017 a transitional ROF.

In order to give flesh to the ROF, the future ROF will have to be articulated to funding contributions of partners to sector programs and reforms priorities that are selected in the ROF, independently from the PEGASE DFS funding mechanism.

#### Q.2

##### **Is the setting conducive to an EUMS joint programming approach, aligned to PNPA 2017-22?**

For now the pilot ROF is not clearly linked to budget commitments aligned with PA priorities. Programming periods of partners are different and not synchronised. The EUMS joint programming approach will certainly provide a very important positive step towards coordinated support to national and sectorial priorities and increase the commitment of development partners and counterparts to agree upon priorities and targets when they are linked to funding contributions. However this requires strong planning, budgeting and monitoring capacities and processes at national levels as well as at sectorial levels. Building such institutional capacities, processes and associated tools is a critical part of the support process that the development partners need to secure for the building of the Palestinian state. This will also require coordination with non-EUMS partners. Such a process is a long-term process and requires at least one planning period of six years to be put in place and implemented.

#### Q.3

##### **Is the setting conducive to donor aid effectiveness?**

The objectives and targets set for reforms in Palestine must be progressive, realistic and feasible in the context of a state building process. It is not politically nor technically realistic to request from Palestine to undertake simultaneously a whole set of difficult reforms (that are not achieved, and sometimes not even started, in a number of developing countries that have been independent for several decades), when at this stage, crucial political priorities are not yet secured in Palestine. The MoFP believes that different mechanisms and prerequisite conditions with lack of donor coordination confuse the PA in implementing each donor's different requirements. A progressive approach must be adopted. This is a basic assumption for promoting donor aid effectiveness.

The whole setting of EUMS Joint Programming Approach, EJS and the consolidation of the joint Policy Dialogue instruments such as the future ROF and its funding instruments are valuable converging efforts towards improving aid effectiveness to which the PA is highly committed.

## 4 Visibility

### 4.1 PEGASE Direct Financial Support

The PEGASE DFS programmes have been established for over nine years. It was clear from interviews with donors during the PEGASE Evaluation Mission that all donors were aware of PEGASE and its three components. The EUMS had a higher level of awareness than other donors since this funding mechanism channels funds from EUMS. Nine EUMS supported DFS during 2014 and 2015: Austria, Finland, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Sweden and 18 EUMS have contributed since its inception in 2008. These countries have helped build the brand that is PEGASE. However, the Evaluation Mission found that some donors which had not contributed to PEGASE did not know the options for contributing to PEGASE and that there is a choice of approach:

The EUREP prepares quarterly reports ‘Covering Donor Fund Contributions in the Period...’ which summarise donor contributions and have annexes that include a Timetable of Agreements signed with donors, and the PEGASE DFS Implementation Progress report. The monthly report is distributed to key stakeholders. It provides brief information about the three PEGASE DFS components and objectives and provides a breakdown of payments made by each donor in summary form from 2008-2013 and for 2014 and 2015. It also gives an estimate of the number of beneficiaries and payments made to date. It is a two-sided document that is clear and easy to understand.

The EUREP website contains a proliferation of information about PEGASE including a brochure from 2013 prepared by the EU External Action Service (EEAS). Whilst there is no shortage of information, much of it is out of date, for example: ‘PEGASE: Helping to Build a Palestinian State’ dates back to 2009 and does not reflect the focus of PEGASE now.

An informal PEGASE DFS group meets regularly to discuss operational issues relating to the mechanism. Awareness about PEGASE DFS has also been raised and reinforced since 2013 with the increased coordination undertaken by EUREP in relation to the JPA, the development of the EJS and the intensive involvement of both the donors and the PA in the Pilot ROF in 2015. Aspects of the ROF, particularly in relation to the Social Protection and Health Sector Fiche are pertinent to VPF and EJH respectively. In addition the Public Administrative Reform Sector Fiche also includes a focus on the integration of civil servants in Gaza, which relates to the CSP. The EUREPs coordination of Heads of Cooperation meetings; attendance of LACS Sector Working Groups and the ADLC all contribute to keeping PEGASE DFS in the eye of the donors as well as the PA.

The benefits that PEGASE DFS brings to the PA and Palestinian citizens are less well known. For example, nearly half of all civil servants that receive (partial) payment of their salary from CSP are teachers and medical staff (albeit a 10 per cent contribution). The support to VPF is helping families send their children to school. The EJH are achieving international standards providing life-saving specialist care to children and the elderly, amongst others. The PEGASE Evaluation Mission was not aware of any efforts to bring a ‘human face’ to the mechanism through case studies for example.

The MoFP informed that all staff members are generally aware that the EU/EUMS support CSP and the EU is recognised as a reliable donor. The main medium about the CSP is word of mouth according to the Ministry. Print materials in banks and television advertising about CSP payments have also raised the awareness of Palestinian citizens about EU support to the PA.

During a Focus Group meeting (held at the suggestion of EUREP) in Nablus with representatives of CSOs, awareness about the PEGASE DFS support to CTP was low. However awareness about the criteria for entitlement to the CTP in general was also very limited. The perception of the support to VPF was that the CTP did not pay enough and missed those facing multiple disadvantages. The MoSD in Nablus confirmed that they had little knowledge about how the CTP mechanism worked. There were no written materials that explained the CTP or the EU's role and level of support provided to the mechanism. However, UNICEF worked with the MoSD and other donor stakeholders to produce a joint action plan in March 2015 based on the amalgamation of recommendations of five studies seeking to improve the CTP<sup>51</sup>. This plan includes a comprehensive communications and PR Plan to increase the visibility of the CTP and related services among the different community segments.

It is concluded by the PEGASE DFS Evaluation that support to EJH is the least well-known of the three components of the mechanism. The mechanism pays outstanding invoices owed by the MoH through the MoFP to those hospitals: it is a back-office, indirect form of support. Some donors were also unaware of this support although several key donors support the sector. However, those donors who are aware of the support to EJH credit the EU/EUMS with saving those hospitals from closure in 2013.

## 4.2 Pilot Results Orientated Framework

The pilot ROF is well known by the EUMS who contribute directly to leading sectors and prepare the quarterly reports, and by the PA counterparts involved in the respective sectors, particularly those who participate at regular meetings. However, it is not necessarily well known by the institutions inside the LMs, other than those who participate in the reviews. This is the case for internal directorates in the MoFP other than the Directorate General of International Relations and Projects (DGIRP). The PCBS is not involved and therefore not well aware of the ROF. A few EUMS reported that even though they are well aware of the Pilot ROF they do not know to which extent it informs policy dialogue. As also mentioned earlier, the level of awareness of the Pilot ROF among Civil Society is rather weak.

## 4.3 Complementary Programmes

The CP are legally required to address and report on communication and visibility to meet the legal obligations of the EU when funding external action. This requirement is included in the FA and other contractual documents, for example the FA requires the contractor to publish details of the contract on its website and to inform the EU accordingly. The CP Inception Reports (e.g. SAACB<sup>52</sup>) confirmed this obligation as specified within the EU Communication and Visibility Manual for EU External Action concerning acknowledgement of EU financing of the project.<sup>53</sup> The Communication and Visibility Manual is used to establish the CP's Communication and Visibility Plan. The EU visibility procedures were observed in the support to GPC and to PCBS and the PEGASE Evaluation consultant team witnessed this type of branding while on-site in several PA offices.

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<sup>51</sup> The Palestinian National Cash Transfer Programme, The Way Forward, Draft, UNICEF, March 2015

<sup>52</sup> Draft Inception report, Phase II Institutional Strengthening of the State Audit and Administrative Control Bureau, BDO-LLP, December 2014

<sup>53</sup> [http://ec.europa.eu/europeaid/work/visibility/index\\_en.htm](http://ec.europa.eu/europeaid/work/visibility/index_en.htm)



## 5 Overall Assessment

### 5.1 Lessons Learned

#### 5.1.1 PEGASE Direct Funding Support

The PEGASE Evaluation Mission recognises that in essence the DFS mechanism is of a political nature geared towards the Two-State Solution and that the three DFS components have provided predictable, reliable and unconditional contributions to the PA. It has enabled the PA to maintain and manage its administration and build capacity despite the very critical political situation imposed by the occupation and the restrictions from Israel. The PA/PMO appreciate this support and call for its continuation in the same spirit, together with policy dialogue on PA priorities through the ROF process. However, the evaluation of the EU's Cooperation with the occupied Palestinian territory over the said period concluded:

“The current Cooperation design and its implementation modalities have reached their probable limits in terms of the EU's political objectives. If continued in present form, the Cooperation is unsustainable and counterproductive to EU normative principles”.<sup>54</sup>

There are some elements within PEGASE DFS that would be better addressed through policy dialogue, such as the progression of the wage bill and the political issue of the reintegration of civil servants and pensioners in Gaza. In terms of administration in certain cases the PA administration is left with a tight timescale when changes are requested and not enough flexibility of procedure is found from EUREP.

No stakeholders recommended a move to conditionality. However, some of the EUMS have suggested that a mechanism such as PEGASE DFS could be more results-oriented and promote PA governance and service based reforms and this should be achieved through the future ROF. This potential move to results orientation is considered by the MoFP to be a step towards conditionality, which they note has been concluded by the consulting team to be contrary to motivating the PA and the overall objective of the Two-State solution.

A question to be posed for the future of the EU PEGASE DFS support may be: *What should be the objectives of EU support to the occupied Palestinian territory now and what modality/ies is(are) most suited to supporting these objectives?* The realities of the PA's ongoing dire financial situation due to Israeli restrictions have to be central to these deliberations: the PA is reliant on substantial revenue support from the EU/EUMS and this context has not changed. The PA is also clear that it does not support any move towards conditionality. The future of PEGASE DFS should be subject to specific dialogue between the EU, EUMS and the PA through the ROF, EJP, and the AHLC and other high level political discussions.

A move towards a development route-map is a cornerstone principle that should be explored in relation to the future EU/EUMS support, through sustainable financing, institutional strengthening and capacity development, as well as direct support to service delivery. This may mean that overall levels of support would need to increase during the transition, funding both aid and development. For example, by directly supporting the MoSD to plan and establish comprehensive social protection services and a

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<sup>54</sup> Final Report, Evaluation of the European Union's Cooperation with the occupied Palestinian territory and support to the Palestinian people Development and Cooperation EuropeAid, July 2014



social security system; and the MoH to strengthen its national hospitals within occupied Palestinian territories. Although the MoFP points out that the aim is to achieve a gradual decrease in direct financial support in line with PA plans and strategies, linked to the achievement of sustainable fiscal policy.

### 5.1.2 Pilot ROF to inform the Future ROF

Lessons learned drawn from the pilot ROF annual report include:

- (i) Ownership & Aid Effectiveness: a prerequisite for the ROF is that it should be anchored in the NPA. The Future ROF should be aligned with the priorities defined in the NPA 2017-22
- (ii) Harmonisation: an efficient clarification of the division of responsibilities between the different stakeholders should be sought, whereby the PA should lead the process of monitoring, evaluation and reporting of the ROF (the new M&E in the Cabinet Secretariat General is a key stakeholder)
- (iii) Timing of reporting should be every six months and not quarterly
- (iv) Consistency, pragmatism and realism: ROF should focus on issues where progress can actually be achieved
- (v) Consultation with Civil Society should preferably be systematic.

In addition to the above, it should be noted that the MoU for ROF 2015 states that an annual assessment of the civil society (and private sector) involvement be made once a year as part of the monitoring system of the ROF. This did not happen during the pilot and to date there is no report describing how civil society and the private sector were involved, although it is understood that the MoFP generally involves civil society in budget preparation, promissory notes and private sector arrears, etc. Also, the annual report does not mention if there has been a process of critical review of the indicators and which changes were foreseen. The pilot phase was extended to 2016 to allow more time for proper evaluation, as the 9-month period was not deemed sufficient for appreciation. The 2016 extension was about to be signed by mid-June 2016, and was therefore beyond the scope of the evaluation mission.

The EJS is a result of the EUREP's JPA with EUMS, which is an integrated framework to design, implement and monitor EU and EUMS financial support to the PA, in response to the PA's PNPA and designed in partnership. The Future ROF would be a tool/component to inform and monitor the EJS. The EJS, including the Future ROF, aims to coincide with the commencement of the PNPA in 2017. The scenario 'If the PNPA is not in place by 2017' will be considered in relation to how the Future ROF could be then used and adjusted in these circumstances.

The lessons learned and this evaluation's recommendations will inform the way forward for the Future ROF, with options to be considered by the EU and the PA. The ideal scenario would be for the Future ROF to be based on PNPA priorities, fully integrated within the PNPA, owned by the PA, and adapted for policy dialogue with donors. The question of how to transition from the Pilot ROF to the Future ROF in the context of the PNPA and its sector plans and how the PEGASE DFS components and ROF processes could be more integrated and aligned are addressed in Section 3.2, along with consideration that EUMS and PNPA planning, monitoring and evaluation systems aim to be aligned if not integrated. However, the PA faces a range of challenges that currently prevent it from achieving these optimal planning arrangements and performance management. Furthermore, the MoFP considers that this means that ROF should not link to PEGASE DFS if it means a move to conditionality.

### 5.1.3 Complementary Programmes

Previous lessons learned from Phase I of the CP support to SAACB included: training needed to more intensive, specialised and targeted on technical aspects with a longer duration; and International experts need to be fully briefed on the Palestinian context prior to in-country trainings.<sup>55</sup> SAACB cited the following factors as being key contributors to the achievement of demonstrable results: being in the ‘driving seat’, commencing with the identification of their own priorities which in turn informed the focus of the CP; as well as a flexible ToR. From the EUREP perspective, the commitment of the beneficiary in actively managing the TA support had also been crucial. Appropriate TA in terms of Arab language skills and experience in the region was also valued highly by SAACB. The establishment of a long-term relationship between the SAACB and the SNAO and the Malaysian government is an example of how targeted study-tours can result in successfully brokered independent, sustainable institutional benefits.

Donors perceive a lack of ownership of the PFM Reform Strategy but the MoFP does not confirm this. This suggests that before a CP is agreed with the PA, efforts should be made to assess and address the leadership commitment required to ensure that reforms can be implemented to the extent and at the pace required so that there is shared understanding between the PA and EUREP. In this case it would have included supporting the institutionalisation of reforms made to date and seeking to ensure that those institutional arrangements required to implement and monitor new TA activity are put in place.

The TA consultants: AARC Ltd. identified the lack of full time staff as counterparts within the PA Unit as a key risk to the sustainability of the Directorate’s communications capacity development. The Directorate of Customs and Taxes is dissatisfied with the focus and quality of the TA provided and does not believe that the modality allows any flexibility for change. This illustrates the importance of responding to the specific needs of the CP design and ownership of the focus and operational management of the CP by the PA counterpart to the likelihood of a positive relationship between all parties; as well as the provision of competent TA of course.

Possible common features for future CP may include:

CP should be designed with linkages to supporting areas of policy dialogue in the future ROF.

- (i) They should be complementary to sector reform support programmes that are well defined, agreed upon, and PA owned (Health Education, PFM, Civil Service, Social Development, PAR).
- (ii) They could be included in a State Building Contract that would group together all sector support modalities, including CP.
- (iii) A Policy Dialogue Facility could be established to fund the policy dialogue activities of the ROF and provide capacity to involved sectors, PMO’s Priorities, Policies and Reforms Unit as well as to DG/M&E, until SBC is in place.
- (iv) The CPs need to be ‘owned’ by counterparts, with ToRs that are flexible and changeable if issues are encountered or the original focus of the support requires adjustment. This is considered to be very important by the MoFP to the success of CP. Where counterparts can

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<sup>55</sup> Monitoring Report, CP Institutional Strengthening of the State Audit and Administrative Control Bureau Phase I, 13 December 2013

demonstrate that they have the capacity, they should be responsible for managing the TA contracts (with reporting to EUREP on progress and results).

## 5.2 Global Assessment

The evaluation mission presents the main elements that would contribute to the new ROF, and the linkages (or absence of linkages) between them within a diagram (see Figure 5: 'Pilot and Future ROF' below that illustrates and summarises the main linkages in relation to the evaluation questions and their assumptions. The diagram seeks to facilitate the global assessment of the three clusters:

The Pilot ROF 2015:

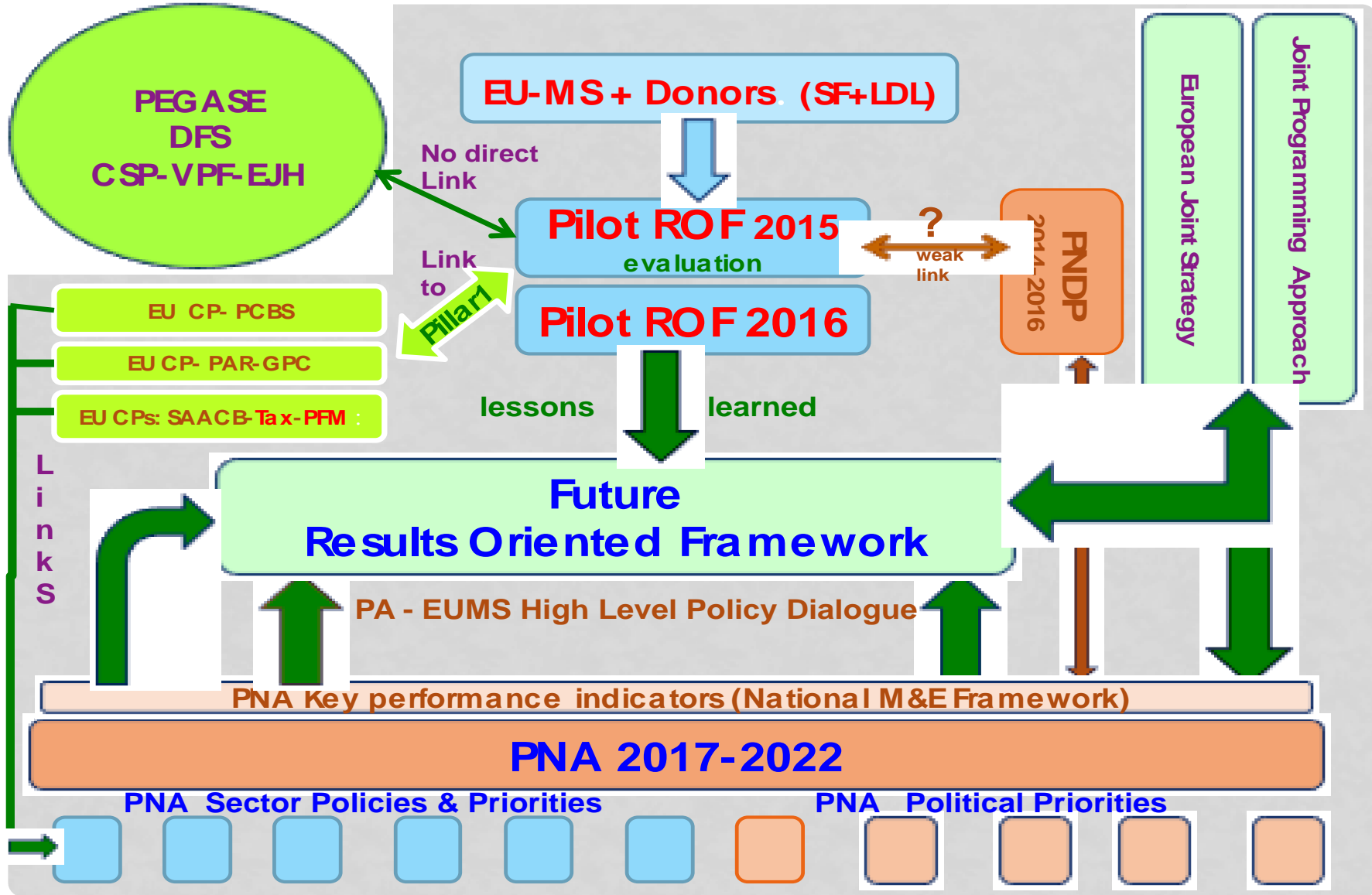
- (i) Derives mainly from EU-MS sector fiches, on the basis of the Local Development Strategy and division of labour for Palestine, articulated with other Donors interventions
- (ii) Has no direct link to the PEGASE DFS, although the three most important service delivery sectors selected in the ROF are also served by the DFS mechanism
- (iii) Was developed with little connection –if any- to the PNDP 2014-2016 and its M&E indicators, because at the time of the ROF' development they were not implemented by MoPAD hence the merging with MoF and reorganisation of the national planning process
- (iv) Although the CP were developed before the pilot ROF, there is a relation between the five of them to priorities within Pillar 1 of the Pilot ROF
- (v) The Pilot ROF was developed in parallel to the EJS and JPA but a convergence is sought
- (vi) Its period of implementation was too short (9 months) to be conclusive and it was extended to 2016 in June 2016. By the end of the mission, the content of the Pilot ROF 2016 was about to be established in a 2016 MoU and therefore not yet communicated to the mission.
- (vii) The Pilot ROF 2016 would probably need to be evaluated by end of 2016 and the results would feed into the Future ROF.

The Future ROF:

The Future ROF is supposed to be the result of converging inputs illustrated by the dark green thick arrows. The NPA 2017-22 priorities (political priorities and sector policies & priorities):

- (i) The key performance indicators that would be selected in the national M&E framework attached to the NPA priorities;
- (ii) Inputs from Lessons Learned from the Pilot ROF 2015 and ROF 2016;
- (iii) Inputs from the European Joint Strategy (EJS) and the Joint Programming Approach (JPA);
- (iv) Inputs from additionally CP or further capacity building initiatives required.

These inputs are (from bottom to top of the figure): [Figure 5: Pilot and Future ROF](#)



## 6 CONCLUSIONS AND RECOMMENDATIONS

### 6.1 Conclusions

#### 6.1.1 PEGASE Direct Financial Support

##### 6.1.1.1 Civil Servants and Pensioners

Whilst the CSP is recognised as providing essential support to the PA, it provides only a partial short to medium term solution to more fundamental revenue deficit issues. The IMF and the WB called for a tightening of fiscal measures by the PA including wage rise restraint, introducing new government administrative fees and improved tax compliance in the short term. However the key message is that additional aid is required to more extensively bridge the financing gap, as direct budget support is at its lowest level for 7 years. An easing of Israeli restrictions would enable the PA to increase its own sustainability. This emphasises the importance of the PEGASE DFS with its 3 components as a reliable and ongoing source of support to the PA and its inherent links with the political success of the Two State Solution.

The PA's reliance on PEGASE DFS requires the maintenance of regular disbursements by the EU to enable the Authority to manage its payroll and pension payments. It is recognised that payments of the CR by Israel is also a crucial factor that directly impacts the PA's viability. PEGASE DFS is an efficient mechanism and improvements have been made in the EU's administration of the CSP and support to VPF. However the efficiency and capacity of the MoFP's payroll system and associated functions require systems development as well as capacity development support and the MoFP intends to review its systems to this end.

There are a number of thorny issues in relation to payroll and pensions: payments to civil servants and pensioners in Gaza is a sensitive issue and one that requires high level policy dialogue and political commitment rather than technical civil service reform based solutions. Half of the PA's expenditure is spent on salaries and pensions and a rising wage bill is of concern to donors. However the PA does not concur with the findings of the WB study and this negates the development of policy reform in relation to containing salaries, CoLA increases, staff complement and budget based, strategic manpower planning.

There is no demonstrable link between PEGASE DFS and service delivery and results have not been defined. While the EU has decided to provide broad and partial support to a large number of PA employees and pensioners, the opportunity of targeting funding to specific groups of staff involved in service delivery in Education, Health and Social protection is considered an attractive option some EUMS donors but is not supported by the PA. Some donors consider the lack of PEGASE DFS demonstrable results as a reason for no longer contributing to or joining the mechanism. However conditionality is considered by the PA and most donors to be contrary to the Two State Solution and the viability of the PA. The ROF tool is considered to be a good way of linking PEGASE DFS with sector results, although a direct correlation between funding and results would be unlikely to be achieved. The ROF has created indirect linkages between the PEGASE DFS components and its Pillar II: Service Delivery, while the EU funded CPs have developed linkages to Pillar I: Fiscal

consolidation and policy reforms. PFM and structural fiscal reforms by the PA are very much needed and it is crucial to make the connection between donor funding and government reform, although MoFP is concerned that this may represent a move towards conditionality. However any reform of the PEGASE DFS mechanism must be made within the overall context of Israel's occupation of Palestinian territories and its grave socio-economic consequences for the viability of the PA's operations.

#### **6.1.1.2 Vulnerable Palestinian Families**

Support to CTP is the second largest area of funding through PEGASE DFS by the EU and EUMS. Overall funding of the CTP increased by 14 per cent overall from 2014 to 2105 with additional contributions from both the EU and the PA. The hostilities in Gaza in 2014 emphasised the importance of cash assistance to macroeconomic stability and supporting the day-to-day resilience of the Palestinian people. The VPF fund is well managed and audited by the EU. However the efficiency of the CTP and all government expenditure has been hampered by irregular payments by the PA in 2014 due to their lack of funds as a result of clearance revenues being withheld by Israel.

There is a positive relationship between the EU and the MoSD, in part promoted through the ROF that has contributed to the recent efficiency improvements of the CTP, particularly in relation to more accurate targeting of the extreme poor. Remaining key issues for MoSD includes: uneven workload distribution; lack of understanding of CTP eligibility criteria; poor communication and coordination amongst social workers, district directories and branch offices, as well as with NGOs/CSOs; and inadequate implementation of the complaints and redress procedures, that are hampering the efficiency, effectiveness and perception of the CTP at community level. Several studies have provided clear recommendations for improvements of the CTP and whilst some progress by MoSD has been made the joint action plan is not adequately resourced.

CTP is bridging the poverty gap, but not eradicating poverty. Measurement is also difficult since updated poverty data is unavailable and an M&E system is in not place. However the consensus amongst stakeholders is although the level of cash payments is inadequate it is still essential to ensure access to basic necessities and more importantly supporting basic human rights and dignity. Poverty alleviation requires multi-dimensional interventions to address economic development through employment opportunities for example. Such a study is now being conducted by the PCBS. The linkage of the CTP with access to subsidies and social assistance services is a positive step forward.

Resource constraints are preventing MoSD from maximizing its relationship with NGOs/CSOs. It is imperative that workload distribution, coordination and communications are tackled and the EU is supporting the MoSD with TA towards this end, as part of a wider objective to improve the quality and access to social services. The CTP database has been an area in which positive improvements have been made and it is used to plan both cash and no-cash social protection services.

For the future, the integration of the CTP within a Social Security System is particularly pertinent in terms of sustainability. Fundamental linkages between social protection and livelihood development initiatives are also required to contribute to lifting people out of

poverty and helping them to remain that way. The MoSD is beginning to address these aspects as part of their Social Development Sector Strategy. More emphasis is now required in moving from the aid modality of the CTP towards more sustainable development solutions including a range of comprehensive and well-funded employment initiatives and enterprise development. Ultimately addressing Israeli socio-economic restrictions will be a determining factor on the success of such a strategy.

#### 6.1.1.3 East Jerusalem Hospitals

The maintenance of quality medical services in East Jerusalem is politically and socially imperative for both the PA and the EU/EUMS. EJH are dependent on referrals from the MoH for their continued operations and their survival as a provider to the Palestinian health system. The PEGASE DFS EJH mechanism is well managed and valued by the MoH. According to a recent WHO report<sup>56</sup>:

“Referrals are necessary for some specialized treatments due to various political, economic and policy factors: lack of essential medicines, medical disposables and equipment in Ministry of Health facilities; lack of specialists; a cost efficiency policy of outside procurement of services rather than government provision; lack of services; demand by patients; epidemiological transition toward chronic diseases along with demographic changes toward greater numbers of elderly; and greater dependence on government health care due to poverty. Radiotherapy treatment for cancers, for example, is available only in Jerusalem and so must be referred”.

The USAID-Intra-health study<sup>57</sup> found that most referral decisions are made based on bed availability and specialist facilities and services.

The cost of referrals has been an issue for the last decade. The Gaza conflict in 2014 and subsequent budget squeeze resulted in the impetus for the PA to tackle the on going problem of escalating arrears as a result of increased referrals, with half of the referrals budget having been spent on deductions for payments to Israeli hospitals. A comprehensive review of referrals policy and procedures supported by USAID-Intra-health and WB TA has resulted in significant efficiency and cost savings of over one-third of the Israeli referrals budget. The PA-donor approach to addressing the referrals issue has demonstrated effective coordination and communications, but this is not indicative of aid-effectiveness in general across the sector as a whole.

The focus is now on referrals policies and practices in relation to national hospitals as well as three of the EJH which amount to nearly half of all MoH referrals and one-third of referral budget expenditure. An initial study, again by USAID-Inter-health, has identified opportunities for efficiencies in the policies and practices of referrals by national hospitals as well as more efficient workforce planning. The ROF does not currently link with the PEGASE DFS payment of arrears for EJH and relevant indicators are not included in the Sector fiche. However the current development of a Referral Master Plan, drafted by the

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<sup>56</sup> 'Right to health Crossing barriers to access health in the occupied Palestinian territory, 2014 2015, December 2016'

<sup>57</sup> PMOH Hospital Referrals Section, Draft Report, PHCP, USAID-Inter-health, June 2016



World Bank with the MoH within the project ‘Strengthening the Resilience of the Palestinian Health System’ is anticipated to increase the focus and level of data available to monitor and more accurately target support to Health sector priorities. This provides the opportunity for the EU and EUMS to consider how they can most effectively support the Health sector in a more sustainable manner including a strategic sector-wide approach to healthcare planning and service delivery.

### 6.1.2 Results Oriented Framework

*Insufficient ownership by PA counterparts:* The ownership of the pilot ROF process by the PA counterparts was not gained enough in the design of the ROF, the selection of sectors and priorities, nor on reforms such as PFM. The ROF derived mainly from the EU-MS internal sector fiches, on the basis of the local development strategy and division of labour for Palestine, articulated with other donors’ interventions. It was developed with little connection to the PNDP 2014-2016 and its M&E indicators because at the time of its development the above were not implemented by the MoPAD, hence the merging with the MoF and reorganisation of the national planning process.

*The pilot ROF has no financial implications:* The ROF has no direct link to the PEGASE DFS, although the three service delivery sectors selected in pillar 2 of the ROF are contributed to by the DFS mechanism; the ROF has no financial implications and is not meant as a tool for conditionalities. The status of the ROF is not really clear to stakeholders.

*The pilot ROF Indicators are a mix of results, policy, reforms and political elements,* not facilitating dialogue on key policies and reforms. Policy dialogue lacked technical support. Many targets were not specific, realistic and measurable enough and were too short-term oriented. In addition, the period of implementation was too short (9 months) to be conclusive and the pilot ROF was extended to 2016 to better inform the future ROF.

*Globally, the pilot ROF is valued as a good starting instrument to build upon for policy dialogue:* Despite its limitations, and in the absence of a national M&E in place, the PMO considers the pilot ROF to be a positive starting instrument to monitor key areas of policy priorities and reforms and to start a policy dialogue with the community of development partners on a common framework.

*Articulation with EU funded complementary programmes and EJS and JPA:* Although the Pilot ROF was developed after the complementary programmes, the later are not explicitly mentioned in the ROF. However there is a relation between the five of them to priorities selected principally in pillar 1 of the pilot ROF. The pilot ROF was developed in parallel to the EJS and JPA processes; the three are to converge to feed the future ROF.

### 6.1.3 Complementary Programmes

#### 6.1.3.1 Institutional Strengthening of the State Audit and Administrative Control Bureau

The CP support to SAACB has been appreciated by the beneficiary and highlights the importance of the recipient determining the focus of the support and the way it is managed. It

is also a good example of how CP can leverage support of other development partners, with on-going support from Sweden and Malaysia having been harnessed. Constant capacity development has enabled SAACB to be well on its way to meeting INTOSAI standards and providing effective range of audit to PA in relation to financial management, compliance and performance improvement. However the new Audit Law has not been promulgated yet and the sustainability of the SAACB relies on its ability to successfully implement the law and maintain compliance with international auditing standards. Their future capacity relies on ensuring that their auditors undertake internally recognised qualifications and continue to use their learning to institutionally strengthen and reinforce standards within the organisation.

#### **6.1.3.2 Technical Assistance to the Palestinian Authority in Public Financial Management Reforms**

The CP-produced PFM Reform Strategy is perceived by donors as not being owned by the MoFP despite its request for this support. However the MoFP considers that this is not the case and that there is a Revenue strategy document in line with its plans and the PNPA more generally. This demonstrates the absence of common understanding on PFM reform buy-in from senior technical managers and the lack of dedicated institutional arrangements for PFM reform. Other donors are also addressing several of the activities within the CP and there is a need to ensure detailed coordination around each area of reform.

#### **6.1.3.3 EU Support to Taxpayer Awareness Campaign in Palestine**

There are high levels of dissatisfaction with the CP and missed opportunities for increasing revenue due to the late start of the taxpayer awareness campaign. The Directorate of Customs and Revenue requires urgent support in relation to legislative reform and an online taxpayer registration and payment system.

The huge issue of outstanding CR is related to the question: *Is the EU Support to the Tax Payer Awareness Campaign relevant?* The taxpayer campaign is relevant and important to the PA to support its vision of increasing tax awareness and compliance. However, there are other priority issues for the Directorate of Customs and Taxes, which have identified them as modernisation of laws and online systems.

#### **6.1.3.4 Technical Assistance to Support Civil Service Reform in the West Bank and Gaza Strip**

The CP achieved its specific objectives as related to TA for Civil Service Reform. However the draft Civil Service Law and the Civil Service Development Strategy (CSDS) 2016-22 need to be consolidated and implemented by a capacitated GPC and responsive LMAs on the basis of professional principles and methods. This is a challenge for the upcoming period 2016-22.

#### **6.1.3.5 Capacity Building for the Statistical Programme 2012-2013**

The programme has produced the anticipated results. The CP is relevant and effective. It is worth noting that it is the only CP that has been implemented by a national institution, with a good independent audit report. This is an important achievement that has also built capacity

and could be developed in other national institutions. However, the Mission noted that the capacity developed, although appreciable, is insufficient for PCBS to face its future challenges, in particular the updating of its Statistical Development Strategy, its alignment with the NPA 2017-22, and its funding and comprehensive implementation, including for conducting the National Census.

#### **6.1.4 Global Assessment**

The global architecture of the three clusters (PEGASE DFS, Pilot ROF and CP), although at different stages, with specific perspectives and individual room for improvement, have contributed wholly to building progressively positive support that is highly appreciated by the PA. They contributed to building capacities in important institutions that are the foundation of the context of the Two-State Solution. As this is a highly complex process within a fragile political context, now is the time to consolidate the 3 components into a more integrated approach demonstrating the coherent linkages between them.

Furthermore, more broadly speaking, the CR issue is the most crucial one. Outstanding and inequitable CR is a key contributor to the need for continued revenue support provided through PEGASE DFS. Therefore support through policy dialogue between the PA and the EU/EUMS, as well as with Israel, in addition to TA to quantify and identify solutions to each of the five priority areas of CR as identified by the PA amount to weighty priorities for support required from donors.

### **6.2 Recommendations**

#### **6.2.1 PEGASE Direct Financial Support**

##### **6.2.1.1 Civil Servants and Pensioners**

1. Conditionality - linked to disbursement of PEGASE - should not be considered as an option by the EU in the short to medium term due to the context of the Israeli occupation of Palestinian territories and its consequences on the viability of the PA. Nevertheless direct linkages between the objectives and results of the future ROF and current and future CPs should be made in relation to the 3 components of PEGASE DFS.
2. The ongoing CSP payments to Gaza employees and their re-integration within the PA should be discussed and resolved as part of high level political dialogue between the EU/EUMS and the PA, and no longer be a component of Civil Service Reform.
3. The EU/EUMS should support MoFP and GPC to produce and validate their own data on their current wage and pensions bill and to produce a Pay, Pensions and Recruitment Policy, Reform Strategy and Plan. This would include targets to reduce expenditure and introduce budget based strategic manpower planning. The MoFP payroll system and its associated functions should also be supported to improve the PA's efficiency and effectiveness, commencing with a systems and competency based capacity development assessment. These initiatives could be supported through an EU funded CP.

##### **6.2.1.2 Vulnerable Palestinian Families**

1. The EU/EUMS should support the implementation of outstanding recommendations of the CTP Action Plan, particularly in relation to: uneven workload distribution; lack of understanding of CTP eligibility criteria; poor communication and coordination amongst social workers, district directories and branch offices, as well as with NGOs/CSOs; and inadequate implementation of the complaints and redress procedures.
2. The EU/EUMS could support MoSD to pilot differential models of targeted assistance and social protection to the extreme poor, particularly those facing multiple disadvantages, comprising of cash and non-cash benefits (including livelihood development initiatives) for sustainable poverty alleviation.

#### **6.2.1.3 East Jerusalem Hospitals**

1. The EU/EUMS should differentiate its political objectives from its technical objectives. The support to the PA for the payment of referrals to EJH serves both its political and technical objective to keep the six EJH hospitals open as providers of quality healthcare to the Palestinian population. It is recommended to support the PA's Health Master Plan would serve its technical objectives to improve the quality, efficiency and effectiveness of health service delivery.
2. The EU/EUMS should now consider broader support to the Health sector as part of a strategic sector-wide approach with other donors, including the potential for Budget Support, to enable MoH to implement its other NPA sector priorities.

#### **6.2.2 Results Oriented Framework**

1. In the process of development of the future ROF, implement the lessons learned drawn by the 2015 ROF annual report. In particular:
  - a. The ROF alignment with the priorities defined in the NPA is a prerequisite
  - b. The PA should lead the process of monitoring, evaluation and reporting of the ROF (involving the M&E in the Cabinet Secretariat General as key stakeholder)
  - c. Timing of reporting should be on bi-annual basis
  - d. Consultation with Civil Society and private sector should be improved
  - e. Ensure consistency, pragmatism and realism: the ROF should focus on areas where progress can actually be achieved.
2. NPA Priorities and selection of Sectors to consider progressively in the future ROF:
  - a. Identify and address separately political priorities from sector management and sector development priorities in the NPA
  - b. Identify actions, milestones and results through which the community of Donors can assist the PA to achieve the NPA political priorities or at least to reduce the political constraints that adversely affect its developmental priorities
  - c. Start from the sector management and development priorities spelled in the NPA and select Sectors that have policies, costed sector plans and M&E, supported by donor funding, for well-informed policy dialogue through the ROF

- d. For those Sectors, select the key policy issues that require policy dialogue over the medium term period (2017-22) and that can be the focus of regular sector review in the sector working groups with the development partners who contribute to their development; the sector working group would recommend smart policy oriented indicators with intermediate milestones for the short term (1-3years) and agreed upon targets for the medium term (5 years)
  - e. For other sectors that are not yet well advanced, prepare a plan to progressively incorporate them in the process during the NPA 2017-22
  - f. Avoid including in the ROF the monitoring of reforms that are not yet defined nor agreed by the PA; promoting needed policy reforms can better be addressed through policy dialogue
  - g. The selection of indicators needs to be consistent with the horizon of policies and reforms that they monitor
  - h. Specific priority elements of PFM and PAR reforms could correspond to the minimum eligibility criteria package. One option could be to explore EU support with a “State Building Contract”, additional to the DFS, to support such long-term reforms.
  - i. Involve Institutions more directly in the ROF design, implementation and reporting
  - j. Involve the M&E General Directorate in General Secretariat of Cabinet together with PMO Policy priorities and Reform unit
  - k. Promote greater involvement of key LMs and their general directorates (particularly MoFP) in the process of selection of priorities and indicators
  - l. Encourage greater implication of the counterparts in the joint reporting, analysis of results and preparation of issues for policy dialogue in their respective working groups and in the HLPD; reporting should be on bi-annual basis
  - m. The future ROF should principally be a Policy Dialogue instrument, focusing on policies and sector plans (with their indicators) corresponding to the PA’s priorities and issues, including the funding and implementation challenges.
3. High Level Policy Dialogue
- a. Develop an organised and supported Secretariat to manage the reporting system and prepare the HLPD meetings. The Secretariat should be in the GD of M&E in Cabinet, and closely articulated with the PMO Policy priorities and Reform Unit. The Secretariat would assist and manage the reporting process and advise on improvements.
  - b. The secretariat would also organise the availability of technical expertise support for the preparation of technical notes informing the policy dialogue on specific policy issues, for the respective priorities.
  - c. The HLPD meetings require high level representation from PA/LMs & agencies. The General Directors of Planning of the respective sectors would be members *intuiti personae* and attend the HLPD.

4. Capacity development support to the key involved institutions
  - a. This approach implies at the same time to support and capacitate in parallel and jointly the 3 institutions that are responsible for the national planning, budgeting and monitoring processes: (i) the sector planning function recently transferred to the MoFP; (ii) the PMO Policy priorities and Reform Unit; (iii) and the M&E General Directorate in the General Secretariat of Cabinet.
  - b. Assist the sectors selected in the ROF to develop their M&E systems and information systems for the monitoring of their sector plan; and contribute to the building of the national M&E.
  - c. For Sectors that are critical but do not yet have fully developed their sector plan, support their policy, planning and budgeting functions and structures progressively through building their capacity (including by dissemination of good practices and transversal support from the most advanced sectors, including coaching and training or developing specific modules to be delivered by institutions like the PPFi).

### 6.2.3 Complementary Programmes

1. CP1: Institutional Strengthening of the State Audit and Administrative Control Bureau: The timely promulgation of the new Audit Law and its implementation, through the development of policies, regulations, procedures and standards along with operational ways of working should be closely monitored to ensure that the objective to reinforce SAACB's institutional, legal and regulatory frameworks remains on track.
2. CP2: Technical Assistance to the Palestinian Authority in Public Financial Management Reforms: Stronger multi-donor policy dialogue is required with MoFP to clarify their position in relation to the draft PFM Reform Strategy. The CP for PFM Reforms should be (re)focused to support MoFP owned and driven planning, coordination, implementation and monitoring of PFM Reforms commencing with supporting them to operationalise the associated institutional arrangements required.
3. CP3: EU Support to the Taxpayer Awareness Campaign in Palestine:
  - a. EUREP should discuss with the Departments of Tax and Indirect Tax how the CP could be improved to enable them to have greater control of the focus and operational management of the TA support.
  - b. Further assistance should be considered in relation to the modernisation of the legislative framework and on-line systems for taxpayer registration and payment collection. Tax should be a component of the Future ROF PFM Sector Fiche to ensure that levels of taxpayer registration and tax collection rates are monitored.
3. CP4: Technical Assistance to Support Civil Service Reform in the West Bank and Gaza Strip: Further support to GPC to ensure continuity of the process started and the implementation and consolidation of results achieved so far is deemed necessary.
4. CP5: Capacity Building for the Statistical Programme 2012-2013: The PCBS Statistical Development Strategy and PCBS role and contribution to the National Development planning and monitoring processes, together with PMO and the M&E GD in Cabinet, both require further capacity development support from the community of donors and

from the EU in particular. This would develop and consolidate PCBS support to the national M&E system and its contribution to the policy dialogue with the PA through the future ROF.

5. Support from the EU/EUMS to the political and technical resolution of CR should be prioritised, through policy dialogue between the PA and the EU/EUMS, as well as with Israel; in addition to technical assistance to quantify and identify solutions to each of the five priority areas of CR as identified by the PA.

#### 1.7. 6.3 Global Assessment

1. **PEGASE DFS is an appropriate, efficient and effective modality for the EU to continue to support the Palestinian Authority towards a Two State Solution.**
2. It is recommended to continue PEGASE DFS; the development of a future ROF aligned to NPA political and sectorial priorities and embedded within the EJS and the JPA, with expanded funding to sector development and progressive reforms; during the next planning period 2017-22, in pursuance of the Two-State Solution.
3. The ROF should stem from the NPA 2017-22 and the national M&E as a monitoring tool of the performance of the PA/LMs and of EU/MS support programmes.
4. EUREP, the EU/MS and the PA, including the PMO, should determine how to support the national and sector planning processes in key sectors and their monitoring and evaluation.



## Annexes

### Annex 1: Names of Evaluators and their companies

**Ms. Roz SAAD is the Team Leader/Evaluation expert** and has a Master's Degree in Economics majoring in Public Policy from the University of Swansea, UK. She has 22 years of experience undertaking outcome based Monitoring and Evaluation/Reviews, including five recent EU monitoring/evaluation assignments (including as Team leader); as well as with Asian Development Bank and the WB. She is experienced in the use of a range of methodologies including Sector Budget Support Guidelines based on OCED DAC Quality Standards for Development Evaluation; DFIDs approach to Theory of Change as well as Political Settlement methodology. During her 12 years based in Asia, including as Regional Governance Leader for a leading INGO (SNV), she has undertaken a number evaluative assignments that involved: reviewing fiscal, legislative and policy frameworks; analysis of weak governance systems, institutional assessments, performance and capacity needs assessments; stakeholder mapping and consultation; desk top reviews and field visits with government and local development partners. Roz is also a qualified Prince2 Programme-Project Management Advanced Practitioner as well as a Reviewer and Assessor for International Investors in People – an International Business and Human Resources Quality Standard.

Roz has 24 years of experience in macroeconomics and public finance management including public finance and administrative reforms. She has undertaken seven EU Budget Support PFM and governance assignments in the past 6 years (Identification, Formulation, and Monitoring in Cambodia; Pakistan, and India-Bhutan. Roz has a firm foundation in these areas, having commenced her career with PricewaterhouseCoopers and later as a Director of the Audit Commission – Deputy Prime Minister's Office in the UK. In addition Roz has 22+ years' experience as a change architect, coach, and capacity development expert with government, private sector and civil society organisations.

In relation to working with Budget Support, Roz has 14 years of experience, including EC BS operations. She is familiar with the European Commission's Results Based Monitoring and Project Cycle Management, and has in-depth knowledge of EU's Budget Support Guidelines, 2012.

Roz has highly relevant governance and PFM experience in conflict-affected areas, fragile states and culturally similar environments to Palestine, including Afghanistan, Pakistan, and Nepal. Her mother tongue is English and she has with 25+ years' experience of report writing and editing; presentation giving; workshop facilitation; training; and interviewing. She also has excellent diplomatic, interpersonal and communication skills.

**Mr Mahieddine SAIDI is the Evaluation expert.** He holds a Master's Degree in Mathematics (Algiers 1968) and a post-graduate degree in Economics and Statistics (ENSAE. Paris. 1971).

He worked as an economist for 20 years in Algeria, his home country, in the heavy steel industries, successively in feasibility studies, investment projects design, project

implementation and management, finance and budget, long term economic studies, strategic planning and budgeting. He prepared and contributed to 2 international consultative meetings on Industrial development and capital goods with UNIDO during 1981-85; during 1986-1989 he contributed as Director to the launch and development of the Strategic Institute for Planning and Management (ISGP) a national capacity building institution for high level managers and planners; during 1989-90, as advisor to the Minister of Industry, he contributed to the restructuring of public enterprises, the public sector, the re-organization of the Ministry of Industry, the state Economic and Administrative Reforms including the revision of roles of Ministries and public Agencies.

During the period 1991-2001 Mahieddine worked for a decade for UNESCO at its Paris HQ, as an Education and Training Senior Programme Officer, supporting reconstruction and reform programmes in 12 developing countries (including in Lebanon during 1994-1998 and in Palestinian Territories during 1998-2000). His areas of concentration include Education sector policy analysis, strategic planning and budgeting, stakeholders' policy dialogue and SWAP<sup>58</sup>, PERs and MTEFs, functional and management audits of Ministries and Agencies, MIS<sup>59</sup> and Capacity Development for Educational Institutions at all levels, incl. schools.

Since 2001 to date, he has extended his international experience in the same areas to other economic and social sectors (Industry, Trade, Labour, Employment, Culture, Youth, Justice, Gender equality) in 15 countries on programs funded by UNDP, UNICEF, the World Bank, The European Union, DFID, SIDA, AFD, and the Governments. Mahieddine gained specific experience in EU funded sector (budget) support programmes (identification, formulation and mid-term and final evaluations) through 14 assignments in 7 countries (including 4 Arab speaking countries: Morocco, Algeria, Tunisia, Jordan). He has good knowledge of EU procedures and instruments (including eligibility criteria, general and specific conditions for support, performance assessment and logical frameworks, PFM and Governance issues) aiming at service delivery effectiveness and efficiency through appropriate resource allocation. Mahieddine gained extensive experience in organisational and functional audits of Institutions, Ministries and Agencies, as well as in Public Administration Reforms and Public Sector Reforms, including PFM Reform Programs, in several countries.

His wide experience, gained as Team Leader, through various projects in more than 20 countries, developed his ability to communicate with senior Government officials and development partners in multicultural environments. His knowledge of Arabic culture and language is coupled with a solid working experience in 9 Arab countries (Palestine, Mauritania, Morocco, Algeria, Tunisia, Lebanon, Syria, Jordan, and Bahrain).

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<sup>58</sup> Sector Wide Approach

<sup>59</sup> Management Information Systems

## Annex 2: Terms of Reference

### SPECIFIC TERMS OF REFERENCE

#### ***EVALUATION OF THE PEGASE PROGRAMMES OF DIRECT FINANCIAL SUPPORT TO THE PALESTINIAN AUTHORITY ("PEGASE DFS") AND RESULTS-ORIENTED FRAMEWORK ("PEGASE ROF") IN THE PERIOD 2014-2015***

#### **FWC BENEFICIARIES 2013 - LOT 7: Governance and Home Affairs EuropeAid/132633/C/SER/multi**

### **1. BACKGROUND**

Palestine<sup>60</sup> has been marked by the disruption of more than forty years of Israeli occupation, during which the economic development path and the democratisation process have paralleled the political developments. After a period of sustained state-building progress and economic recovery between 2007 and 2011 (which was largely driven by government spending, in turn, funded by aid flows), the democratic path (no electoral process, limited institutional accountability) and the economy (slowing growth, high unemployment, large fiscal deficits) have significantly slowed down since 2012.

The general outlook has deteriorated dramatically over the last two years. During 2014, the Peace Process negotiations collapsed and the Gaza Strip suffered a major humanitarian crisis and massive destruction as a result of Israel's "Operation Protective Edge", while Israeli restrictions imposed on Palestinian people and their economy continued unabated. In 2015, since the beginning of October, violence and tension have alarmingly escalated in Jerusalem and the West Bank.

The aforementioned conflict and humanitarian tragedy in Gaza has made an already struggling Palestinian economy worse and put further stress on the Palestinian Authority (PA), both in terms of legitimacy and on its fiscal situation – the PA's total deficit is projected to amount to USD 1.2 billion for 2015. With the reconciliation process struggling and Israel's withholding of clearance revenues during the first quarter of 2015 as a response to the PA's request for accession to the International Criminal Court (ICC), the PA ongoing fiscal crisis and difficult governance was further exacerbated. Difficulties of the PA in paying salaries and bills are recurrent, putting the institutional functioning and the delivery of basic services to the Palestinian population at risk.

Consequently, the PA continues to accumulate considerable debts to the banking sector and arrears to the private sector. The total external and internal PA debt reached USD 2.54 billion at the end of December 2015. Besides, debt to the Pension Fund also continued to grow and

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<sup>60</sup> 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.

stood at USD 1.9 billion, while arrears to the private sector amounted to USD 685 million (both as of December 2015). In this context, health services have been greatly affected. As a result of the PA's accumulated unpaid arrears, hospitals in East Jerusalem have recurrent difficulties in paying salaries and are highly indebted to medical suppliers.

The decreasing political prospects for a viable two-state solution and the lack of intra-Palestinian reconciliation progress further increases donors' fatigue. For instance, although approximately USD 5.4 billion were pledged at the Cairo Conference on 12 October 2014 (half of which to be dedicated for the reconstruction of Gaza), there has been significant lack of progress in the actual volume and speed of the contributions as of December 2015.

Poverty levels remain of serious concern. According to the World Bank report to the Ad-Hoc Liaison Committee (AHLC) of 14 September 2015, poverty in Palestine reached 25% in 2014, with levels in Gaza at 39%.

In the absence of successful peace negotiations, the Palestinian economy will continue to be unsustainable and dependent on donor aid. Increased fiscal and policy reforms will also remain critical, although, as long as the Israeli occupation persists, the PA cannot be expected to achieve economic viability through austerity measures alone. For as long as there is a political horizon for the resolution of the Arab-Israeli conflict, donor contributions will probably be sustained, albeit at a levels which cannot match real needs on the ground. However, in the absence of political progress, there remains a high risk of donor fatigue, also partly due to the economic crisis in many donor countries

In May 2014, the PA launched the Palestinian National Development Plan entitled "State Building to Sovereignty" covering the period 2014-2016. The document builds on the previous tri-annual national plans<sup>61</sup> and focuses on four key sectors: 1) economic development and employment, 2) good governance and institution building, 3) social protection and development and 4) infrastructure. The plan set out a medium-term agenda for Palestinian reform and development with a framework of goals, objectives and performance targets. The PA also released its "National Early Recovery and Reconstruction Plan for Gaza 2014-2017" in October 2014 in the aftermath of the devastating conflict of July/August 2014. The implementation of this plan, in particular with the current level of Israeli's restrictions, remains challenging.

The Cabinet approved on 27 October 2015 the new roles and responsibilities of the Prime Minister's Office (PMO) and the newly created Ministry of Finance and Planning (MoFP). According to this restructuring, the PMO will be in charge amongst others of the upcoming National Policy Agenda (the PA's subsequent six-year development plan covering the period 2017-2022), the strategic relationships with donors, policy files, the AHLC and the Local Development Forum, MoFP will oversee the work related to the sector strategies and the relationships with donors at projects/programmes level and the Cabinet Secretariat will be in charge of the monitoring and evaluation of National Policy Agenda and sector strategies. A first draft of the National Policy Agenda should be ready by April/May 2016. The sector strategies should be available by February 2017.

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<sup>61</sup> The Palestinian Reform and Development Plan 2008-2010 (PRDP) and the National Development Plan: "Establishing the State - Building our Future" 2011-2013 (NDP)

Since 2008, the European Commission has been supporting the PA's national reform agenda by providing financial support to the budget (recurrent expenditures) of the PA through PEGASE, the European mechanism of support to the Palestinians. This support aims to maintain the viability of the two-State solution by avoiding the fiscal collapse of the PA and sustaining basic living conditions of the whole Palestinian population (*overall objective*).

Through the **PEGASE programmes of Direct Financial Support (PEGASE DFS)**, the EU has contributed substantially to the recurrent expenditures of the Palestinian national budget (over €1.9 billion spent since 2008), with systematic, predictable and unconditional contributions to the payment of salaries/pensions of PA civil servants, social allowances to the Palestinians living in poverty and medical referral to East Jerusalem Hospitals. This contributed to maintain the functioning of the Palestinian administration and the sustained delivery of essential basic services; to improve the economic opportunities of poor, vulnerable and isolated populations; and to support the PA in reducing its budget deficit and implementing its reform agenda (*specific objectives*).

In 2015, €178 million were made available from the EU budget in support to the PA's recurrent expenditures through PEGASE DFS programmes. These funds were complemented with funds from EU Member States.

PEGASE DFS programmes are implemented in full co-ordination with Palestinian partners and in full co-operation and transparency with EU Member States, the European Parliament and other donors that are also providing support to the budget of the PA, either through PEGASE or non-PEGASE channels - i.e. directly to the PA budget (mainly Arab donors, the United States and France) or via the World Bank Trust Fund (UK, Norway, Australia, Kuwait etc.).

In addition to its support to recurrent costs, the EU is also supporting the PA through capacity building and policy dialogue to implement related policy reforms (such as public finance management and civil service reform), address specific fiscal issues (e.g. improving domestic tax collection), as well as to improve service delivery (social protection).

Since 2013, the EU started working towards a **Results-Oriented Framework (ROF)**, covering both policy reforms and service delivery.

The PEGASE ROF is anchored within the EU Joint Programming on the basis of the EU Member States (EUMS) Local Development Strategy, which defines rolling EU operational priorities and a EUMS division of labour in Palestine. The Local Development Strategy comprises of 16 EUMS Sector Strategy Fiches in line with the Palestinian National Development Plan 2014-2016 and related sectors strategies. The EU is in the process of developing a European Joint Strategy for Palestine, which will be aligned with the strategic priorities of the National Policy Agenda covering the next six years (2017-2022). A first draft of the Joint Strategy should be available by the end of the first semester of 2016. The development of this framework is jointly made with EUMS and like-minded countries, as well as in close collaboration with the PA. Civil society has also been consulted during the process.

Launched in April 2015, the initial pilot PEGASE ROF lasted until December 2015 and covered six of the above 16 sectors, under the respective EU leaderships in accordance with the local EU division of labour:

(i) *Pillar I: "Fiscal consolidation and policy reforms"*: (1) Macro-economic Support/Fiscal Outlook (sector led by the EU with the Ministry of Finance and Planning as counterpart); (2) Public Finance Management (sector led by the EU with MoFP and the State Audit and Administrative Central Bureau as counterparts); and, (3) Public Administration Reform (sector led by the UK with the PMO and the General Personnel Council as counterparts)

(ii) *Pillar II "Service delivery"*: (1) Education (sector led Belgium with the Ministry of Education and Higher Education as counterpart); (2) Health (sector led by Italy with the Ministry of Health as counterpart); and, (3) Social Protection (sector led by the EU with the Ministry of Social Affairs as counterpart).

Under this framework, donors intend to further coordinate their support in terms of funding, technical assistance and policy dialogue without increasing their conditionalities.

The implementing modalities of the pilot PEGASE ROF were governed by a Memorandum of Understanding co-signed by the EU and the PA for the period 1 April 2015-31 December 2015. A quarterly and yearly operational reporting system was set-up, building notably on internal and external inputs such as reviews by the World Bank and by the International Monetary Fund on macro-economic issues. In addition, PEGASE Informal Group meetings were regularly convened throughout the year with EUMS to discuss and report on progress and challenges in the different sectors.

The processes of initiation of the PEGASE ROF and the 2015 pilot phase have yielded encouraging results, thereby raising the EU's profile with the PA as well as within the international community. Both EU sector leads and the PA (PMO and line Ministries) have had positive feedback on the usefulness of the ROF to (i) better structure policy dialogue around the different sector priorities, as well as issues of common concern or interest; and (ii) coherently assess progress in achieving jointly-agreed policy objectives in order to plan interventions accordingly and follow-up on the reform efforts.

Following on from a quick assessment of the state of play in late 2015, the EU and the PA agreed to extend the PEGASE ROF pilot phase in its current form until the end of 2016. This will allow both parties to have sufficient time to take stock of achievements and challenges of the process (through evaluations and recommendations). The process will also move forward in parallel to the development of the aforementioned EU Joint Strategy, which will align with the upcoming national development strategy 2017-2022 – both expected to take shape in the first half of 2016. **The EU Joint Strategy has the ambition to extend and mainstream the ROF to all its sectors of interventions** (and not limit it to the current 6 sectors).

Other areas of EU interventions in Palestine include inter alia support to the United Nations Relief and Works Agency's (UNRWA) General Fund, support to socio-economic development and institution-building in the key sectors of governance and rule of law, private sector development and water and sanitation and a special multi-sectoral measure to "Support delivery of community services in East Jerusalem", under which support has been provided to the East Jerusalem Hospitals since 2003 – with a focus on the improvement of both the service quality and the governance of the institutions, and on financial support for the treatment of the poor families. Civil society initiatives are also promoted mainly through the European Instrument for Human Rights and Democracy and the thematic line Non State Actors and Local Authorities in Development.

The European Commission plays a leading role in the coordination of EU Member States, as well as within local donor coordination structures<sup>62</sup> (e.g. the *Fiscal Working Group* (co-Chaired by the Ministry of Finance and the International Monetary Fund); the *Public Administration and Civil Service Sector Working Group* (co-Chaired by the UK); and the *Social Protection Sector Working Group* (co-Chaired by the Ministry of Social Affairs and EUREP)). An EU Informal Group on PEGASE DFS was also set-up in early 2013 as a forum for information sharing and discussions around PEGASE DFS related topics (such as fiscal issues, policy reforms, service delivery).

## 2. DESCRIPTION OF THE ASSIGNMENT

### 2.1 Global objective

The overall objective of this evaluation is to provide the European Union, EU Member States, contributing donors and the international community with:

- an overall independent assessment of the performance of (i) the PEGASE ROF pilot phase; (ii) the PEGASE DFS programmes; and (iii) the complementary EU-funded programmes in support to the Palestinian national development agenda.
- Conclusions, lessons learnt/ recommendations to improve the effectiveness and efficiency of (i) the PEGASE ROF, notably with reference to the upcoming EU Joint Strategy which will align with the strategic priorities of the National Policy Agenda 2017-2022; (ii) the PEGASE DFS programmes; and (iii) the complementary EU-funded programmes.

The assessment, conclusions and lessons learnt/recommendations should be organised in three clusters: PEGASE ROF, PEGASE DFS and EU-funded complementary measures.

The evaluation will cover the period January 2014 to December 2015.<sup>63</sup>

### 2.2. Specific objective(s)

- (1) To provide a comprehensive assessment of the **ROF initial pilot phase** (April-December 2015), including the design (e.g. number and quality of indicators and targets etc.), monitoring and evaluation, reporting and policy dialogue mechanisms.
- (2) To provide a comprehensive assessment of the following **PEGASE DFS programmes**, implemented in the period 2014-2015<sup>64</sup>:
  - *Supporting the Palestinian Administration and Services - Civil Servants and Pensioners ("CSP" programme)*: The EU/donors regularly contribute to the payment of salaries and pensions to the PA civil servants in the West Bank and Gaza Strip. The objective of this activity is to support the PA to maintain the functioning of the administration and thus deliver to the Palestinian population (including the Palestinian refugee population) essential basic services. The regular contribution to

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<sup>62</sup> Local donor co-ordination has been streamlined in accordance with the conclusions of the Ad-Hoc Liaison Committee (AHLIC) meeting held 14 December 2005 in London following a proposal by the Commission, the World Bank and Norway to reform the Aid Management Structures.

<sup>63</sup> The last evaluation of PEGASE covered the period February 2011 to December 2013.

<sup>64</sup> The Private Sector Reconstruction in Gaza (PSRG) programme and the programme of support to arrears to the private sector are outside the scope of this evaluation. An impact evaluation of the PSRG programme was produced in mid-2013.



the funding of the wages expenditure for civil servants reinforces the PA's public finance management reform implementation. At the same time, it allows the administration to function and thereby to provide services to the Palestinians (West Bank and Gaza Strip). *Around €261 million were disbursed in 2014-2015.*

- *Supporting the Palestinian social protection system – Vulnerable Palestinian Families ("VPF" programme):* The EU/donors make available at regular intervals direct financial support to families living in extreme poverty in Palestine through the PA's cash transfer programme (CTP). The objective of this activity is to ensure the continued assistance to Palestinian families in need, who remain dependent on financial aid from the PA. This activity also reinforces the reform of the social protection system. *Around €91 million were disbursed in 2014-2015.*
- *Supporting East Jerusalem Hospitals ("EJH" programme):* The six Palestinian hospitals in East Jerusalem form an integral part of the network of health provision for Palestine. They are amongst the few remaining Palestinian institutions in East Jerusalem and provide specialized healthcare services not available anywhere else in the West Bank or Gaza for Palestinian patients. The financial difficulties of the PA have resulted in a situation where many of the hospital bills underwritten by the Ministry of Health for the medical referrals of patients to East Jerusalem remain unpaid. The EU/donors make available direct financial support to cover the cost of unpaid medical referrals to East Jerusalem hospitals to ensure that hospital facilities remain open and medical staff continues working. *Around €40 million were disbursed in 2014-2015.*

In the period 2014-2015, the EU committed nearly €342 million to implement the aforementioned PEGASE DFS programmes. These commitments were made through the following Decisions:

Reference	Financing Decision	Amount (€)
ENI/2014/024-990	PEGASE: Direct Financial Support to Recurrent Expenditures of the PA - 2014 (Part I)	130,000,000
ENI/2014/037-579	PEGASE: Direct Financial Support to Recurrent Expenditures of the PA - 2014 (Part II)	32,450,000 <sup>(1)</sup>
ENI/2015/037-802	PEGASE: Direct Financial Support to Recurrent Expenditures of the PA - 2015 (Part I)	131,525,000 <sup>(2)</sup>
ENI/2015/038-293	PEGASE: Direct Financial Support to Recurrent Expenditures of the PA - 2015 (Part II)	48,000,000
<b>Total commitments (2014-2015)</b>		<b>341,975,000</b>

(1) This amount includes a contribution of €1.5 million from the Government of Austria, as assigned revenues.

(2) This amount includes contributions of €1.5 million and €25,000 from the Governments of Austria and Portugal, respectively, as assigned revenues.

In addition donors committed nearly €43 million to the aforementioned PEGASE DFS programmes during that same period. Funds were committed through Memoranda of Understandings with the Governments of Ireland, Luxembourg, The Netherlands, Sweden, Spain and Finland.

- (3) To provide a comprehensive assessment of the following **complementary EU-funded programmes** supporting the PA to implement fiscal and public administration reforms:

Contract Number	Contract title	Amount (€)	Implementation period
ENPI/2014/324-763	Institutional Strengthening of the State Audit and Administrative Control Bureau (SAACB) - Phase 2	2,499,880	19/09/2014 - 18/03/2017

Contract Number	Contract title	Amount (€)	Implementation period
ENI/2015/363-265	Technical assistance to the Palestinian Authority in Public Financial Management Reforms	235,587	20/10/2015 - 10/04/2017
ENI/2015/357-417	EU support for tax payer awareness campaign in Palestine	949,900	08/08/2015 - 07/02/2018
ENPI/2013/329-527	Technical Assistance to Support the Civil Service Reform in the West Bank and Gaza Strip	1,408,500.00	25/11/2013 - 24/05/2016
ENPI/2012/280-370	Capacity Building for the Statistical Program 2012 - 2013	1,419,804.20	02/11/2012 - 02/09/2015

*The assessments for each of points (1), (2) and (3) above should address relevance and quality of design, efficiency, effectiveness, impact and sustainability.*

- (4) For each of the points (1), (2) and (3) above, provide **conclusions and lessons learnt/recommendations** to improve the relevance, efficiency, effectiveness, impact and sustainability - notably with reference to the upcoming EU Joint Strategy which will relate to the National Policy Agenda 2017-2022. Close attention should be paid on how to mainstream the role of non-state actors (civil society, private sector etc.) in the process.

*The assessment, conclusions and lessons learnt/recommendations should be organised in **clusters** in the final report: PEGASE ROF, PEGASE DFS and EU-funded complementary measures.*

*In addition, the study should also include a **global assessment of PEGASE** as an instrument aiming at supporting the implementation of the Palestinian national development agenda(s), including aspects related to aid effectiveness (policy dialogue, donor coordination and harmonisation).*

## 2.3 Requested services

### 2.3.1 Desk review

The evaluation team will collect and carry-out a comprehensive desk review of relevant documentation, including the following (this list is *not* exhaustive):

- All relevant Financing Decisions/Agreements;
- All documentation relevant to the PEGASE DFS programmes (implementing modalities, Memoranda of Understanding between the EU and the PA, Memoranda of Understanding and Transfer Agreements signed with contributing donors, implementing progress reports etc.)
- All documentation relevant to the PEGASE ROF (risk management framework, Memorandum of Understanding between the EU and the PA, policy matrix and performance-based matrices, quarterly/annual progress report(s), etc.)
- All documents relevant to the EU joint programming and the EU Local Development Strategy 2017-2016;
- Previous PEGASE evaluations: mid-term evaluation of PEGASE (February 2008–July 2009); evaluation of PEGASE (February 2008–January 2011); evaluation of PEGASE (February 2011–December 2013)

- National development plans and sector strategies (Palestinian National Development Plan 2014-2016 "State Building to Sovereignty"; National Early Recovery and Reconstruction Plan for Gaza 2014-2017; National Policy Agenda (NPA) 2017-2022)
- Any other relevant PA documents/reports, including drafts on local aid effectiveness strategy and the 2015 "Detailed Needs Assessment (DNA) and recovery framework for Gaza reconstruction";
- Reports to the Ad-Hoc Liaison Committee meetings;
- Terms of reference, inception report, interim reports, final reports, ROM evaluation reports etc. of projects listed under section 2.2 (2) above
- Project reports of implementing partners;
- Paris Declaration on Aid Effectiveness and relevant follow-up documents;
- And any other relevant documentation/study/report.

### **2.3.2 Evaluation questions and methodology**

The evaluation will be based on the criteria endorsed by the OECD-DAC: relevance, efficiency, effectiveness, impact and sustainability, complemented by coherence, complementarity and co-ordination and EU added value..

The evaluation questions have to be tailored to: (i) the policy content and intervention logic of the programmes to be evaluated and (ii) the political, economic and social context of the country concerned.

The key issues to be studied by the evaluation questions should (*inter alia*) address the following aspects:

- The relevance and appropriateness of the design of PEGASE and notably the ROF in relation to the political, economic and social context of Palestine; the PA's policy framework; the PA's national development strategy.
- The contribution of PEGASE in the improved predictability of aid flows; the establishment of an efficient and effective policy dialogue framework focused on strategic government priorities; the effectiveness of PEGASE and notably the ROF at leveraging policy reform within the PA; the provision of well-coordinated technical assistance and capacity building activities focused on strategic government priorities; greater harmonisation and alignment of external assistance.
- Identification of the role of PEGASE and notably the ROF in determining the following changes: macroeconomic and budget management; PFM and procurement systems; public policy formulation and execution processes, including strengthened public sector institutions; and the links between the government and oversight bodies in terms of policy formulation and approval, financial and non-financial accountability and budget scrutiny.
- The way forward to mainstream and extend the methodology of the PEGASE ROF to all the sectors that will be identified in the upcoming EU Joint Strategy (which is expected to be finalised in the first half of 2016), including e.g. the type and number of indicators/targets, reporting and policy dialogue mechanisms etc.
- The way and extent to which the recommendations of the latest PEGASE evaluation(s) were addressed.

The evaluation questions will be fine-tuned during the inception phase.

The methodology should be based on DG NEAR's Evaluation Guide<sup>65</sup> and the Secretariat General's guidelines on Better Regulation in the Commission concerning conducting an evaluation.<sup>66</sup>

The evaluation team will have a free choice as to the methods used to gather and analyse information and for making the assessment, but must take account of the following:

- The evaluation must be based on recognised evaluation techniques and triangulation methods are required;
- In addressing the evaluation questions, quantitative indicators should be sought and used as far as possible. The Evaluation team must support findings and recommendations by explaining the degree to which these are based on opinion, analysis and objectively verifiable evidence. Where opinion is the main source, the degree of consensus and the steps taken to test the opinion should be given.
- The Contractors are invited to include an outline of their proposed methodology to undertake this assignment as part of their offer (including comments on the scope of the service, on the proposed methodology and the evaluation questions). The final evaluation questions and methodology for this assignment will be completed and agreed upon during the inception phase.

### ***2.3.3 Meetings and field missions in the West Bank and Gaza:***

In order to achieve the objectives of the mission, the evaluation team will hold meetings with all relevant stakeholders, including the following (this list is *not* exhaustive):

- The European Commission in Brussels (NEAR B1 and B3);
- The Office of the European Union Representative in Jerusalem (EUREP);
- Relevant stakeholders in the PA (Prime Minister's Office, line Ministries and related institutions, agencies etc.);
- Relevant consultants/contractors ;
- Indirect and direct beneficiaries of the various programmes;
- Donors contributing to PEGASE DFS programmes;
- Development partners providing support to the PA budget (World Bank, USAID, DfID, etc.)
- Non-state actors (civil society, private sector, academics etc.)

### ***2.3.4 Reporting:***

The evaluation team will produce an *inception report*, a comprehensive *draft evaluation report* and a comprehensive *final evaluation report* (including an executive summary) in line with the EU evaluation criteria – *please refer to sections 2.4 and 4.3.*

### ***2.3.5 Presentation of findings to the EU and main stakeholders:***

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<sup>65</sup>

<https://myintracomm.ec.europa.eu/dg/near/whatwedo/strategic-planning-and-programming/Pages/evaluation.aspx>

<sup>66</sup> [http://ec.europa.eu/dgs/secretariat\\_general/evaluation/documents\\_en.htm](http://ec.europa.eu/dgs/secretariat_general/evaluation/documents_en.htm)

Upon completion of the assignment, the evaluation team will present the main conclusions and recommendations of the review in the beneficiary country (Palestine) as well as at the European Commission's headquarter (NEAR B1 and B3). Slide presentations should be made available for that purpose. The evaluation team will also produce minutes of these workshop/dissemination events, and will include comments and recommendations in the final report – *please refer to section 4.3.3*

## **2.4 Required outputs**

### ***2.4.1 Inception report:***

The evaluation team will produce an inception report (in English) of not more than 15 pages, which will be submitted to the EUREP no later than 14 calendar days after the start of the assignment. The inception report should include at least the following:

- a general context analysis (including basic country level data);
- the collection of documentation and a preliminary desk review;
- an inventory of the projects under evaluation and other relevant/related projects and programmes;
- identification of the main specific features to be covered by the evaluation;
- definition of the evaluation questions, provisional indicators, analysis strategy, sub-questions and information sources;
- fine-tuning of the methodological design;
- a detailed work-plan for the different phases of the evaluation, including the different activities foreseen (desk review, field visits, meetings/interviews with beneficiaries, case studies, meetings with key stakeholders and development partners, etc.) – *refer to point 4.1 below*. The work-plan should include an overview of the team's working days, including breaks and week-ends. *Due to the volatile situation in the West Bank and Gaza Strip, the work plan has to be developed in a way that is flexible and includes contingency plans. If any significant deviation from the agreed work-plan or schedule is perceived as creating a risk for the quality of the evaluation, these should be immediately discussed with EUREP.*

### ***2.4.2 Draft and final reports and Executive summary:***

The evaluation team will submit:

- A draft report and a final report (in English) in line with the EU evaluation criteria – *please refer to template in Annex 1*;
- An executive summary in English and Arabic.

### ***2.4.3 Slide presentations, country notes and minutes of meetings***

The evaluation team will produce slide presentations for the dissemination workshop and presentations – refer to sections 2.3.5 and 4. Minutes of these meetings will be produced.

## **2.5 Language of the Specific Contract**

The reporting language will be English.

All reports will be written in English. The Executive summary of the final report will be submitted in English and Arabic.

It should be noted that it is likely that some Palestinian counterparts will not have a good knowledge of the English language. Therefore, the expert will need either to have a good knowledge and understanding of the local language (Arabic) or be assured of appropriate interpretation support.

### **3. EXPERTS PROFILE or EXPERTISE REQUIRED**

#### **3.1 Number of requested experts per category and number of man-days per expert**

The evaluation team will consist of two experts (category I), for a total of 40 working days each, including 5 home-based working days (2 working days during the inception period and 3 working days during the reporting period).

#### **3.2 Profile or expertise requested**

##### **Expert 1: Team Leader / Evaluation expert, category I**

###### *Qualifications and skills:*

- At least a Masters Degree (or equivalent) in Economics, Social Sciences, Public or Business Administration or at least five years of professional experience in addition to the minimum required under General Professional experience.

###### *General Professional Experience*

- At least 12 years of experience conducting evaluation/ reviews/ monitoring of large-scale donor-funded projects or programmes in an international context;
- Expertise in macroeconomics and public finance management;
- Knowledge of monitoring and evaluation techniques, including statistical analyses;
- Knowledge of institutional capacity development.

###### *Specific professional experience:*

- At least 5 years of experience working on budget support, with *at least one* experience related to EC budget support operations;
- Expertise in policy reforms in public finance management;
- Experience in public administrative reform and/or poverty analysis would be an advantage;
- Experience with the European Commission's Results Based Monitoring and Project Cycle Management;
- Previous experience with the political and socio-economic context of the West Bank and Gaza Strip would be an advantage.

###### *Other skills:*

- Excellent command of English, both orally and written;
- Knowledge of Arabic would be an advantage;
- Good analytical and research skills.

##### **Expert 2: Evaluation expert, category I**

###### *Qualifications and skills:*

- At least a Masters Degree (or equivalent) in Social Sciences, Public or Business Administration, Economics or similar, or at least five years of professional experience in addition to the minimum required under General Professional experience.

*General Professional Experience*

- At least 12 years of experience conducting evaluation/ reviews/ monitoring of large-scale donor-funded projects or programmes in an international context;
- Expertise in public administration reform.
- Knowledge of monitoring and evaluation techniques, including statistical analyses;
- Knowledge of institutional capacity development.

*Specific professional experience:*

- At least 5 years of experience working on budget support. Experience with EC budget support operations would be a strong advantage;
- Experience in macroeconomics and public finance management and/or poverty analysis would be an advantage;
- Experience with the European Commission's Results Based Monitoring and Project Cycle Management.
- Previous experience with the political and socio-economic context of the West Bank and Gaza Strip would be an advantage.

*Other skills:*

- Excellent command of English, both orally and written;
- Knowledge of Arabic would be an advantage;
- Good analytical and research skills.

## **4. LOCATION AND DURATION**

### **4.1 Starting period**

The indicative starting date is mid-May 2016.

### **4.2 Foreseen finishing period or duration**

The duration of assignment is set to a maximum of 80 calendar days. A total of 5 home-based working days is foreseen.

### **4.3 Planning including the period for notification for placement of the staff as per art 16.4 a)**

The work will be divided into the following phases:

#### **4.3.1 Inception Phase (estimated 12 working days, including 2 home-based)**

The inception phase is aimed at structuring the evaluation and will entail the outputs detailed in Section 2.4.1. This phase will entail:

- identifying data sources, collecting available documentation and compiling it as required for the purpose of the evaluation;
- reviewing with the EU the key features of the evaluation, expectations, and where required, clarifications. Kick-off meetings will take place at the start of the assignment with the Office of the European Union representative (EUREP) and with



the main PA counterparts (PMO and MoFP). Meetings with the relevant staff at the European Commission's Headquarters in Brussels (NEAR B1 and NEAR B3) may also be considered.

- establishing contact with the relevant beneficiaries and stakeholders in the country (line Ministries, development partners etc.)

The inception report will be reviewed and discussed with EUREP.

#### ***4.3.2 Data gathering, analysis and assessment phase (estimated 15 working days)***

This phase of the evaluation will consist of further data collection, carrying-out the analysis and formulate answers to the evaluation questions agreed to in the inception report.

Applied tools for data collection and analysis will include (as appropriate) interviews with key stakeholders and related institutions, focus groups, surveys, case studies etc. The output of these tools will be combined to ensure rigorous conclusions and operational recommendations.

The Head of Section and Project Manager in charge at EUREP should be kept regularly informed about the developments of each stage of the phase, as well as of any possible difficulties encountered in the implementation of the work-plan.

#### ***4.3.3 Reporting phase (estimated 13 working days, including 3 home-based)***

This phase will be devoted to the drafting of the draft report and final report (and executive summaries).

The proposed template provided in *Annex I* should be used for the structure of the report. The text of the report should be illustrated, as appropriate, with maps, graphs, tables, and case studies. The evaluation team will ensure that its assessments are objective and balanced, affirmations are accurate and verifiable, and recommendations are feasible and realistic. In order to capture different perspective, the evaluation team will also include inputs from local government, private sector and civil society organisations.

A final draft evaluation report and executive summary should be submitted to EUREP no later than 7 calendar days after the end of the aforementioned assessment phase (4.3.2). The draft report should bring together in a comprehensive manner all the collected information, findings and conclusions formulated throughout the evaluation process. The evaluation team will also formulate overall conclusions, identify lessons learnt and formulate recommendations.

The European Commission will provide its comments on the draft report within a maximum of 21 calendar days following the submission of the report. The evaluation team will produce the final draft report on the basis of the comments provided, within 7 calendar days following the receipt of comments from the European Commission. This work may be home-based. The evaluation should return to the location of the assignment (Palestine) to present the findings of the evaluation report to the main stakeholders. The evaluators should also present the evaluation at the European Commission's headquarter in Brussels:

- A workshop/seminar (estimated 50 participants) will be organised in Ramallah, Palestine to present the findings of the review to the attention of the PA and key national stakeholders (including development partners, non-state actors etc.) A slide presentation and an executive summary (in English and Arabic) will be produced for the event;

- The evaluation team will present the findings of the review to EU Member States in the EUREP premises, in East Jerusalem. A slide presentation and an executive summary (in English) will be produced for the event;
- The evaluation team should also present the findings of the evaluation to the relevant staff at the European Commission's Headquarters in Brussels (NEAR B1 and B3). The presentation should take place *in situ*. A slide presentation and an executive summary (in English) will be produced for the event;

*The evaluation team will produce minutes of each of the aforementioned workshop and presentations, and will include relevant comments in the final report. These workshop/seminar and presentations should be held before the approval of the final report by the European Commission.*

#### **Summary:**

<i><b>Evaluation phases</b></i>	<i><b>Deliverables</b></i>
<b>1. Inception phase</b> ➤ Structuring of the evaluation ➤ Data collection ➤ Analysis <i>Estimated 18 calendar days</i>	➤ <i>Inception report</i>  The inception report should not be more than 20 pages and should be submitted to EUREP no later than 14 calendar days after the start of the assignment.
<b>2. Data gathering and assessment phase</b> ➤ Data collection ➤ Verification of the hypotheses <i>Estimated 21 calendar days</i>	➤ <i>Country notes</i>  EUREP should be kept regularly informed about the developments of each stage of the phase, as well as of any possible difficulties encountered in the implementation of the work-plan.
<b>3. Synthesis and reporting phase</b> ➤ Analysis ➤ Judgements ➤ Reporting <i>Estimated 41 calendar days</i>	➤ <i>Draft final report and Executive summary (in English and Arabic) and slide presentations</i> ➤ <i>Workshops and presentations (including minutes)</i> ➤ <i>Final report and Executive summary (the Executive summary will be submitted in English <u>and</u> Arabic)</i>  The proposed template provided in Annex I should be used for the structure of the report. The text of the report should be illustrated, as appropriate, with maps, graphs, tables, and case studies.

#### **4.4 Location(s) of assignment: in case of more than 1 location of assignment, identify for each location the working days per expert needed**

The main location of the assignment will be Ramallah, Palestine. Travel within the West Bank and to the Gaza Strip and East Jerusalem will be part of the assignment. A 1-day mission to the European Commission's Headquarters in Brussels (Belgium) will be necessary - *please refer to section 4.3.3.*

### **5. REPORTING**

#### **5.1 Content**

- Inception report
- Draft evaluation report and executive summary – *please refer to Annex 1 for the format for the final report.*
- Final evaluation report and executive summary – *please refer to Annex 1 for the format for the final report.*

## 5.2 Language

All reports will be written in English. The Executive summary of the final report will be submitted in English and Arabic

## 5.3 Submission/comments timing

- Inception report: up to 18 calendar days from the start of the assignment.
- Draft final report and executive summary up to 46 calendar days from the start of the assignment
- Comments from the Commission on the draft report and executive summary: up to 67 calendar days from the start of the assignment
- Final report and executive summary: up to 80 calendar days from the start of the assignment.

## 5.4 Number of report(s) copies

All reports, except the final one, will be exclusively submitted in electronic format, via email. The final report (and executive summary) will be submitted in two (2) hard copies to the Office of the European Union Representative, in Jerusalem. A CD-ROM including the copies of all relevant documents will be included in each paper copy.

## 6. INCIDENTAL EXPENDITURE

### 6.1 Authorized items to foresee under ‘Reimbursable’

The maximum budget for the present contract is **EUR 24,000**.

The Framework Contractor will organise the smooth mobilisation of the team of experts (including travel to Palestine and the organisation of visas). Provisions will have to be made to cover the costs associated to the payment of:

- ☐ Per diems (during stay of the consultant team in the places of assignment);
- ☐ Trip(s) from the place of living of the experts to the place of assignment; Trip from the place of assignment to Brussels and trip from Brussels to the place of living of the experts;
- ☐ Car rental/transport cost (for *inter-city* movements only);
- ☐ Translation and interpretation services;
- ☐ Dissemination workshop/seminar in Ramallah, Palestine (including venue, light refreshments and simultaneous interpretation for an estimated 50 participants).

The purchase of any equipment or software will not be reimbursed. The Consultant is expected to provide all necessary equipment and software.

### 6.2 Tax arrangement

Taxes, including Value Added Tax are not eligible.

### 6.3 Others

- During contacts with stakeholders, the evaluation team will clearly identify themselves as independent Consultant and *not* as official representative of the European Commission.

- These Terms of Reference may be further elaborated by the EUREP during briefings with the evaluation team. Attention is drawn to the fact that the EUREP reserves the right to have the reports redrafted by the consultant as many times as necessary to achieve an acceptable output. Financial penalties will be applied if schedules indicated for the submission of reports (draft and final) are not strictly adhered to.
- The Framework Contractor will be responsible for all security arrangements while the experts are in the country, this being calculated in the experts' fees. The EUREP cannot extend its security net to experts.
- The Framework Contractor is also fully responsible for visa arrangements of experts coming. The EUREP cannot issue invitation letters to facilitate the visa process. The administrative burden for the Contractor to secure visa for experts is included in the experts' fees.
- The experts are responsible for their own working tools and space such as laptop, printing and internet connection. The Contractor must note that the EUREP cannot offer any computer equipment for the purposes of this assignment. Further to this, the EUREP cannot facilitate logistics like transportation or accommodation.
- The Framework Contractor must take all necessary measures to ensure the visibility of the EU. Please consult: [https://ec.europa.eu/europeaid/communication-and-visibility-manual-eu-external-actions\\_en](https://ec.europa.eu/europeaid/communication-and-visibility-manual-eu-external-actions_en)
- All reports and data such as maps, diagrams, drawings, specifications, plans, statistics, calculations, databases, software and supporting records or materials acquired, compiled or prepared by the Contractor in the performance of the contract shall be the absolute property of the Contracting Authority. The Contractor shall, upon completion of the contract, deliver all such documents and data to the Contracting Authority. The Contractor may not retain copies of such documents and data and shall not use them for purposes unrelated to the contract without the prior written consent of the Contracting Authority.
- The Contractor shall not publish articles relating to the services or refer to them when carrying out any services for others, or divulge information obtained from the Contracting Authority, without the prior written consent of the Contracting Authority.
- Any results or rights thereon, including copyright and other intellectual or industrial property rights, obtained in performance of the Contract, shall be the absolute property of the Contracting Authority, which may use, publish, assign or transfer them as it sees fit, without geographical or other limitation, except where intellectual or industrial property rights already exist.

## **Annex I: Proposed format (i.e. layout and structure) of the Final Report**

The final report should not be longer than 50 pages. Additional information should be confined to annexes.

The cover page of the report shall carry the following text: “This evaluation is supported and guided by the European Commission and presented by [name of consulting firm]. The report does not necessarily reflect the views and opinions of the European Commission”.

The main sections of the evaluation report are as follows:

1. **EXECUTIVE SUMMARY** ➤ *a tightly-drafted, to-the-point and free-standing executive summary is an essential component. It should be short, no more than three pages. It should focus mainly on the purpose of the evaluation, the main analytical points, and indicate the main conclusions.*
2. **INTRODUCTION** ➤ *this section includes a short description of the programme and the evaluation, providing the reader with methodological explanations to gauge the credibility of the conclusions and to acknowledge limitations or weaknesses, where relevant.*
3. **ANSWERED QUESTIONS/ FINDINGS** ➤ *This chapter presents the evaluation questions and conclusive answers, together with evidence and reasoning. The organisation of the report should be made around the responses to the evaluation questions which are systematically covering the evaluation criteria.*
4. **VISIBILITY** ➤ *The Consultant will make an assessment of the project’s visibility, information and communication, and of the results obtained in the West Bank and Gaza Strip.*
5. **OVERALL ASSESSMENT** ➤ *The relevant chapter has to articulate all the findings, conclusions and lessons in a way that reflects their importance and facilitates the reading.*
6. **CONCLUSIONS AND RECOMMENDATIONS**

➤ **6.1 Conclusions:** *This chapter introduces the conclusions organised in clusters in the chapter in order to provide an overview of the assessed subject. It features references to the findings or to annexes. The report will include a self-assessment of the methodological limits that restrain the range or use of certain conclusions.*

➤ **6.2 Recommendations:** *Recommendations have to be linked to the conclusions without being a direct copy. Recommendations have to be treated on a hierarchical basis and prioritised within the various groups of presentation selected. Recommendations have to be realistic, operational and pragmatic; they should take careful account of the circumstances currently prevailing in the context of Pegase, and of the resources available to implement them.*

- 7. ANNEXES TO THE REPORT** ➤ *The report will include the following annexes:*
- *Terms of Reference of the evaluation;*
  - *Names of the evaluators and their companies (CVs limited to one page per person);*
  - *Evaluation method: options taken, difficulties encountered and limitations. Tools and analyses used;*
  - *List of persons/organisations consulted;*
  - *Literature and documentation consulted*
  - *Technical annexes (e.g. quantitative data, survey data and questionnaires, statistical analyses, tables of contents and figures)*

## **Annex II: Quality assessment grid\***

*\*This grid is annexed to the ToRs for information for the Consultant*

The quality of the final report will be assessed by the evaluation manager using the following quality assessment grid where the rates have the following meaning:

1 = unacceptable = criteria mostly not fulfilled or totally absent

2 = weak = criteria partially fulfilled

3 = good = criteria mostly fulfilled

4 = very good = criteria entirely fulfilled

5 = excellent = criteria entirely fulfilled in a clear and original way

Concerning the criteria and sub-criteria below, the evaluation report is rated:	1	2	3	4	5
<b>1. Meeting needs:</b>					
a) Does the evaluation describe what is evaluated, including the intervention logic?					
b) Does the evaluation clearly cover the requested period of time, as well as the target groups and socio-geographical areas?					
c) Has the evolution of PEGASE been taken into account in the evaluation process?					
d) Does the evaluation deal with and respond to ToR requests. If not, are justifications given?					
<b>2. Appropriate design</b>					
a) Does the report explain how the evaluation design takes stock of the rationale of the project / programme, cause-effect relationships, impacts, policy context, stakeholders' interests, etc.?					
b) Is the evaluation method clearly and adequately described in enough detail?					
c) Does the report point out the limitations, risks and potential biases associated with the evaluation method?					
<b>3. Reliable data</b>					
a) Is the data collection approach explained and is it coherent with the overall evaluation design?					
b) Are the sources of information clearly identified in the report?					
c) Are the data collection tools applied in accordance with standards?					
d) Have the collected data been cross-checked?					

Concerning the criteria and sub-criteria below, the evaluation report is rated:	1	2	3	4	5
e) Have data collection limitations and biases been explained and discussed?					
<b>4. Sound analysis</b>					
a) Is the analysis based on the collected data?					
b) Is the analysis clearly focused on the most relevant cause/effect assumptions underlying the intervention logic?					
c) Is the context adequately taken into account in the analysis?					
d) Are inputs from the most important stakeholders used in a balanced way?					
e) Are the limitations of the analysis identified, discussed and presented in the report, as well as the contradictions with available knowledge, if there are any?					
<b>5. Credible findings</b>					
a) Are the findings derived from the data and analyses?					
b) Is the generalisability of findings discussed?					
c) Are interpretations and extrapolations justified and supported by sound arguments?					
<b>6. Valid conclusions</b>					
a) Are the conclusions coherent and logically linked to the findings?					
b) Are conclusions free of personal or partisan considerations?					
<b>7. Useful recommendations</b>					
a) Are recommendations coherent with conclusions?					
b) Are recommendations operational, realistic un-biased by personnel or stakeholders views and sufficiently explicit?					
c) Do the recommendations cater for the different target stakeholders of the evaluation?					
d) Where necessary, have the recommendations been clustered and prioritised?					
<b>8. Clear report</b>					
a) Does the report include a relevant and concise executive summary?					
b) Does the report clearly describe the programme being evaluated, including its context and purpose, together with findings of the evaluation, so that information provided can easily be understood?					



Concerning the criteria and sub-criteria below, the evaluation report is rated:	1	2	3	4	5
c) Are specialised concepts clearly defined and not used more than necessary? Is there a list of acronyms?					
d) Is the length of the various chapters and annexes well balanced?					
Considering the 8 previous criteria, what is the overall quality of the report?					

## Annex 3: Evaluation Method

### 1. Scope of Evaluation

Table 1: Scope of Evaluation below provides a description of the programmes for each cluster, key objectives, beneficiaries and contributing donors.

### 2. Approach and methodology

The assignment comprised three phases. It commenced in mid-May and is due to be completed by the end of September. See Annex 3: Work plan, below.

#### *Phase 1: Inception*

The assignment commenced with an Inception Phase on 12<sup>th</sup> May with two days of desk-based preliminary review of relevant documentation including:

- (a) EU agreements Memorandum of Understanding (MoUs, project documents, progress reports and evaluations;
- (b) PA development policies, strategies documents and plans;
- (c) PEGASE DFS, ROF and CP progress and evaluation reports;
- (d) Declarations, Agreements and Guidelines in relation to good practice including Aid Effectiveness, and Evaluations; and
- (e) Donor documents and reports including analytical reports such macro-economic forecasts and PFM assessments e.g. Public Expenditure Financial Assessment.

On arrival in Palestine on 15 May, the consultant team attended a briefing meeting with the EUREP in East Jerusalem to confirm the assignment requirements, timings and deliverables. Key introductory meetings were also held with the PMO and MoFP. A busy schedule of meetings with donors involved in the three clusters has been prepared and has begun to be implemented along with the relevant PA counterparts, and these meetings are ongoing (See Annex 3: List of Stakeholders to be consulted). Further meetings were held with staff from EUREP involved in managing the three clusters. Importantly, meetings were held with the Head of Operations responsible for PEGASE DFS and his team to confirm planning assumptions and the methodology to be adopted during the evaluation, which is detailed below:

Annex 3 Table 1: Scope of Evaluation

Clusters		Amounts in EUR	Period of Evaluation	Content & Supporting Contractual Documents	Key Objectives and Beneficiaries	Donors contributing and involved
PEGASE DFS (mechanism & programme) DFS/FA+ 4 ENIs	CSP EUR 261M	342M committed during 2014-15.	2014-2015	- Contribute to the payment of salaries & pensions of the civil servants in WB& Gaza. (FA)	<ul style="list-style-type: none"> <li>Support the PA to maintain the functioning of the administration &amp; deliver essential basic services to the Palestinian population.</li> <li>Fulfil Oslo political objective to have an authority ready for the future State of Palestine.</li> </ul>	2014: EU119;92%; EUMS EUR 9M (Netherlands 3, Sweden 4, Luxemburg 1, Ireland 1) 2015: EU 115; EUMS 8,6. Sweden4+Netherlands4
	VFP EUR 91M	392M disbursed during 2014-15	2014-2015	- DFS to families in extreme poverty through CTP (FA)	<ul style="list-style-type: none"> <li>Ensure continued assistance to Palestinian families in need who remain dependant on financial aid from PA</li> </ul>	2014:EU 36;EUMS3.8 (Spain1,Austria1.5;Ireland) 2015: EU 50 ;EUMS 3.2 (Austria, Spain, Ireland)
	EJH EUR 40M		2014-2015	- DFS to cover the cost of unpaid medical referrals to 6 Palestinian hospitals in EJ. (FA)	<ul style="list-style-type: none"> <li>Ensure that facilities of the 6 EJ Palestinian hospitals remain open &amp; medical staff continues working (&amp; provide services to referred patients from WB &amp; Gaza)</li> </ul>	2014:EU13;EUMS:4.8(Finland2,5,Spain2, Ireland) 2015:EU13;EUMS15.7(Denmark11,Finland,Italy)
The ROF Pilot phase Pillar 1: Fiscal consolidation & policy reform: Macro; PFM ; PAR Pillar 2: Service Delivery Education ; Health; Social Protection		None	04-12/2015	- Pilot ROF (MoU) Appendix 4 to PEGASE DFS Financial agreement (NI2015/037-802)	<ul style="list-style-type: none"> <li>Provide a more structured, coherent results-oriented policy dialogue between the EU/MS and Palestine (on the PNDP 2014-2016) (annex1/MoU :</li> <li>Includes a reporting set-up on Policy Dialogue and Performance Monitoring with Annual assessment and annual reporting (annex 2 to MoU)</li> </ul>	- ROF covers 6 sectors under the respective EU leadership in line with local EU division of Labour. Pillar1: EUREP Macro+PFM/MoFP+SAACB; UK (PAR)/GPC Pillar2: Education (Belgium+MoEHE) ; Health (Italy+MoH) ; Social protection (Eurep+MoSD)
Complementary EU-funded programmes	IS of SAACB Phase 2	2.5 M	09-2014/12-2015	ENPI/2014/324-763 Fee Contract with BDO/LLP	<ul style="list-style-type: none"> <li>LT+ST/TA to build capacity of SAACB in HR + Legal framework for Auditing (eval period 15months)</li> </ul>	- This is the 2nd phase. Design evaluated already. - no report made available by end of 2015
	TA to PFM	235 000	2014/2015 started 10/2015	ENPI/2015/363-265 FWC with DFC (eval. period is only 2 months!)	<ul style="list-style-type: none"> <li>Assist the PA to develop, approve and (be structured to) implement (?) a PFM reform strategy and action plan (2016-2018).</li> </ul>	- DFC report Nov 2015. - only relevance can be analysed (due to 2 months) - note that several Donors offer TA on the same subject
	Tax PAC	950 000	08-2015 /12-2015	ENPI/2015/357417. 955wd LT/ST expertise over 30 months.	<ul style="list-style-type: none"> <li>Design communication strategy &amp; 8 campaigns</li> <li>Benef: Direct &amp; indirect tax collection Depts./MoFP</li> </ul>	-AARC inception report available Nov 2015.
	TA for CSR (PAR?)	1.4M	2014-2015	ENPI/2013/329-527. Eurecna-It +British Cl. TA/1150wd. 30m	<ul style="list-style-type: none"> <li>TA to civil service. CS Performance appraisal &amp; Mgt.</li> <li>Capacity building of GPC. CS Council. CS law</li> </ul>	-3rd interim report June 2015. Report end 2015? (3rd draft of the CS law+ CS Performance + IT)
	CB to PCBS	1.4M	2014/09-2015	ENPI/2012/280-370 with PCBS Audit by Ernst & Young.	<ul style="list-style-type: none"> <li>Develop PCBS institutional capacity</li> <li>Develop PCBS statistical activities</li> </ul>	Contribute to ND Planning & Monitoring processes Last report: 8th Quarterly report (Oct. 2014).
	Total	6.5M				
Global PEGASE			2014-2015		<ul style="list-style-type: none"> <li>Instrument aiming at supporting implementation of NDA &amp; Aid Effectiveness</li> </ul>	

## *Phase II: Data gathering and assessment*

Phase II commenced on 26 May, along with the completion of the Inception Report. This Phase, which will be based on the approved Inception Report and evaluation questions, is the core of the assessment and the approach is guided by the methodology described here and by the Work plan (See Annex 2: Work plan).

The document review continued throughout Phase II as further documents and recent data was received as a result of stakeholder interviews. A mix of methods was to be employed including:

- (a) An update of progress on recommendations of PEGASE evaluation 2011-13
- (b) A Field trips to Nablus (selected due to its well-developed CSO Social Protection sector that had been recipients of a recent CP supported by the EU<sup>67</sup>) to focus on VPF and the CTP;
- (c) Bi-lateral and small group interviews with key stakeholders (See Annex 2: Key stakeholders to be interviewed) included:
  - Ongoing consultation with EUREP in East Jerusalem as required;
  - The PA including PMO, MoFP, Monitoring and Evaluation General Secretariat of Cabinet Office, and the 6 sectors' agencies involved in ROF;
  - Direct and indirect stakeholders: DFS PEGASE PA beneficiaries;
  - PA, donor stakeholders, and TA implementation teams<sup>68</sup> involved in CP;
  - Focus group of CSOs regarding DFS components and the ROF (and private sector and academic institutions if possible); and
  - EU (DG NEAR B1 and B3) in addition to the briefing held during the Inception Phase, as required).

The Phase concluded with the submission of Country Notes to EUREP on 19<sup>th</sup> June of key meetings held with PMO, MoFP, and Field visits. The Evaluation Consultant Team left Ramallah on 15 June 2016.

## *Phase III: Synthesis and reporting*

This phase consisted of 14 days of intensive activity by each consultant, including report writing (with four days home based and a second mission to the field, which has undertaken in November 2016; de-briefing and presentations (using a PowerPoint presentation and a draft Executive Summary in English and Arabic) to the following stakeholders:

- ✓ De-briefing EUREP on commencement and completion of the field mission;
- ✓ Presentation and discussion of conclusions and recommendations to a multi-stakeholder workshop (including EUREP, PA (including PMO who chaired part of the workshop; MoFP who co-chaired along with EUREP), key donors, and CSO representatives held at the

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<sup>67</sup> Social protection System Partnership Planning and Capacity Building, implemented by GOPA Consultants

<sup>68</sup> TA implementation teams will be met where possible, however as the TA is delivered on an intermittent basis, they may not be in the field during the mission dates

Palestine Public Finance Institute in Ramallah. (See Annex 9 for Workshop Agenda, Notes, List of Workshop Participants and Presentation); and

- ✓ Presentation and discussion of conclusions and recommendations to a meeting of EUMS Heads of Cooperation.

This Draft Evaluation Report was delivered to the EUREP on 16<sup>th</sup> July 2016. It follows the format contained in Annex 1 of the ToR. It will also be Quality Assured by the Consortium Team to ensure compliance with the quality assessment grid in Annex II of the ToR. Comments by EUREP, DPs and the PA were received on 24<sup>th</sup> October 2016 and the redrafted Final Report was submitted to EUREP on 16<sup>th</sup> November 2016 along with a draft Executive Summary in Arabic.

The Final Draft Report, reflecting feedback from the EUREP, again with an Executive Summary (in English and Arabic), will be prepared. The report, along with minutes of meetings held during the Synthesis and Reporting Phase will be sent to the EUREP according to the ToRs, within 80 days of the commencement of the assignment.

The timing during this phase is tight, particularly the period subsequent to the receipt of comments from the EUREP on the Draft Evaluation Report when the consultant team finalises the report; delivers presentations of findings to stakeholders during a final on-site four day period in Palestine in late November; and prepares workshop minutes - all within a seven-day calendar period before finally submitting to EUREP.

### 3. Assumptions and key questions

The key Evaluation Questions are contained within Table 3: Approach to mapping and focus of Evaluation Questions. The approach has been based on the past evaluation of PEGASE (2011-2013) and the assumptions discussed in several meetings with the EUREP; the evaluation team identified which of the 5 OECD/DAC criteria are relevant (and which are not applicable) for the evaluation of the respective clusters and their programmes.

The scope of evaluation and the evaluation questions were presented and discussed in detail with the EUREP<sup>69</sup>. Several assumptions have been reflected in Table 3 'Approach to mapping and focus of Evaluation Questions' below:

- ✓ Since the relevance of the design and quality of the PEGASE DFS mechanism has not changed since the previous evaluation<sup>70</sup>, these criteria will not be reviewed for 2014-15. Conclusions on relevance-quality remain valid;
- ✓ Due to the political nature of DFS, sustainability criteria are not relevant for technical evaluation (in the sense that technical sustainability does not apply to political decisions);
- ✓ In the previous evaluation 2011-2013 (DFS & CP) approved by the EUREP, Impact and Sustainability criteria were 'merged' and in practice that evaluation did not actually review sustainability;

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<sup>69</sup> Meeting of Friday 3 June

<sup>70</sup> Evaluation of the Palestinian-European Socio-Economic Management Assistance Mechanism (PEGASE) Programmes of Support to the Recurrent Costs of the Palestinian Authority (2011-2013), Final Report, EPRD, March 2015

- ✓ The evaluation has focused on the design of the CPs and their overall fit with the needs of the institutions to support them to achieve their priority objectives. Such time-limited TA support is more appropriately evaluated through end of CP impact evaluation where technical capacity development results are assessed;
- ✓ The CP were developed before the Pilot ROF and do not sequentially link with it, although they clearly support institutions that are key players. This aspect of sustainability of CP in relation to the Pilot ROF was discussed with the EUREP during this mission's Inception Phase and the evaluation questions were agreed. Furthermore, the assumptions in relation to the Pilot and Future ROF explained in Annex 7.3: Evaluation Method.

The detail of Table 3: Approach to mapping and focus of Evaluation Questions is explained as follows:

- The detailed results of the criteria to be reviewed for each cluster and programme are indicated in column 4.
- The key evaluation questions are formulated in column 5, based on the approach to mapping of the criteria to review for each cluster and programme, as previously explained.
- There are 18 evaluation questions:
  - Five principal evaluation questions for the DFS programme (P1 to P5)
  - Four evaluation questions for the ROF (R1 to R4)
  - Six evaluation questions for the Complementary Programmes (one per programme plus a global one)
  - Three evaluation questions for the global assessment of PEGASE DFS.

#### 4. ROF Evaluation Questions

The Pilot ROF 2015 was formally established in a Memorandum of Understanding<sup>71</sup> signed between the European Commission and the PA's Prime Minister on 25 March 2015, for the period 1/04/2015 until 31/12/2015. The MoU states clearly the framework under which the pilot RoF is established:

- The EU and its EUMS are progressing towards EU Joint Programming in Palestine, expected to start in 2017 to enhance consistency and avoid fragmentation of efforts;
- The EU acts on the basis of the EU LDS which defines rolling EU operational priorities and EU/MS division of labour in Palestine that include 16 EU/MS Sector Strategy fiches in line with the PNDP 2014-16;
- Within this context (and in accordance with recommendations provided by the EU Court of Auditors performance audit in December 2013 and the external evaluation of the EU cooperation with Palestine (July 2014) the EU/MS embarked on a shift of PEGASE DFS - that will stay unconditional and earmarked- towards a "result oriented approach" that will allow a more structured, coherent results-oriented policy dialogue between the EU/MS and Palestine.

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<sup>71</sup> It is set as appendix 4 to the PEGASE DFS Financial agreement (NI2015/037-802). It is named "the PEGASE DFS Result oriented Framework Pilot Phase April-December 2015".

Under this framework the EU and the PA jointly agreed on the two annexes that complement the MoU and part of the agreement. Annex 1: The ROF itself (April-Dec. 2015); and Annex 2: The policy dialogue, performance monitoring and reporting set-up. Complementarity was to be sought with EU support to UNRWA as well as synergies for the sectors also covered by the WB PRDP trust fund. As this process was anchored with the EU joint programming exercise, additional sectors were expected to be added to the ROF in 2016.

The pilot ROF covers 6 sectors (selected among the 16 sector strategy fiches that cover the PNDP 2014-16) under two pillars, and the respective EU leadership in line with EUMS local division of Labour in Palestine. The Pilot ROF 2015, as shown in the table below, covers 6 sectors led by 4 EUMS with 7 counterparts PA institutions. It selected 13 Priorities for 2015, monitored through 24 indicators distributed equally amongst the two pillars. However, the rationale behind the selection of the six sectors among the 16 sector fiches and the selection of the 13 priorities within the six sectors was not explained/formulated in the ROF.

There are two important overarching assumptions in the ROF: (i) Israel respects its Oslo/Paris agreements commitments, notably in terms of transfer of CR: Israel will release the CR withheld since December 2014 and will resume their transfer to Palestine<sup>72</sup> on a regular monthly basis with normal deductions. This will enable Palestine to meet its obligations and deliver its services to the Palestinian people; and (ii) A conducive political environment and the necessary donor support which will enable Palestine to progress in its reform agenda, and notably in relation to its public administration reform. Policy dialogue, performance monitoring and reporting set-up

*Policy dialogue Setup:* The EU lead donors would conduct sector-level quarterly meetings with the relevant counterparts to follow-up on latest developments and indicators. Progress could have been discussed in the relevant Sector Working Group (within the LDF/LACS structure).

The EU (EUREP) and the Prime Minister's Office were to co-chair the EU-Palestine bi-annual high level policy dialogue (July/January) where progress and challenges on the overall RoF will be discussed, and indicators/targets/milestones will be reviewed. The EU and the PA were also to take stock of progress in the EU-PA ENP meetings.

*Monitoring and Evaluation Mechanism:* An annual assessment was to take place covering the overall RoF. An external evaluation was to take place at least every two years covering the whole PEGASE Direct Financial Support. Consultations with civil society were to be organised regularly, and at least once a year.

*Reporting Setup:* The EUREP was to lead the production of an Annual Report covering the overall results-oriented framework, with the inputs of each relevant EU sector lead. This report was to be shared with Palestine.

*Capacity Development – Complementary activities:* The EU/MS was to take into account the Capacity Development needs in relation to the implementation of the Results-Oriented Framework, in coordination with the other relevant donors.

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<sup>72</sup> Quoted from the ROF/MoU and the TORs of the evaluation mission. 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.

The objectives of the Pilot ROF have been assessed firstly in relation to support of EUMS policy dialogue with PA on key areas; and secondly as to whether they promotes aid effectiveness and the ROF approach has been imbedded in the PA system. The technical design of the ROF has been reviewed principally in terms of SMARTness (being Specific, Measurable, Achievable, Realistic, Timely) and fit for purpose, including formats and indicators. The pilot process has also been examined in regard to:

- (a) Whether the rationale of selected indicators and targets matched the priorities of PNDP 2014-16;
- (b) The institutional arrangements between the PA, EUMS and other donors to organise and undertake the policy dialogue with regard to PNDP key priorities;
- (c) Consistency of approach across sectors; PNDP-M&E and ROF reporting systems; and
- (d) The results of the ROF through: (i) analysis of quarterly and annual reports foreseen in the MoU; and (ii) assessment of policy dialogue results through examination of the minutes of the EU-Palestine bi-annual high level policy dialogue meetings.

Policy dialogue, performance monitoring and reporting set-up

*Policy dialogue Setup:* The EU lead donors would conduct sector-level quarterly meetings with the relevant counterparts to follow-up on latest developments and indicators. Progress could have been discussed in the relevant Sector Working Group (within the LDF/LACS structure).

The EU (EUREP) and the Prime Minister's Office were to co-chair the EU-Palestine bi-annual high level policy dialogue (July/January) where progress and challenges on the overall RoF will be discussed, and indicators/targets/milestones will be reviewed. The EU and the PA were also to take stock of progress in the EU-PA ENP meetings.

*Monitoring and Evaluation Mechanism:* An annual assessment was to take place covering the overall RoF. An external evaluation was to take place at least every two years covering the whole PEGASE Direct Financial Support. Consultations with civil society were to be organised regularly, and at least once a year.

*Reporting Setup:* The EUREP was to lead the production of an Annual Report covering the overall results-oriented framework, with the inputs of each relevant EU sector lead. This report was to be shared with Palestine.

*Capacity Development – Complementary activities:* The EU/MS was to take into account the Capacity Development needs in relation to the implementation of the Results-Oriented Framework, in coordination with the other relevant donors.

Four evaluation questions (R1 to R4 below) were agreed with EUREP for the pilot ROF during the inception phase of the evaluation mission.

The objectives of the Pilot ROF have been assessed firstly in relation to support of EUMS policy dialogue with PA on key areas; and secondly as to whether they promotes aid effectiveness and the ROF approach has been imbedded in the PA system.



Annex 3 Table 2: Summary content of the pilot ROF 2015

Pillars	Sectors	Lead & Counterpart	RoF 2015 Priorities & Indicators	Indicators (targets are set for 2015 with baselines & milestones).
P1 : Fiscal consolidation and policy reforms  3 Sectors 6 Priorities 12 indicators	Macroeconomic Support/fiscal outlook (3 indicators)	L: EUREP C: MoFP	<u>Priority 1:</u> Fiscal consolidation and sustainability (2 indicators) <u>Priority 2:</u> Macroeconomic Stability (1 indicator)	1. Increased domestic revenues Nominal Terms by 5% 2. Decreased Net lending value in NT at least 20% 3. Strengthen Public debt management/Decrease arrears to the private sector by USD 100 M.
	Public Finance Management (6 indicators)	L EUREP Cs: MoFP & SAACB	<u>Priority 1:</u> Strengthened transparency and integrity of public funds. 4 indicators <u>Priority 2:</u> Strengthened oversight & accountability of public funds. 2 indicators	1. 2011 Financial statements published; 2012 audited 2. Accounting/reporting systems of arrears published 3. Comprehensive PFM strategy adopted 4. Audit committee appointed & functional 5. SAACB in line with INTOSAI best practices 6. Public oversight of budget preparation and execution is systematised; 3 milestones.
	Public Administration Reform (3 indicators)	L: UK Cs: PMO and GPC	<u>Priority 1:</u> Addressing the division between administrative systems in the West Bank and Gaza: 1 indicator <u>Priority 2:</u> Rationalisation and reform of the civil service covering both West Bank and Gaza (including fiscal sustainability and improved service delivery following a clear and transparent process). 2 indicators	1. National Consensus Government owned 'roadmap' adopted and implementable (3 milestones) 2. Pilot implementation plan for Health & Education adopted & implementation started 3. Pre-2007 employees' all integrated in payroll
P2: Service delivery  3 Sectors 7 Priorities 12 Indicators	Education 3 Priorities 3 Indicators	L: Belgium C: MoEHE	<u>Priority 1:</u> Curriculum Reform. 1 indicator <u>Priority 2:</u> Management Reform: 1 indicator <u>Priority 3:</u> Quality of school infrastructure: 1 indicator	1. Framework Curriculum reform G 1-12 adopted 2. New organisational model developed & adopted 3. % of enabling classrooms meeting nat. standards
	Health 2 Priorities 4 Indicators	L: Italy C: MoH	<u>Priority 1:</u> To prevent and control Non-communicable Diseases (NCDs) through health protection and promotion as well as improved diseases management especially at a primary care level. 3 indicators <u>Priority 2:</u> Reduction of MoH expenditures due to patients' referral. 1 indicator	1. 50% of PHC Units (13 D) implement the PEN 2. Legislation on Tobacco & Food published 3. Number of Mammography screening (+10%) 4. N° of cases referred to Israeli hospitals (-10%)
	Social protection 2 Priorities 5 Indicators	EUREP MoSD- as counterpart	<u>Priority 1:</u> Regular and predictable payments of social allowances to Palestinians living in extreme poverty in the West Bank and Gaza who are registered in the CTP. (4 indicators) <u>Priority 2:</u> The caseload of CTP beneficiaries classified as poor/vulnerable (i.e. not meeting PMT criteria) decreases (1 indicator)	1. 80% of CTP beneficiaries meet the PMT 2. Predictability and regularity of CTP payments 3. 10000 CTP households re-certified per year 4. PA contributes > 50% to the annual CTP cost 5. "exit strategy" for CTP households not meeting the PMT criteria is developed
2 Pillars	6 Sectors	4 Ls ; 7Cs	13 Priorities.	24 Indicators

Annex 3 Table 3: Approach to mapping and focus of Evaluation Questions

Clusters		Budget Contribution in EUR	Period of Evaluation	Evaluation Criteria					Assumptions: Evaluation Questions and assumptions 1. In previous evaluation 2011-2013 (DFS & CP) approved by EUREP- Impact & Sustainability criteria were merged. As design remains the same for DFS, conclusions on relevance-quality remain valid. 2. Due to the political nature of DFS, Sustainability criteria are not relevant for technical evaluation.
				Relevance & quality of design	Efficiency	Effectiveness	Impact	Sustainability	
PEGASE DFS  (mechanism and programmes)	CSP 261M€	342 M committed during 2014-15. 392 M disbursed during 2014-15	2014-2015	Done ■	■	■	✓	n/a	P1.a) Is the PEGASE CSP mechanism efficient b) Does it enable fund flows to be delivered and utilised by PA, provide the PA with sufficient flexibility to face PA budget variations, and reduce the deficit? c) Do all targeted eligible Civil Servants and pensioners receive their salaries and pensions on time? d) Is the PEGASE DFS CSP funding mechanism sufficiently simplified and conducive to unified PA management?  P2.a) Is the PEGASE DFS mechanism effective? b) Does it keep the PA and its Civil Servants accountable to deliver the basic services? c) Does it support the PA's reform agenda?  P3.a) Is the VFP mechanism efficient, effective, and impactful? b) Does support to VFP through the CTP contribute to sustained Social Services delivery? P4.a) Is the PEGASE DFS support to EJH mechanism efficient and effective in reducing arrears? b) Does PEGASE DFS support to EJH promote a sound MOH referral policy? c) Has PEGASE DFS support to EJH contributed to improving the level and quality of services by EJH and does it promote the sustainability of EJH?  P5. Is the PEGASE DSF mechanism deemed secure, controlled and transparent by EUMS?
	VFP 91M€		2014-2015	Done ■	✓	✓	✓	✓	
	EJH 40M€		2014-2015	Done ■	✓	✓	✓	n/a	
The ROF pilot phase (ROF objectives) Pillar 1: 3 Reforms 12 indicators  Pillar 2: Service Delivery 3 sectors: 12 Indicators		None	04-12/2015	✓	✓	✓	n/a	✓	R1: Is the pilot ROF relevant, appropriate and well designed, In relation to its set goals? R2: Is the pilot ROF efficient in meeting the goals of structuring the policy dialogue between the EU and PA on the NPA 2014-16? R3: Is the ROF effective: are the indicators and targets SMART? Is it properly & jointly reported, analysed & used for policy dialogue? R4: Is the pilot ROF sustainable: can it generate/evolve towards a PA framework for M&E of the NPA and guide joint policy dialogue with DPs (consistently with DPs reporting requirements)?
Complementary EU funded programmes	IS of SAACB phase 2	2.5 M	09-2014/12-2015	Done	✓	■	✓	n/a	CP1: Is the CP efficient, effective against its objectives and does it allow SAACB to meet ROF targets? CP2: Is the CP relevant to allow MoFP to meet ROF indicator target on PFM? CP3: Is the CP relevant? CP4: Is the CP relevant, efficient and effective to allow the PA to meet ROF targets on PAR? CP5: Is the CP efficient and effective? (its design was already evaluated before) CP6: Global effectiveness and impact: have the 5 CP been globally sufficient to effect fiscal consolidation and PAR? Are they sufficient to develop the overall capacity of PA stakeholders involved in the management of the pilot ROF (LMs, MoFP, SAACB, GPC, PMO, M&E, PC, et.al)? What outputs/results have they achieved? Are they appropriate in relation to support provided by other donors? Are the results sustainable in the medium term?
	TA to PFM	235 000	10-12/2015	✓	-	-			
	Tax PAC	950 000	08-2015/12-2015	✓	-	-			
	TA for CSR	1.4 M	2014-2015	✓	✓	■			
	CB to PCBS	1.4 M	2014/9-2015	Done	✓	■			
Global Assessment PEGASE (Instrument aims to support implementation of NDA & Aid Effectiveness)									G1: Is the overall setting conducive to a European Strategy EJS and response to support NPA? G2: Is the setting conducive to EUMS complementary programming, aligned to NPA 2017-22? G3: Is the setting conducive to donors' Aid Effectiveness?

The technical design of the ROF has been reviewed principally in terms of SMARTness (being Specific, Measurable, Achievable, Realistic, Timely) and fit for purpose, including formats and indicators. The pilot process has also been examined in regard to:

- (a) Whether the rationale of selected indicators and targets matched the priorities of PNDP 2014-16;
- (b) The institutional arrangements between the PA, EUMS and other donors to organise and undertake the policy dialogue with regard to PNDP key priorities;
- (c) Consistency of approach across sectors; PNDP-M&E and ROF reporting systems; and
- (d) Policy dialogue, performance monitoring and reporting set-up.

*Policy Dialogue Setup:* The EU lead donors would conduct sector-level quarterly meetings with the relevant counterparts to follow-up on latest developments and indicators. Progress could have been discussed in the relevant Sector Working Group (within the LDF/LACS structure).

The EU (EUREP) and the Prime Minister's Office were to co-chair the EU-Palestine bi-annual high level policy dialogue (July/January) where progress and challenges on the overall RoF will be discussed, and indicators/targets/milestones will be reviewed. The EU and the PA were also to take stock of progress in the EU-PA ENP meetings.

*Monitoring and Evaluation Mechanism:* An annual assessment was to take place covering the overall RoF. An external evaluation was to take place at least every two years covering the whole PEGASE Direct Financial Support. Consultations with civil society were to be organised regularly, and at least once a year.

*Reporting Setup:* The EUREP was to lead the production of an Annual Report covering the overall results-oriented framework, with the inputs of each relevant EU sector lead. This report was to be shared with Palestine.

*Capacity Development – Complementary activities:* The EU/MS was to take into account the Capacity Development needs in relation to the implementation of the Results-Oriented Framework, in coordination with the other relevant donors.

Four evaluation questions (R1 to R4 below) were agreed with EUREP for the pilot ROF during the inception phase of the evaluation mission.

The objectives of the Pilot ROF have been assessed firstly in relation to support of EUMS policy dialogue with PA on key areas; and secondly as to whether they promotes aid effectiveness and the ROF approach has been imbedded in the PA system.

The technical design of the ROF has been reviewed principally in terms of SMARTness (being Specific, Measurable, Achievable, Realistic, Timely) and fit for purpose, including formats and indicators. The pilot process has also been examined in regard to:

- (a) Whether the rationale of selected indicators and targets matched the priorities of PNDP 2014-16:

- (b) The institutional arrangements between the PA, EUMS and other donors to organise and undertake the policy dialogue with regard to PNDP key priorities;
- (c) Consistency of approach across sectors; PNDP-M&E and ROF reporting systems;
- (d) The results of the ROF through: (i) Analysis of quarterly and annual reports foreseen in the MoU; and (ii) Assessment of policy dialogue results through examination of the minutes of the EU-Palestine bi-annual high level policy dialogue meetings.

## 5. PEGASE DFS

The PEGASE DFS is a mechanism to disburse funds to support the recurrent expenditures of the PA. The evaluation will seek to validate effectiveness of the mechanisms. It will assess, to the extent possible, whether sub-objectives of the DFS, VPF, and EJH were met during 2014-2015. The consultant team will consider potential approaches to: (i) creating incentives towards improved service delivery of PA central ministries and agencies, and (ii) promoting PA reforms, that demonstrate results in terms of a modernised administration with strengthened effectiveness in covering citizen's needs within the context of current political constraints.

## 6. ROF

### 6.1. Pilot ROF

The Pilot ROF has been a tool through which the EU/EUMS and the PA have agreed on targets and undertaken monitoring of achievements of PA reforms, in order to support a better-structured and more coherent policy dialogue. The Pilot ROF is not directly linked to PEGASE DFS: i.e. the Pilot ROF was not established in tandem with PEGASE DFS funding mechanism and does not have direct linkages with its three key components. It is also not intended to be a framework for PEGASE DFS conditionalities, although these may be considered in future.

The EU has indicated that the Pilot ROF is a technical instrument to promote policy dialogue; joint programming between EU and EUMS; and better alignment with PA policy reforms. The EU has indicated that the definition of 'policy dialogue' is broader than 'discussions about policy': it also includes supporting the PA to: prioritise focus, establish policy targets and focus on results in regards to its PNPA. It seeks to help the EUREP understand PA's reform and activities; provide capacity development assistance; and fill technical gaps required by the PA.

The Pilot ROF evaluation will cover the period April to December 2015. The EUREP and the PA extended the Pilot ROF to the end of 2016 to allow more time to take stock of its achievements and lessons learnt during 2015, as well as better align with the EJS and PNPA – which are expected to be available by mid and the end of 2016 respectively, and implemented in 2017. The October to December 2015 last quarter's Pilot ROF progress report and Annual Report were made available to the evaluation mission in early June. The following objectives of the Pilot ROF were assessed firstly to support EUMS policy dialogue with PA on key areas; and secondly to promote aid effectiveness and consider whether the ROF approach is imbedded in the PA system. The technical design of the ROF was reviewed principally in terms of SMARTness (being

Specific, Measurable, Achievable, Realistic, Timely) and fit for purpose, including formats and indicators. The pilot process was also examined in regard to:

- a) whether the rationale of selected indicators and targets matched the priorities of the PNDP 2014-16;
- b) The Institutional arrangements between the PA, EUMS and other donors to organise and undertake the policy dialogue with regard to PNDP key priorities;
- c) Consistency of approach across sectors; PNDP-M&E and ROF reporting systems;
- d) The results of the ROF through: (i) Analysis of quarterly and annual reports foreseen in the MoU; (ii) Assessment of policy dialogue results through examination of the minutes of the EU-Palestine bi-annual High level policy dialogue meetings.

## 6.2. Future ROF

This evaluation's recommendations will inform the way forward for the Future ROF, with options to be considered by the EU and the PA. The ideal scenario would be for the Future ROF to be based on PNPA priorities, fully integrated within the PNPA, owned by PA, and adapted for policy dialogue with donors. However the PA faces a range of challenges that currently prevent it from achieving these optimal planning arrangements and performance management.

The European Joint Strategy (EJS) is a result of the EUREP's Joint Programming Approach (JPA) with EUMS, which is an integrated framework to design, implement and monitor the EU and EUMS's financial support to PA, in response to the PA's PNPA. The Future ROF will be a tool/component to inform and monitor the EJS. The EJS, including the future ROF, are aiming to fit with the timings of the PNPA commencing in 2017. The scenario 'If the PNPA is not in place by 2017' will be considered in relation to how the New ROF could be then used and adjusted in these circumstances.

The consultant team has made recommendations for the Future ROF. These include how to transition from the Pilot ROF to the Future ROF in the context of the PNPA and its sector plans. The question of how the PEGASE DFS components and ROF processes could be more integrated and aligned will be addressed; along with consideration that EUMS and PNPA planning, monitoring and evaluation systems are aiming to be aligned if not integrated.

## 7. Complementary Programmes

The objective of the CP is to support the capacity of PA institutions to design and implement reforms. The evaluation will assess how the CP were defined and whether their scope and focus are fit for purpose and realistic. The team will consider how the CP fit with other EUREP CP, donor support and PA activity within sector. Finally recommendations for future CP scope and focus in relation to PA reforms and Future ROF will be presented.

## 8. Difficulties encountered and limitations

During Stage II: Data Gathering and Assessment, there were a number of delays in obtaining the information and finalising decisions required due to the nature and tight timescales of the mission. Delays were as follows:

- a) The approval of the Inception Report has been delayed;
- b) Key elements (the pilot ROF 4<sup>th</sup> quarterly report and annual report 2015) were not available until the final week of the mission, and much new information has emerged due to the extension of the ROF; and
- c) Consultations with various partners and PA counterparts were conducted as a first round, much before the evaluation questions were discussed due to the short period allowed for pre-on-site desk based work. This required additional meetings with stakeholders to be held with more focused discussions on priority questions.

One of the objectives of the ROF is for it to be aligned with the PNPA. The first stage of the NPA involved the PA (PMO) preparing a matrix of key priorities. The process of preparing the sector plans and producing a finalised and costed NPA will take several months (including: development and issuance of guidelines for sectors, first draft sector plans, discussion, consolidation, prioritisation in relation to the donor support, budget planning, development of M&E framework and so on). Consequently it would have been more opportune to wait until PMO and line ministries to have had the opportunity to at least prepare their first draft proposals and route map for finalising the NPA, before undertaking the Evaluation Mission. The consultant team could then have added more value to the design of the Future ROF in relation to assessing its alignment with the NPA and the national M&E framework, once the NPA process had been further advanced in September/October 2016. The assessment of the Pilot ROF only covered the period up to the end of 2015 and not the 2016 extension period. Therefore the consultant team did not take into account any developments during 2016 and thus the assessment is incomplete.

The review of CP could only be undertaken at a superficial level due to time constraints as well as the lack of information available regarding: the NPA preparatory route-map, sector content, and associated capacity development needs.

Stage III involved the preparation of the Draft Final Report, which allowed 3 home-based working days. This was a gross under-estimation of the time required to prepare a report with such a broad scope and complexity of the issues that required analysis. It did not allow time for the consultant team to fully discuss the conclusions and recommendations and extra time, additional to the assignment days, were deployed by the consultant team to ensure the quality of analysis and the overall report.

The Evaluation Mission will be completed with a second on-site period of only 4 working days, principally devoted to a final reporting to EUREP, EUMS and PA beneficiaries with a multi-stakeholder workshop completing the evaluation mission. This constricts the time to incorporate the comments of the EUREP and stakeholders received during the second on-site mission.

## Annex 4: PEGASE DFS EU budget and EUMS donor contributions

	Civil Servants and Pensioners			Vulnerable Palestinian Families			Arrears to East Jerusalem Hospitals			TOTAL		
<sup>73</sup>	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Austria *				1.25	1.50	1.50				1.25	1.50	1.50
Denmark	10.06								10.71	10.06		10.71
Finland	2.00							2.50	4.00	2.00	2.50	4.00
Ireland	1.00	1.00	0.30	0.50	0.50	0.70				1.50	1.50	1.00
Italy	1.00								1.00	1.00		1.00
Luxembourg*	0.70	1.00								0.70	1.00	
Netherlands *a	5.50	3.00	4.00							5.50	3.00	4.00
Portugal						0.025						0.025
Spain					1.80	1.00					1.80	1.00
Sweden	4.68	4.31	4.31							4.68	4.31	4.31
EU *b	116.75	119.25	115.00	38.25	35.75	50.00	13.00	13.00	13.00	168.00	168.00	178.00
EU TOTALS		234.25			85.75			26.00			346.00	
TOTAL	141.69	128.56	123.61	40.00	39.55	53.225	13.00	15.50	28.71	194.69	183.61	205.55
OVERALL TOTALS 2014-2015		252.17			92.775			44.21			389.16	

<sup>73</sup> \* Contributions to EU budget as assigned revenues (Transfer Agreement)

\*a Fund contribution from 2008-2013 includes Eur. 1.5 Million earmarked for payment of salaries to Civil Police/Defence of PA

\*b The VFP contribution in 2015 included €10 million earmarked to provide cash assistance to households pulled down into poverty as a result of the June/July 2014 hostilities in Gaza

## Annex 5: Complementary Programmes: Answered Questions and Findings

The evaluation assessed how the CP were defined and whether their scope and focus were fit for purpose and realistic. The consulting team considered how the CP fitted with other EUREP CPs, donor support and PA activity within sector. Key evaluation questions have been posed for each of the CP and will now be addressed in turn.

### 5.1 CP1: Institutional Strengthening of the State Audit and Administrative Control Bureau

The SAACB comprises 155 staff of which over half (88) are auditors, and is operational in the West Bank but its office in Gaza is currently closed. Its core functions are to financially audit the PA's Annual Financial Statements (AFS) and PA entities, public commercial enterprises and NGOs. It also undertakes compliance audits against legislative requirements and performance audits of PA funded institutions and NGOs. Its work is organised through a Strategic Plan 2012-2016 with its mission being to become an autonomous auditing body in line with the International Organisation of Supreme Audit Institutions (INTOSAI) standards for Supreme Audit Institutions. The first phase of the CP (2010-2013) to institutionally strengthen the SAACB focused on assessing the gaps between the existing legislative framework and the INTOSAI standards. A new audit law was drafted and its third reading is currently under process. As part of the process the SAACB was restructured and received capacity development training and support.

<b>QC1. Is the Complementary Programme efficient, and effective against its objectives and does it allow the State Audit and Administrative Control Bureau to meet ROF targets?</b>
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This second phase of the CP commenced in September 2014 and is due to be completed in March 2017 with a budget of €2,499,880. The beneficiary is the SAACB and TA is being provided by PKF (UK) LLP. This second phase of the CP is a logical progression from the first phase. The focus is on how to implement the new audit law and to increase SAACB's public outreach. The CP has two key objectives, firstly to continue to reinforce the SAACB's competence to meet INTOSAI international standards and best practice through a range of training; and secondly to reinforce SAACB's institutional, legal and regulatory frameworks.<sup>74</sup>

Good progress is being made in relation to financial, compliance and performance audit training. However the new audit law has not been finally promulgated as yet and this has resulted in delays in the implementation of policies, regulations, procedures and standards along with operational ways of working. SAACB has implemented its organisational review, which was based on

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<sup>74</sup> Service Contract for European Union External Actions, No. ENPI2013/324-763 Institutional Strengthening of the State Audit and Administrative Control Bureau



recommendations from Phase I of the CP. Arrangements have also been put in place to follow-up on audits. However SAACB did note that the on-going weak capacity of MOFP's Internal Audit (IA) hampers their ability to effectively follow-up, as actions are required by IA to enable progress.<sup>75</sup> Effective progress in relation to PFM coordination has also been diminished by the fragmented approach to PFM that is evidenced within MoFP and this aspect is explained further in relation to the CP2 below that provides TA to the PA in PFM Reforms.

SAACB considers their CP and associated TA experience to be extremely positive. They attribute this to a number of factors including: having commenced with a needs assessment; having determined their own priorities; having a ToR that is flexible; being in the 'driving seat' throughout the process; and receiving TA support from Arab speaking consultants who understand their cultural context and ways of working. SAACB is currently considering requesting a non-financial extension of the TA support to focus on fraud and forensic audit. The organisation reported that the CP has demonstrated results through the improvement in the quality of their reports and the successful transition to adoption of INTOSAI standards. Relationships with their audited counterparts within the PA have improved. For example in relation to Internal Audit there had been some confusion in roles and through joint workshops, clarity has been achieved. Now when audit reports are requested from IA, they are received without delay, as there is understanding by both parties about their core responsibilities and requirements. A study tour to Malaysia resulted in a general MoU having been agreed whereby support is provided on a needs-basis. Overall SAACB perceives their stakeholders have more trust in them as a competent organisation and their auditing of the WB Grants evidences this.

Three key donors in addition to the EU support SAACB: Sweden, WB and USAID. Since a study tour to the Swedish National Audit Office (SNAO) took place during Phase I of the CP, a long-term relationship has been established between them with a focus on environment policy performance audit. The WB has provided short-term training to develop a Performance Measurement Framework to assess others in preparation for becoming the external auditor for WB Grants in the occupied Palestinian territory. USAID has provided training in Public Relations through the use of social media. USAID also intends to provide training in the audit of office furniture and equipment procurement.

The SAACB considers that it requires both capital budget support to buy capital items as well as ongoing capacity development support: the needs are broader than training requirements. In terms of future support the SAACB is looking to strengthen its competencies through increasing the number of auditors who have international qualification (for example, Certified Business Accountants (CBA) and Certified Management Accountants (CMA)).

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<sup>75</sup>Institutional Strengthening of the State Audit and Administrative Control Bureau, Periodical Report, PKF (UK) LLP, 21 January – 20 May 2015

## 5.2 CP2: Technical Assistance to the Palestinian Authority in Public Financial Management Reforms

QC2. Is the CP relevant to allow MoFP to meet the ROF indicator targets on PFM?

The CP commenced in October 2015 and is due to be completed in April 2017 with a budget of €235,587. The beneficiary is the MoFP and DFC consulting company has provided TA support through a short-term framework contract with the EUREP. A Public Expenditure and Financial Accountability (PEFA) assessment was undertaken in 2013 and found that the PA had made significant progress in relation to comprehensiveness and transparency of the budget, control and audit, despite the deepening political and financial constraints facing the PA. However this progress had not been institutionalised and all donors have expressed concerns about downward trends since mid to late 2013, particularly in relation to the accountability, integrity, and transparency of the public finance system.<sup>76</sup> The key areas of improvement in PFM, identified during the PEFA, were included as the core activities of the CP, with objectives as follows:

- i) Develop a comprehensive PFM strategy that will guide the development of its PFM systems and plan and monitor its reforms;
- ii) Enhance the budget preparation process and strengthen the transparency and accountability of the national budget;
- iii) Strengthen the fiscal reporting of the PA through implementing the accounting manual developed by the WB;
- iv) Improve civil society oversight on budget preparation and execution; and
- v) Support the PA to maintain and improve its Public Expenditure and Financial Accountability (PEFA) assessment results.

Since the CP recently commenced in November 2015 with the production of the Inception Report, the only activity completed to date has been the production of the draft PFM Strategy by DFC. The breadth of the TA's first mission was curtailed by staffing issues: with the need to replace the Accounting Expert after the start of the first mission and the Training Expert not having been recruited, resulting in the deferral of the activities until mission 2 in early 2016<sup>77</sup>.

Previous attempts had been made by the IMF to support the PA to develop a PFM Reform Strategy with missions fielded in January and December 2014. Despite IMF recommending the development of a PFM Reform Framework, little progress was made throughout the year. The DFC produced a Draft PFM Strategy, 2016-2018 in November 2015<sup>78</sup> The Strategy is comprehensive and was due to commence in 2016 for a period of three years (instead of the originally envisaged 2015 start date). However MoFP has not sought to adopt the strategy as yet; it was due to be considered by MOFP in April 2016 but has been delayed. Interviews with a range of

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<sup>76</sup> Specific Terms of Reference, Technical Assistance to the Palestinian Authority in Public Financial Management Reforms, EU 2015

<sup>77</sup> Inception Report, Technical Assistance to the Palestinian Authority in Public Financial Management Reforms, DFC, 4 November 2015

<sup>78</sup> Draft PFM Strategy, 2016-2018, DFC, 16 November 2016

stakeholders within MOFP confirmed that the strategy is considered to be donor led and not owned by MOFP despite the fact that the TA assistance was requested by the MOFP itself. It is unsurprising that a PFM Reform Strategy, developed by a consulting firm over a short period of time, would not gain traction with the MoFP as international best practice suggests that what is essentially a fundamental change programme would require ownership of the content and process by the government right from the start.

In recognition of slow progress in relation to PFM reform, the ROF included an indicator for MOFP to put in place a comprehensive PFM Strategy during 2015 but no progress was achieved. It is noted that two meetings of the Fiscal Sector Working Group took place during 2015 but PFM reforms were not discussed<sup>79</sup>. There were a number of key factors identified during the PEGASE Evaluation Mission that may be attributed to the lack of progress in adopting a PFM Reform Strategy and slow progress in relation to reform implementation. MoFP does not consider a comprehensive PFM Reform to be a priority and does not appreciate the potential benefits of such a strategy. However it confirmed that it believes that there is enough commitment to implement the strategy. The Ministry considers that it is already implementing a range of urgent reforms (such as the Revenue Strategy) and just because there is not a formal PFM reform Strategy in place does not mean that progress is not underway. However donors involved in supporting PFM (see Table 1: 'Donor support to PFM during 2014 and 2015' below, do not agree that adequate progress is being made. They consider a PFM Strategy or a coordinated approach to planning, implementing and monitoring PFM reforms as essential to institutionalising an effective reform approach within MoFP and as a basic condition for donor revenue and TA support.

In terms of institutional arrangements: a non-technical officer leads the PFM Reform and a PFM reform planning and progress are not subject to regular meetings with all key Directorates. A PFM Secretariat has also not been put in place, which is usual international good practice, particularly to ensure the comprehensive implementation of improvements and maintenance of achievements identified by PEFA assessments. Another factor cited by the CP TA as diverting attention and capacity away from PFM reform was the institutional absorption of the National Planning function within the MoF during 2015, which has not as yet been fully imbedded.

In relation to budget planning and management, a comprehensive budget is required to strengthen the credibility of the National Budget. The CP and the ROF PFM Sector Fiche included related objectives to improve the transparency and accountability (including systematic oversight) of the national budget preparation process and its execution (however the work of the CP had not commenced in this area during 2015). The squeeze on cash management due to the delays, under-payments and withholding of CR by Israel has increased the importance of effective planning, cash and commitment management and control. During the first quarter of 2015 when Israel halted repayment of CR, an emergency budget was approved by the PA's Cabinet on 17 March with salaries having been partially paid and line ministries having received half of their originally planned operational budgets. A comprehensive budget under the baseline framework was later approved by the President in June 2015 and the 2015 Budget Book was published on the MOFP

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<sup>79</sup> ROF PFM Quarter 4 Progress report, EUREP and MOFP, 2015

website.<sup>80</sup> PA colleagues and donors commended the leadership of MoFP in having shown immense resilience in managing the economy during this difficult period<sup>81</sup>. The ROF PFM Sector working group concluded that partial progress had been made in the systematization of the oversight of the budget preparation and execution process. The Ministry has also been focusing on the implementation of a three-year revenue strategy (2014 – 2016) which has been a key reform priority supported by the UK/DFID.

There had been delays in fiscal reporting due to the current accounting system (Bisan) not being automated and unable to produce reports to capture the stock of arrears. This in turn affected the ability of the PA to report on PA fiscal operations in a timely manner. Again both the CP and the ROF had adopted an integrated focus in relation to promoting the strengthening of reporting (however once again the work of the CP did not commenced in this area during 2015). The ROF PFM Sector working group has reported that good progress had been made during 2015 with fiscal reports that included information on the payments of arrears, having been available since March 2015. The serious delays in the publication of AFS since 2011 remained of utmost concern to the SAACB and donors: during the PEGASE Evaluation Mission in mid-2016, the AFS (2011) was only just being published.

Several donors are involved in providing both broad ranging and specific support to PFM, see Table 11: ‘Donor support to PFM during 2014 and 2015’. The CP TA Inception Report noted that there has been a lack of coordination between these activities, which was likely to have resulted in a duplication of efforts.<sup>82</sup>

Table 1: Donor support to PFM during 2014 and 2015

EU	<ul style="list-style-type: none"> <li>• Internal and external audit;</li> <li>• Revenue administration;</li> <li>• Net lending;</li> <li>• Civil administration reform.</li> </ul>
UK	<ul style="list-style-type: none"> <li>• Revenue reforms;</li> <li>• Macro-fiscal analysis and forecasting;</li> <li>• Programme budgeting;</li> <li>• Preparation of PNP;</li> <li>• Project monitoring and evaluation systems;</li> <li>• Capital expenditure management.</li> </ul>
WB	<p>Strategic advice on:</p> <ul style="list-style-type: none"> <li>• Procurement reform;</li> <li>• Cash planning and management;</li> <li>• Application of International Public Sector Accounting Standards (IPSAS) accounting standards</li> </ul> <p>The World Bank has also provided support in the following fields: pension, procurement, net lending and civil service reform.</p>
IMF	<p>Policy advice on:</p> <ul style="list-style-type: none"> <li>• Tax administration;</li> <li>• Legislative reform;</li> <li>• Single treasury account;</li> </ul>

<sup>80</sup> ROF PFM Quarter 4 Progress report, EUREP and MOFP, 2015

<sup>81</sup> Minutes of LACS Fiscal Sector Working Group, 8 April 2015

<sup>82</sup> Inception Report, Technical Assistance to the Palestinian Authority in Public Financial Management Reforms, DFC, 4 November 2015

	<ul style="list-style-type: none"> <li>Macro-fiscal policy/strategic planning</li> </ul> Conducts regular reviews on the progress of PFM reforms.
USAID	PA revenue administration.
JICA	Fiscal decentralisation reform with focus on property tax.

Source: Specific Terms of Reference, Technical Assistance to the Palestinian Authority in Public Financial Management Reforms, EU 2015

### 5.3 CP3: EU Support to Taxpayer Awareness Campaign in Palestine

#### Q.C3. Is the CP relevant?

The CP commenced in August 2015 and is due to be completed in February 2018 with a budget of €949,900. The beneficiary is the MoFP's Directorate of Customs and Taxes, specifically the Direct and Indirect Tax Departments, with EUREP funded TA support implemented through AARC Ltd. consulting company.

The CP forms part of the MoFP's wider programme 'Support to the Palestinian Authority: Financial Governance and State Building' that includes the aim to increase revenue collection through the promotion of citizen and corporate compliance with tax laws. The objectives of the CP are twofold: to increase awareness of taxpayers and citizens of Palestine of the importance of complying with tax legislation; and enhance the capacity of the Direct and Indirect Tax Departments to communicate on tax policy. The CP activity includes undertaking opinion research to understand the Palestinians' attitudes towards taxes. This will form the basis of the design of a communications strategy and the design of 8 communications campaigns including a focus on compliance and the 'moral' aspects of paying taxes and its societal benefits. The capacity of the departments will also be addressed in terms of communications and awareness approaches and skills in the latter part of the programme. EUREP as the contracting Authority is responsible for managing the project and monitoring activities, with initial review by MoFP.

In terms of institutional arrangements to manage and sustain communications, a Public Relations (PR) Unit was established in October 2015, with a seconded staff complement of 4, comprising a Manager and 3 representatives from VAT, Customs and Income Tax departments. The First Steering Committee meeting was held on 9<sup>th</sup> November 2015 to present the draft Inception Report and Communications Strategy.<sup>83</sup> Whilst the ToR required the inception phase to have been completed by November 2015, the Inception Report and Communications Strategy was not finalised by AARC and approved by EUREP until February 2016.<sup>84</sup> The opinion survey results were not available by the completion of the inception phase mainly due to the delay in confirming non-key experts and appointing the PR company. This information was required to inform the Tax Department's 2016 Tax Filing Campaign in readiness for its launch on 3 January, but the campaign was not launched until mid-February 2016. The Directorate of Customs and Taxes

<sup>83</sup> CP: EU support for tax payer awareness campaign in Palestine, Inception Report, AARC Ltd., February 2016

<sup>84</sup> Letter to AARC Ltd. 'Approval of Opinion research subcontracting contract ref. ENP/2015/ 357-417' (CP: Support to Tax Payer Awareness campaign in Palestine), Michael Voegelé, EUREP, February 2016

considered that this delay resulted in a loss of potential increased revenue and awareness about the importance of paying taxes.

The tax opinion survey interviewed 1,800 respondents, which provided a baseline for other surveys going forward. The aim was to gauge the current awareness of the tax paying system and the attitudes of Palestinian citizens to the payment of taxes. More than 70 per cent of respondents informed that they considered that payment of taxes was the morally correct thing to do. However nearly three-quarters confirmed that they did not believe that taxes are spent on value for money public services. Furthermore 65 per cent of respondents thought that there would be little enforcement of penalties if citizens did not pay their taxes. This confirmed the need for tax awareness campaigns that explain the benefits of tax paying and publicise the consequences of not doing so<sup>85</sup>. Figures with regard to the number of new tax-payers and the level of collection in the first quarter of 2016 in comparison to previous years are available to the Directorate but were not passed to the PEGASE Evaluation Mission. This would be a useful indicator for identifying the impact of the tax-payer awareness campaign and the quantifiable consequences of the late start of the campaign. Unsubstantiated evidence from the Directorate indicates that the rate of new taxpayers and the level of additional revenue generated were disappointing.

Further project challenges were identified by the AARC Ltd. experts as being the intermittent nature of the TA support and the limited time available to the PR Unit as they are staff seconded from other departments with other core functions responsibilities.

The Directorate of Customs and Taxes informed the PEGASE Evaluation Mission that it is dissatisfied with the quality and timeliness of the TA support it has received. They consider that the management of the CP is beyond their control and that there is not the flexibility to refocus the capacity development support. Furthermore they consider that the tax-payer awareness programme is not the only key priority that needs to be addressed. They cite the updating of their legislative framework as being of utmost importance. The VAT Law does not reflect the implications of the Israeli occupation and was promulgated in 1985. Likewise the Customs Law was passed over half a century ago in 1962. They also identify the need to modernise their on-line systems to enable tax-payer registration and payments. The current Revenue Management System (RMS) – Bisan was custom built in 2013 with the support of the WB and is working well but with limited functionality. This up-grading of the IT systems would require substantial investment. The Directorate also received support from France to improve its customs systems, but this assistance has since been completed.

Tax and non-tax (e.g. fees and service charges) collection is a key solution to increasing revenue and local domestic revenue generation is essential to increasing the self-determination of local government. Therefore it is of concern that there is an absence of tax related indicators and targets within the ROF PFM Sector Fiche. The current and target number/percentage of personal

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<sup>85</sup> EU support to a Taxpayer Awareness Programme in Palestine, First Progress Report, AARC Ltd., March 2016

and business taxpayers; and the current and target revenue generated by tax-payer per category, could be monitored, for example. Revenue increased from 21.6 per cent of GDP in 2014 to 22.3 per cent of GDP in 2015, due to improved clearance revenues and the efforts of the Directorate of Customs and Revenue to secure about nine thousand additional small taxpayers. In terms of fiscal reforms the WB advises that the PA should intensify efforts to broaden the tax base by further reducing tax exemptions and simplifying the tax regime for Small and Medium sized Enterprises (SMEs).<sup>86</sup>

In terms of relevance to factors affecting the PA's revenue, increased support through policy dialogue as well as technical support for addressing CR issues, would be likely to have a major impact on revenue and the sustainability of the PA. A five-point strategy has been prioritized by the PA and was discussed at the ADLC in May 2016 that requires increased dialogue between the PA and Israel, which have already commenced. Issues to be resolved include (1) The deduction for health, social insurance, and pension deductions from salaries of Palestinian employees in Israel. The PA estimates transfers owed by Israel to be around NIS 1.2 Billion; (2) The PA's inability to collect VAT invoices in Gaza and Area C is a basis for claiming CR from Israel. The PA estimates that in Gaza alone this amounts to NIS 400–500 million per annum; (3) Israel raised border-crossing fees for travellers in 2008 and since retained the additional revenue estimated at about NIS 240 million; (4) In 2015, the PA paid about NIS 250 million as a 3 per cent CR handling fee to Israel. The PA is seeking to lower the fee and cap the amount of total deductions; and (5) Israel also charges the PA a 3 per cent handling fee for fuel VAT and excises. The PA estimates the loss exceeds NIS 100 million annually.

#### **5.4 CP4: TA to support Civil Service Reform in the West Bank and Gaza.**

The purpose of this CP was “to support the PA's efforts to achieve its vision: a public sector reputable for integrity, good governance and responsiveness through the cost effective delivery of high quality public services to citizens as well as efficient and effective management of national resources”.

The CP was implemented through a project (total amount of €1.4 million) contracted by the EU with and implemented by EURECNA s.p.a (Italy) in consortium with the British Council (UK) and with the support of a local service provider: BENA' (Palestine). It started in November 2013 and ended in May 2016. The main beneficiaries in this project were the General Personnel Council (GPC) who is the direct beneficiary, the MoPAD and the MoF as key partners due to their roles in the administrative development<sup>87</sup>, and the HR units in LMAs.

The project was designed to support the GPC in its mandate to (i) modernise the human resources management policies, practices and systems; (ii) to optimise the structure and functions of the public administration; and (iii) to contain the total cost of the public sector in the overall context

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<sup>86</sup> Report to the West Bank and Gaza Ad Hoc Liaison Committee, IMF, 5 April 2016

<sup>87</sup> These two ministries were merged into MoFP in early 2016.

of the contribution of GPC to the implementation of the PNDP 2014-16. The specific objectives of the project were to: (i) improve the civil service legal framework and law enforcement capacities; (ii) enhance the efficiency of the civil service management and modernise HRM policies; and (iii) strengthen the capacities of the personnel in charge of HRM in Line Ministries and agencies to apply civil service HRM procedures. The project was organised in three components addressing: (i) the civil service legislation; (ii) the HRM modernisation; and (iii) the structural reorganisation and capacity building issues.

The project was implemented by EURECNA through a team of experts (3 key experts for a total of 710 person/days, and Short term non key senior and junior experts for a total of 503 p/days) backstopped by a dedicated project unit in EURECNA HQs. The team of experts was posted in the GPC premises in Ramallah and assisted the GPC directorates and units, under the leadership of a steering committee chaired by the President of GPC and including the Head of operations and the project manager in EUREP. The steering committee met six times during the project for review/discussion/approval of reports produced by the contractor: Inception Report (March 2014), four Progress Interim Reports (June 2014, February 2015, July 2015, January 2016) and the final draft report (May 2016). EUREP provided the third interim report (June 2015) in the general documentation provided for the evaluation. The final report of the project was not part of the documentation provided by the EUREP. However the mission met with the President of GPC and Directors and could gather their appreciation on the results of the CP. A draft final report (not yet formally approved) was shared with the mission by the GPC. The PEGASE Evaluation Mission could not meet with the TA team as they had already left the field.

**Q.4: Is the Complementary Programme for Civil Service Reform<sup>88</sup> relevant, efficient and effective in allowing the PA to meet ROF targets on PAR?**

As mentioned previously when reviewing the ROF, it should be noted that the sector selected in Pillar 1 as the 'Public Administration Reform' has the UK as the lead, and EUMS, PMO and GPC as counterparts, who monitored two selected priorities:

Priority 1: Addressing the division between administrative systems in the West Bank and Gaza; and Priority 2: Rationalisation and reform of the civil service covering both West Bank and Gaza, with three Indicators (the first one corresponds to Priority 1; the last 2 corresponds to Priority 2): National Consensus Government owned 'roadmap' adopted and implementable;

The pilot implementation plan for Health and Education has been adopted and implementation started; and pre-2007 employees' all integrated in the payroll.

The objectives of the CP are clearly geared towards improving the Civil Service Management legislative framework, tools and implementing capacities at GPC and LMs levels (and agencies). There is no reference to PAR in the CP which covers civil service in a wider sense, although civil service reform clearly contributes to PAR. Keeping in mind that the CP was started in 2013 before the ROF, and that PAR is not in the objectives of the CP4, the reply to the evaluation question is limited to whether the CP4 contributed to Civil Service Reform.

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<sup>88</sup> TA to support Civil Service Reform in the West Bank and Gaza.



The draft final report by EURECNA confirms that all activities, as agreed and updated regularly during the course of the project with the steering committee, were implemented and completed. The TA resources allocated to the project were used at a rate of 98 per cent, and according to plan. The timing of the project had to be adjusted for some activities due to the complex circumstances in Palestinian territories, including the delays in the legislative process and the replacement of two of the three Long Term key experts that took longer than expected.

Results achieved by the project include:

- i) Development of the draft Civil Service Law incorporating improvements regarding the performance appraisal process in accordance with annual plans, training system, disciplinary procedures, announcement of vacancies. The draft law is awaiting the third reading by the Cabinet before approval by President of the PA;
- ii) A policy framework document for Human Resource Management (HRM) in civil service has been drafted. It provides analysis and directions for further development in nine key policy areas for the civil service. It resulted in a new draft of Civil Service Development Strategy 2016-22 (CSDS) that will feed into the NPA 2017-22. Capacity development activities geared toward GPC leading the modernisation of the Civil Service and M&E of its implementation in LMAs were also undertaken. They included training seminars/courses to key staff in GPC and study tour visits to civil service institutions in Slovenia, Croatia, Latvia and Lithuania that benefitted to 31 professional senior staff participants from GPC and LMAs; and
- iii) Capacity building of the Human Resource (HR) function in LMAs to enhance the HRM/HRD policies and practices. It was based on capacity assessment of the HR units, the Training Needs Assessment (TNA) of key professional groups and it led to training courses provided to them. More than 1,000 participants were involved in the training events provided by the project.

Two limitations are noted in the contractor's report: (i) the process of agreement on conceptual changes in the draft CS law and the procedures of approval at Cabinet level were slow; (ii) the project was not able to provide the same support in Gaza nor involve significantly the civil service representatives from Gaza in project activities.

The recommendations offered in the final draft report can be summarized as follows:

- i) The new CS law requires additional work after the end of the CP, especially on the job classification system;
- ii) There is a need to strengthen the professionalism of the high level managers in the Civil service and apply the principles of political neutrality;
- iii) On the scope of the Civil Service, two option issues still require future review and solutions: (a) whether or not employees of wide public service sectors such as education, health, public works and agriculture should be fully included in the civil service and its training and development system. Only few countries still include them, like France and

- Germany but many other European countries have moved away from this option; and (b) whether or not the employees of local government should be considered as civil servants, which is not the case in Palestine, keeping two systems in parallel;
- iv) Further international donor's assistance will be needed to support priorities included in the CSDS 2016-22; and
  - v) The CS and HRM policy are important but only part of the wider PAR. The principles of wider Public Administration Reform need to be clarified in Palestine taking into account the present stage and political context of development and realistic objectives for necessary change.

From the beneficiary side, the results of the CP were very much appreciated by the President of GPC who was involved personally in all strategic steps of the support programme and facilitated its steering and monitoring. The support provided by the programme was extremely useful and helpful in the development stage of the key instruments of the Civil Service Reform.

Based on the above analysis and conclusions, the response to the evaluation question is that the CP has certainly contributed to develop the policies, tools and capacities of the key actors of the Civil Service Reform, particularly the GPC and the LMAs, which is one of the priorities picked in the ROF. However the indicators selected in the ROF for this priority were not targeted in the CP and therefore the later can be evaluated only against its own objectives. These targets, if confirmed for the future, should be accompanied by specific measures to support their implementation by the GPC and the corresponding LMAs.

## **5.5 CP5: Capacity Building for the Statistical Programme 2012 - 2013**

The main beneficiary is the Palestinian Central Bureau of Statistics (PCBS). Other beneficiaries are planners and decision makers, PA Government and NGOs, Municipalities, academic and research institutions, civil society and marginalised groups. The Grant Amount is € 1,419,804.20. Its implementation period was from 02/11/2012 to 02/09/2015. It was initially for 24 months and was extended to 34 months. The EU contract was established with the PCBS and was signed on November 2012. The contract was implemented by PCBS and Audited by Ernst & Young. A Grant Technical committee (steering committee), co-chaired by EUREP and PCBS was established and was to meet twice a year to monitor the programme.

The main objectives of this CP were: (i) To develop PCBS institutional capacities to carry out statistical activities, and disseminate their data; (ii) To update socio economic indicators and promote high level utilisation of statistical data among all relevant stakeholders; (iii) To contribute to National Development Planning & Monitoring processes. These objectives were in line with the strategic objectives of the PCBS spelled out in its strategic plans 2009-13 and 2014-18.

This CP builds on the previous EU assistance programme (ENPI/2008/164-617). It is also complementary to the recent EU MEDSTAT III regional project to promote evidenced-based policy-making and foster democratic development by using statistical data. PCBS is one of the

most prominent participants in this regional project. PCBS is also an active user of TAIEX, instrument in the framework of the European Neighbourhood Policy, providing ad-hoc short term TA. Other donors support the PCBS, including Norway, Switzerland and the Netherlands. In April 2012 Palestine subscribed to the Special Data Dissemination standard (SDDS) and PCBS is the national coordinator of the Standard. The EU grant will also help Palestine to continue its commitments to meeting International Standards. PCBS' President has been elected as President of the International Association for Official Statistics (IAOS) for the term 2015-2017.

Interim reports were produced by PCBS and submitted to the grant technical committee who met nine times between May 2013 and March 2015 for the regular review of the action plan, the progress of the grant activities, and to discuss any adjustments required. A final narrative report was produced by PCBS on 2 Dec 2015 and a draft copy was handed to the mission. A request for further support (€0.5 m) has been put forward to the EU by PCBS for continuation of support to activities during 2016.

The PEGASE evaluation mission met the PCBS twice to discuss the achievements of the CP and its contribution to the PCBS Strategic Plan 2014-18. Discussions were also held about how the PCBS has contributed to informing the M&E of the national planning process in the past and how it is prepared to contribute to the future M&E (moved to Cabinet) of the NPA 2017-22. Discussions also covered whether the PCBS capacities are deemed sufficiently developed to that end, in the context of the overall policy dialogue between the PA and Development Partners through the future ROF.

#### **Q.C5: Is the Complementary Programme efficient and effective?**

The CP supported the statistical activities that were in the programme of PCBS during the period 2012-2014 and partially for 2015. It contributed to data collection and data processing of the following PCBS activities: Consumer Price Index (part of SDDS); buildings and building licences; annual foreign trade statistics; Industry Production Index (part of SDDS); economic surveys; Construction Cost Index; labour force; establishing a GID, social survey of Jerusalem; and livestock survey.

It also supported TA activities for capacity building of PCBS staff, particularly in the following areas: training on 'share point' software; review of the PCBS strategy for 2014-18; building an interactive mapping atlas for Palestine; training on the role of social media; and a conference on 'efficient statistical information system for state building '. The CP also provided resources for the procurement of statistical equipment.

Apart from two TA activities that were not completed (use of GIS in census, and training on data), all statistical and capacity building activities were completed to the satisfaction of the beneficiary. This confirms the effectiveness of the CP. However a delay was experienced in the contribution of the CP to the 2012 census. Readjustments were then agreed with the EU and other donors supported that activity.

The objectives set in the CP, the relevance<sup>89</sup> and effectiveness of the programme, have been met. However, in terms of efficiency, the narrative report does not provide a financial breakdown of the budget expenditure per activity.

In relation to the overall PEGASE programme, the discussion of this CP raises three additional questions:

a) To what extent has the capacity of PCBS been developed to undertake the critical statistical activities as per its strategic plan and NPA 2017-22?

The PCBS now has a Statistical Development Strategy for 2014-18 that has been reviewed and consolidated with TA support during the implementation of the CP. However, in order to align with the NPA 2017-22, the strategy needs to be updated, expanded and be aligned with that strategic needs of the national planning system as well as costing and funding requirements being identified. Furthermore the funding needs to be secured for that updated strategy, including for priority strategic activities like the National Census and household surveys. This is an important national objective for which PCBS needs to be supported during the next planning period.

b) Is PCBS sufficiently involved in the design and contribution to the national M&E system that has been transferred to Cabinet?

Apart from producing overarching national statistics that are needed for the Government and main economic actors, the PCBS also has the coordination of LMA's sector statistics as part of its mandate. In this regard, the PEGASE Evaluation Mission found that at this stage that the national M&E system, which has been transferred to the GD of M&E of the Secretariat General of the Cabinet, is still to be developed in line with this new distribution of responsibilities. The contribution of PCBS to this action is important and its role in the M&E development process is still to be defined in practical terms and agreed upon through a concrete action plan that could be facilitated by the PMO. Support from the PMO and the community of donors, in particular from the EUREP, is critical for this action, as it relates to building the instruments for policy dialogue.

c) Has PCBS been sufficiently involved in the policy dialogue based on the ROF and supported adequately in this respect?

The PEGASE Evaluation Mission found that the PCBS, although benefiting from a CP, and although the objective to contribute to National Development Planning & Monitoring processes is clearly within its mandate, it has been neither involved enough in the policy dialogue around the ROF, nor has it been consulted during the design phase of the ROF, at least in relation to the rationale of the indicators, targets and milestones. The PCBS' knowledge and expertise on national statistics, sectors' information systems, and smartness of Key Performance Indicators (KPI) could have been a valuable resource to insert in the process, and in return the process could have contributed to the further development of these capacities in PCBS.

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<sup>89</sup> EUREP indicated that the design of this programme has already been evaluated before

## Annex 6: Work plan

		Output	Experts' working days				May-16			Jun-16		July 16	Oct-16	Nov-16
			KE1		KE2		W/C	W/C	W/C	W/C	W/C	W/C	W/C	
			Field	Home	Field	Home	15	22	29	5	12	11	24	21
Phase 1: Inception		Inception Report	10	2	10	2	Arrive in West Bank	Field Work	Submit Inception Report					
Activity a	Desk based review			2		2								
Activity b	Structuring of the evaluation		2		2									
Activity c	Data collection		5		5									
Activity d	Analysis		3		3									
Phase 2: Data and Gathering Assessment		Country Notes	15	0	15	0					Submit notes		Comments received from EU	Submit finalised report
Activity a	Data collection		11		11									
Activity b	Verification of the hypothesis		4		4									

		Output	Experts' working days				May-16			Jun-16		July 16	Oct-16	Nov-16
			KE1		KE2		W/C	W/C	W/C	W/C	W/C	W/C	W/C	W/C
			Field	Home	Field	Home	15	22	29	5	12	11	24	21
Phase 3: Synthesis and Reporting		(1) Draft Final Report and Executive Summary (2) EUREP Reporting meeting (3) EU (NEAR B1 and B3) Reporting meeting (4) Presentation to EUMS (5) Stakeholder Workshop/Seminar (6) Final Report and Executive Summary	10	3	10	3					Submit presentation and Executive Summary; Meeting with EUREP; Briefing of EU HQ in Brussels	Submit Draft Report		Arrive in West Bank Leave WB
Activity a	Analysis		2	2	2	2								
Activity b	Judgements		1	1	1	1								
Activity c	Reporting		7		7							Home based report writing		Reporting to EUREP; EUMS, Stakeholder Workshop
TOTAL WD			35	5	35	5								
TOTAL Working Days			40		40									
TOTAL Per Diem			40		40									
Working Day														
Day Off														
		Arrive/Depart from field												
		Submit Report/Reporting												

## Annex 7: List of Persons Consulted

### PEGASE Evaluation Consultant Team Meeting Schedule

	Organisation	Name(s) & Positions
1-6	EUREP	Alessandra Viezzer, Head of Cooperation Michael Vogeles, Head of Operations Section Meriem El-Harouchi, Project Manager DFS Joseph Desquens, Project Manager DFS Rami Alazzeah, Task Manager, Macroeconomic Support and Social Development (PEGASE DFS & UNRWA) Carole Rigaud, Project Manager, Governance and Public Administration – Aid Effectiveness
	EU DG NEAR	Laura Fallavollita, Geographical coordinator - Palestine and Israel
7	MoFP	Laila Sbaih, Head of International Cooperation
8	DFID	Jane Alexander, Governance Coordinator (by skype)
9	Spanish Cooperation	Jesus Tome, Economic Growth and Humanitarian issues - Senior Programme Manager
10-12	Palestine Central Bureau of Statistics	Ola Awad, President Haleema Saaed, Acting Director General of International Relations Husan Khaleifeh Department Director – Foreign Trade Statistics Dept
13	Denmark Cooperation	Esther Lonstrup, Head of Cooperation, Al Far, Programme Manager - Acting Deputy Head of Cooperation
14-15	PMO, Policy, Priorities and Reform Unit	Dr Estepan Salema, Head of Policy, Priorities and Reform; Diyala Abdlrasul, Policy Officer
16-17	Netherlands Cooperation	Dicky Methorst, First Secretary - Rule of Law Michael Duijf, Financial Controller
18-19	World Bank	Pierre Messali, Senior Public Sector Specialist Nur Nassereddin, Economist
20-21	Italian Development Cooperation Agency	Vincenzo Racalbuto, Head of Cooperation Enrico Materia, Alfonso Anania (both Health Programme Coordinators)
22-23	Swedish cooperation	Amra Turcinhodzic – Consul Tala El-Yousef Programme Officer Health
24	Local Aid Coordination Secretariat (LACS)	Ureib Amad, Aid Coordination Officer - Social Development Sector
25-27	Belgium Consulate	Florence Duvieusart, Head of Development Cooperation Jan De Ceuster, Technical Advisor (Joint Financing Arrangement Project & F-T earning Projects) Gauthier De Woelmont, PFM Advisor
28-29	MoSD	Daoud Aal Deek, Assistant Deputy Minister Mr Khaled El Barghouti, Deputy Director of the Poverty combating unit (TBC)
30-31	GOPA	Michael Gericke , Valetin Vladu Key Expert Social Protection. Dr Nader Saïd.
32-34	MoH	Dr. Asaad Ramlwai, Deputy Minister of Health Ms. Maria Al-Aqra, Director of International Cooperation Dr. Amira Hindi, Director of Referral Department
35	General Personnel Council	Mr. Mousa Abu Zaid, Chairman of General Personnel Council
36	GoPA Joint Programming Group	CSOs workshop
37	MoFP Payroll	Mr Abdeljaber Selem DG Payroll
38	UNICEF	Kumiko Imai, Chief Social Policy

	Organisation	Name(s) & Positions
39	Finland Cooperation	Karita Laisi, Head of Cooperation, Finland
40	Adam Smith International/DFID	Egle Rimkute, M&E Consultant
41	SSACB State Audit and Administrative Control Bureau	Mr Ismat Abu Rabbi, DG of Economic Control in the State General Audit
42-45	MoEFE	Dr Sabri Saidam, Minister of EFE Dr Sakeena Elayan Dr Basri Saleh Dep Minister MoEHE Mr Azzam Abu Baker, Assistant Deputy Minister for Admin & Finance
46	MoFP Budget Directorate	Mr Farid El Ghanem Deputy Assistant Budget
47	IMF	Hania Qassis, Local Economist
48-57	Field trip to Nablus	Qamar Masri, Attadamun Society Remah Altakar, Palestine Red Crescent Society, Nablus branch Raeda Ali, Arab Women's Society Qamar Al. Abweh, Union Charitable Societies for Northern Governates Yusra Saman'ch, Civil Society of Governate, Nablus Kamal Jaber, Handicap Union, Nablus member Salam Shakkshar and colleague (no name recorded) Directorate of Social Development, Nablus Dr Zahar Nassal, An Najah Child Institute Dina Kadumee (no organisation recorded) Samer A Agrog, Office of Care of Disabled, An-Nojah University
58-65	MoEHE.	Dr Basri Saleh, Deputy Minister Dr Sakeena Elayan Mr Aezam Abu Baker MoHanad Abu Shama Dr of Personnel. Amjad Abu Hsein. Dir of the payroll MoEHE Dr Ma'moon Jabr DG of Planning Rabiha Elyan M&E Amel Hammad Head of Planning Divison
66	French Consulate	Flamand Francois - Xavier Economic & Commercial Counsellor
67-68	Directorate of Customs and Taxes	Laury Hanash DG Customs and Taxes Sahar Mailei, Management for Public Relations Department
69-70	Public Finance Institute, MoFP	Nihad Unis, Acting Director Fa'ida Awashreh, Training Manager



## Annex 8: List of Documents Reviewed

### I. Documents provided by EUREP to the evaluation mission

- Documents submitted to the AHLC (21 doc in 2014-2015)
- EU and Coordination (7 sector strategy fiches 2014 and SSF 2014-15)
- Evaluation of the EU cooperation with OPT and support to the Palestinian people 2 Vol. May & July 2014.
- NPA 2017-22: 3 documents
- PEGASE DFS documents: Donors quarterly reports; evaluation 2011-2013; Financing agreements; Monthly Implementation progress reports 2014-2015; MoUs with Donors.
- PEGASE ROF: Pilot ROF package MoU & Annexes; Sector progress reports.2014, 2015. High Level Policy Dialogue minutes of meeting, ROF annual report 2015.
- PNDP PA, 2014-16
- Complementary programs (ENPIs: contracts, Financing Agreements, Progress Reports)
- Documents related to European Joint Strategy and Joint Programming Approach
- Other documents provided by counterparts during the evaluation (PCBS, GPC, MoFP, MoSD, MoEHE, MoH, such as Strategic Plans, M&E frameworks, ENPI draft final reports)
- MoSD Social Development Strategy 2014-2016, PA, January 2014
- National Policy Agenda 2017-2022, Priority Matrix, PMO, PA, May 2016
- Specific Terms of Reference, Evaluation of The Palestinian Programmes of Direct Financial Support to the Palestinian Authority and Results Oriented Framework in the Period 2014-2015, EUREP West Bank and Gaza, 2016
- PEGASE DFS Mechanism, presentation to EU Heads of Mission, Meeting of EU Heads of Mission, by programme managers, EUREP, 10 March 2016
- EU support to a Taxpayer Awareness Programme in Palestine, First Progress Report, AARC Ltd., March 2016
- Letter to AARC Ltd. 'Approval of Opinion research subcontracting contract ref. ENP/2015/ 357-417' (CP: Support to Tax Payer Awareness campaign in Palestine), Michael Voegelé, EUREP, February 2016
- PEGASE DFS Support to Recurrent Costs of the PA Budget, Implementation progress, 31 December 2015
- Palestinian Reconstruction and Development Programme – Trust Fund, Quarterly Review, October – December 2015, World Bank
- ROF Reporting on Health Sector Fiche, Health Sector Group, 27 November 2015
- Inception Report, Technical Assistance to the Palestinian Authority in Public Financial Management Reforms, DFC, 4 November 2015
- ROF Public Financial Management Quarter 4 Progress report, EUREP and MOFP, 2015
- Specific Terms of Reference, Technical Assistance to the Palestinian Authority in Public Financial Management Reforms, EU 2015
- West Bank and Gaza, Report to Ad Hoc Liaison Committee, 18 September 2015
- Joint Economic Strategy Group and Fiscal Sector Working Group, 15 September 2015

- Institutional Strengthening of the State Audit and Administrative Control Bureau, Periodical Report, PKF (UK) LLP, 21 January – 20 May 2015
- Minutes of LACS Health Sector Working Group meeting, 7 May 2015
- Track 2 – Sector 3: Social Protection (SP) Progress report April to June 2015 (2015/Q2), ROF Social Protection Sector Group
- Minutes of LACS Fiscal Sector Working Group, 8 April 2015
- Evaluation of the Palestinian-European Socio-Economic Management Assistance Mechanism (PEGASE) Programmes of Support to the Recurrent Costs of the Palestinian Authority (2011-2013), Final Report, EPRD, March 2015
- ‘Note for the attention of Michael Koehler, DG NEAR B, from Deloitte re: review of PEGASE DFS mechanism’s processes – by Deloitte and recommended way forward’’, The Office of the Representative, EUREP West Bank and Gaza, and UNWRA, 9 March 2015
- Financing Agreement Recurrent Expenditures of the PA, 2015 (Part 1: reference: ENI/2015/037-293)
- Financing Agreement Recurrent Expenditures of the PA, 2015 (Part 2: reference: ENI/2015/038-
- PEGASE DFS of Recurrent Costs of the PA Budget, Implementation Progress, 31 December 2014, EUREP
- Minutes of LACS Health Sector Working Group meeting, 15 December 2014
- Financing Agreement Recurrent Expenditures of the PA, 2014 (Part 1: reference: ENI/2014/990)
- Financing Agreement Recurrent Expenditures of the PA, 2014 (Part 1: reference: ENI/2012/024-990) Technical And Administrative Provisions
- ANNEX I to Financing Agreement DFS to Recurrent Expenditures of the PA, 2014 (Part 1: reference: ENI/2014/024-990)– APPENDIX 1 Component 1: Supporting Palestinian administration and services, EUREP, 2014
- ANNEX I to Financing Agreement DFS to Recurrent Expenditures of the PA, 2014 (Part 1: reference: ENI/2014/024-990) – APPENDIX 2 Component 2: Supporting the Palestinian social protection system, EUREP, 2014
- ANNEX I to Financing Agreement DFS to Recurrent Expenditures of the PA, 2014 (Part 1: reference: ENI/2014/024-990) – APPENDIX 3 Component 3: Support to East Jerusalem Hospitals, EUREP, 2014
- Financing Agreement Recurrent Expenditures of the PA, 2014 (Part 2: reference: ENI/2014/037-579)
- EU Sector Strategy Fiche: Health, December 2014
- PA Report to ADLC, PA, 30 September 2015
- Draft Inception report, Phase II Institutional Strengthening of the State Audit and Administrative Control Bureau, BDO-LLP, December 2014
- EU Sector Strategy Fiche: Macro-economic support, December 2014
- Final Report, Evaluation of the European Union’s Cooperation with the occupied Palestinian territory and support to the Palestinian people Development and Cooperation EuropeAid, July 2014
- Review of the DFS Processes, Deloitte and Touche, November 2014
- National Development Plan, State Building to Sovereignty, 2014-2016, Palestinian Authority, 2014

- Bulletin of the Office of the EUREP Representative to the West Bank, Gaza and UNRWA, number 154, July-August 2015
- Note to Mr Michael Khoeler, Director DG Near B, review of the PAGASE DFS mechanism's processes, Results and recommended way forward, 9 March 2015, EUREP
- Minutes of LACS Health Sector Working Group meeting, 30 June 2014

## II. Other documents

- Right to health Crossing barriers to access health in the occupied Palestinian territory, 2014 2015, WHO, December 2016
- PMOH Hospital Referrals Section, Draft Report, PHCP, USAID-Inter-health, June 2016
- Report to the West Bank and Gaza Ad Hoc Liaison Committee, IMF, 5 April 2016
- MENA Economic Monitor Report - Spring 2016 World Bank
- Opinion Surveys for the EU Support to a Taxpayer Awareness Programme in Palestine, AARC Ltd, 28 November 2015
- A Better Medical Referral System Leads to Huge Cost Savings for the Palestinian People, Health referrals Update, Intrahealth, 2 October 2015
- West Bank and Gaza, Report to Ad Hoc Liaison Committee, 18 May 2015, IMF
- Causes behind the Palestinian Authority's Large Wage Bill and the Road to Its Sustainability, World Bank, April 2015
- The Palestinian National Cash Transfer Program, The Way Forward, Draft, UNICEF, March 2015
- Project Appraisal Document, Proposed Grant Health System Resiliency Strengthening Project, WB, 6 January 2015
- Presentation: Referral cases realities and challenges, USAID-Intra-health, 15 December 2014
- West Bank and Gaza Targeting Assessment of the Cash Transfer Program – Phase II, World Bank, September 2014.
- Technical Brief 1, Rapid Assessment Of Health Services Capacity In The West Bank, Palestinian Health Capacity Project, USAID-Inter-health April 2014
- Effects of the Palestinian National Cash Transfer Program on Children and Adolescents, UNICEF, April 2014
- West Bank and Gaza Opinion Survey, 2013-2014, WB
- Monitoring Report, CP Institutional Strengthening of the State Audit and Administrative Control Bureau, Phase I, 13 December 2013
- Service Contract for European Union External Actions, No. ENPI2013/324-763 Institutional Strengthening of the State Audit and Administrative Control Bureau
- Impact Evaluation of the EU Contribution to the Palestinian Cash Transfer Programme, EU, 2013
- EU Support to the Palestinian Authority, Special Report Number 14', European Court of Auditors, 2013
- EU Support to the Palestinian Authority, Special Report Number 14, European Court of Auditors, 2013
- West Bank and Gaza Public Expenditure and Financial Accountability assessment, World Bank, 2013

- West Bank and Gaza Targeting Assessment of the Cash Transfer Program, The World Bank, June 2012.
- Transforming Cash Transfers: Beneficiary and community perspectives on the Palestinian National Cash Transfer Programme, Part 1: The case of Gaza Strip and Part 2: The case of the West Bank, Overseas Development Institute (ODI) and UK Department for International Development (DFID), 2012
- Inclusion and resilience: the way forward for social safety nets in the Middle East and North African regions, World Bank, 2012 MENA Report
- Budget Support Guidelines, Directorate-General for Development and Cooperation- EuropeAid, September 2012

Web references:

- <http://www.worldbank.org/en/programs/rebuilding-gaza-donor-pledges>
- [http://ec.europa.eu/europeaid/work/visibility/index\\_en.htm](http://ec.europa.eu/europeaid/work/visibility/index_en.htm)

## Annex 9: Technical Annexes

Evaluation Dissemination Stakeholder Workshop, 22 November 2016:

### Dissemination workshop

**Evaluation of PEGASE Direct Financial Support to the Palestinian Authority  
and Results Oriented Framework in the period 2014-2015**

**22 November 2016**

**At Palestine Public Finance Institute – Ramallah  
Nablus Road, Al-Rukham Bldg, Al-Bireh, floor no. 6**

### DRAFT AGENDA

**Objective:** To share and discuss the key findings and recommendations of the evaluation with key stakeholders.

**9.15 – 9.30                      Registration and refreshments**

**9.30      9.45                      Welcome and opening remarks**  
Dr. Estephan Salameh, Prime Minister Office  
Ms. Laila Sbaih Eghreib, Ministry of Finance and Planning  
Mr. Michael Voegele, European Union Representation

**9.45 – 10.30                      Presentations of key findings and recommendations**  
By Roz Saad and Mahiedine Saidi, consultants from International Consulting Expertise

**10.30 – 10.45                      Refreshments**

**10.45 – 11.45                      Questions and Answers, Discussions**

**11.45 – 12.00                      Closing remarks**

**12.00 – 1.00                      Lunch**

## **1.8. Main points of discussion from the PEGASE DFS Evaluation Dissemination Workshop, held at the Palestine Public Finance Institute, Ramallah on 22 November 2016**

### **1. Background**

An Evaluation Mission by an independent consultant team was undertaken on-site in the Occupied Palestinian Territories during mid-May to mid-June 2016. The period covered by the PEGASE Evaluation Mission was 2014-2015. The objective was to undertake a comprehensive assessment of the three 'clusters' of the EU's support to the PA: PEGASE Direct Financial Support (DFS) mechanism; Pilot Results Oriented Framework (ROF); and Complementary Programmes (CP). A draft Evaluation Report was then produced for the EUREP.

### **2. Workshop Objectives**

A half-day workshop of key stakeholders was held on 22 November 2016 in Ramallah for the consultants to present the conclusions and recommendations of the evaluation. The objective was to inform stakeholders and discuss the key areas of the evaluation and identify any factual corrections to the report. Workshop participants were provided with a draft Executive Summary of the Evaluation Report along with an Arabic translation. The consultant team gave a presentation of the Evaluation Mission's conclusions and recommendations. Dr Estephan Salameh, PMO; Leila Sbaih, MoFP; and Michael Voegelé, EUREP chaired the workshop discussion. The agenda of the workshop and the PP presentation are also attached to the final report in annexe 9. Below are the salient points discussed by the participants during the workshop.

### **3. ROF**

#### The pilot ROF 2015

The PA considers that they have learned from the pilot ROF exercise. The experience of the pilot ROF is important for PA to show its commitment to the International community and overall the experience has been positive. There is a lack of linkages between the ROF and the NDP. Sectors should have been helped to prepare their sector plans (outside of the relatively limited (but valued) support of the Complementary Programmes). The future ROF needs to be linked to the NPA.

The PA is overwhelmed by requests to use indicators by many donors. If donors want to use indicators as a prerequisite to funding, they should coordinate with each other, harmonise and prepare common formats for PA to use. If there is a new ROF then bring other donors together (including WB, DFID) to develop a coordinated approach. When choosing indicators there needs to be the flexibility to change those indicators if required.

The MoSD are happy with this experience; the selection of indicators was done in a participatory way. But the donors need to coordinate with each other. Now there is the NPA, the Sector strategies, the SDGs, and the action plan of the Neighbourhood Policy: all should be coordinated; the PA cannot have different indicators for each donor. It is important that EU supports the PA to develop the national M&E framework so that indicators for the PA, for the EU, WB, DFID and other donors, are aligned to PA policy priorities and directly linked to them through outcomes/results. There is now a 6-year plan with a 3 years financial envelope, and therefore a quarterly reporting on indicators is not appropriate; annual reporting on a 3-year plan based on a national M&E system (2017-2019) would be frequent enough.

In Education, the indicators chosen were not really based on priorities of the sector plan as, for example, Early Childhood Education Development (ECD). Changes in such area cannot be measured every quarter. It is a process. Therefore having smart indicators and at the same time results indicators is tricky. Selecting meaningful indicators for ECD would have related to enrolment and curriculum development in this sub-sector. The Education sector plan

has a very well developed M&E framework with 34 quality indicators out of a total of 88. What should be in the ROF should come from existing sector indicators. The quarterly review of indicators is too frequent; the review of results should be annual. There was a second ROF for 2016 and Education proposed different indicators than those for 2015, have they been incorporated? Other suggestion is that The same representatives should attend the meetings on the ROF for continuity and consistency purposes, and clear next steps for the future ROF need to be agreed.

For DFID, the presentation provided a good overview for a new arrival to Palestinian Occupied Territories. They agree that indicators should be coordinated between stakeholders and based on PA priorities, and suggest that CSOs should be more involved in the ROF, beyond consultation.

The reorganisation of the civil service in Gaza needs to be recognised as political and not a technical indicator as it is outside of the control of the GPC.

#### The future ROF

The EUREP supports that the future ROF should be driven by national priorities. EU is committed to working together with DFID and WB to unify indicators. However total integration cannot be guaranteed as each donor has its own procedures and reporting requirements but the aim is at least to align indicators and reporting requirements. Donors should also base their requirements on the national M&E system when it has been developed and it is understood that DFID will be supporting its development. Like DFID the EU does not see any difference between ROF as a tool for measuring progress and checking that policies are implemented. The question is to consider what kind of indicators should align with the NPA and ministries' priorities and indicators, for a 2-3 year period, with perhaps bi-annual reporting. There has not been full engagement with CSOs. It would have been better if they had been involved within the development of national sector strategies and not separately in the ROF.

#### **4. PEGASE DFS**

##### Civil Service and Pensions

The PA is satisfied with the PEGASE DFS mechanism; it is one of the most predictable and reliable funding modality. The consultants' proposal to directly align CSP with Education and Health or other sectors such as Social Development to link it more directly with service delivery, was not welcomed by either the PA and EUREP. PEGASE DFS is considered to be primarily concerned with supporting the 2 State Solution and therefore it was considered that if donors want more influence over service sectors then they should fund them separately through supplementary projects.

##### Vulnerable Palestinian Families (VPF)

A multidimensional poverty study is currently being undertaken by the PCBS and a new definition of poverty is being considered. There have been 5 assessments of the effectiveness of the CTP, including studies commissioned by EU, WB, DFID, and UNICEF. A unified action plan with a road map was developed in 2015 and MoSD has implemented some activities although some significant aspects have not been funded as yet.

There were mixed views during the Evaluation Mission about whether the administration of VPF resulted in social workers being over-burdened by CTP but MoSD highlighted that social services need additional investment. MoSD welcomes joint meetings with CSOs for purposes of dialogue with donors.

##### Support to East Jerusalem Hospitals

There was little discussion about support to EJH. The Evaluation Mission proposed that Health should be funded as a sector wide approach through Budget Support but this was not thoroughly discussed by the workshop.

##### Conditionality

There was a discussion about 'Conditionality' in relation to the PEGASE DFS. The Evaluation Mission recommended that Conditionality is not appropriate as it would hamper the 2 State Solution political objective of DFS. PEGASE DFS is a response to the 2 State Solution, in recognition that the revenue deficit is beyond the control of the PA. Conditions would unlikely be met. In addition, the DFS is well managed with good checks and balances so the audit trail of funding is assured. That does not mean that the ROF could not be more directly linked to sectors to pursue the sub-objective of improved service delivery. The PA does not support a move to conditionality and considers that it would negatively affect the dynamic of the partnership between EUREP and the PA.

A minority of donors believed that conditionality is not necessarily inappropriate because it depends at what level that conditionality is located e.g. process, outputs, results or outcomes. Donors do need to provide political accountability that funds are spent properly.

## **5. Complementary Programmes**

The CPs were discussed and are considered to be an important modality for capacity development. Civil Service Council and PCBS highlighted positive experiences from the CPs.. The experience of the taxpayer awareness programme identified the need for more flexibility by EUREP and the need for the PA to be in the driving seat to own the CP.

A discussion ensued about PFM and there was a difference of views between the Evaluation Mission and the MoFP representative about the conclusion that the draft PFM strategy document produced by the TA as part of a CP, is not fully owned by the PA.

## **6. Conclusions and closing remarks by Leila Sbaih, MoFP, and Michael Voegele, EUREP:**

The report and the presentation provided good analysis on how to proceed with supporting the PA and Palestinian population. The PA should lead the process with the NPA and related sector strategies with the coordinated support of donors.

## **7. EU Member States dissemination meeting**

A dissemination meeting was held with EUMS on 23 November at the EUREP in Jerusalem. The consultant team gave a presentation of the Evaluation Mission's conclusions and recommendations. Michael Voegele then chaired a discussion. The meeting was attended by the following 7 EUMS: Ireland, Spain, Sweden, the Netherlands, Norway, Finland, Czech Republic, and France.



## 1.9. LIST OF WORKSHOP PARTICIPANTS

### PA:

1. Dr. Estaphan Salameh, PMO
2. Diyala AbdIRasul, PMO
3. Nida Salameh, PMO
4. Leila Sbaih, Ministry of Planning and Finance
5. Rawan Abu Mayyaleh, Ministry of Planning and Finance
6. Thawq Abdelhalim, Ministry of Planning and Finance
7. Abdalqader Suliman, Ministry of Planning and Finance
8. Esmat Adu Rabea, SAACB
9. Nisreem Zughaiar, General Personnel Council
10. F/Dr. Ma'moon Jabr, Dir M&E; Ministry of Education and Higher Education
11. Maria Yousef Al-Aqra, Ministry of Health
12. Daoud El-Deek, Ministry of Social Development
13. Khaled Al barghuthi, Ministry of Social Development
14. Samaar Awad, Palestine Central Bureau of Statistics
15. Dima Masad, Palestine Central Bureau of Statistics
16. Samar A Aqrouq, Office of Care of Disabled, An-Najah University, Nablus
17. **Dr Nasar Nasaal, An Najah Child Institute, Nablus**

### Donors:

18. Gauthier de Woelmont, Belgium Development Agency
19. Sandro Accorsi, Italian Agency for Cooperation
20. Jemima Gordon-Duff, UK

### EUREP:

21. Michael Voegele
22. Stephanie Rousseau
23. Rami Al Azzeh
24. Simone Brotini
25. Oliver Schwarten
26. Shareen Abu Eid
27. Marzia Dalla Vedova


### Consultants

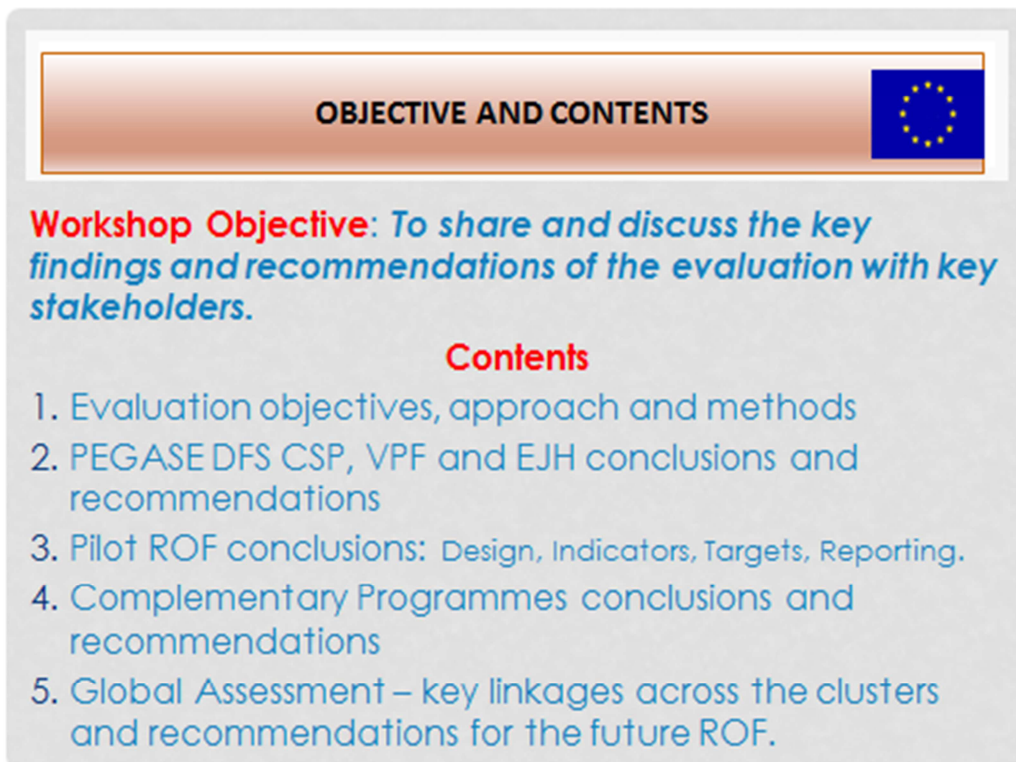
28. Roz Saad
29. Mahieddine Saidi



**Evaluation of the PEGASE DFS Programmes  
and Results Oriented Framework  
in the period 2014-2015**

**DISSEMINATION WORKSHOP**  
TO STAKEHOLDERS

 Presented on Tuesday 22 November 2016  
Ramallah (at PPFI)  
Roz SAAD & Mahieddine SAIDI



**OBJECTIVE AND CONTENTS**

**Workshop Objective:** *To share and discuss the key findings and recommendations of the evaluation with key stakeholders.*

**Contents**

1. Evaluation objectives, approach and methods
2. PEGASE DFS CSP, VPF and EJH conclusions and recommendations
3. Pilot ROF conclusions: Design, Indicators, Targets, Reporting.
4. Complementary Programmes conclusions and recommendations
5. Global Assessment – key linkages across the clusters and recommendations for the future ROF.

## 1. EVALUATION SCOPE



1. Independent assessment of the performance of
  - (i) PEGASE ROF pilot phase
  - (ii) PEGASE DFS programmes
  - (iii) Complementary EU-funded programmes in support to the Palestinian national development agenda.
2. Conclusions, lessons learnt/ recommendations to improve the effectiveness and efficiency of
  - (i) PEGASE ROF: EU Joint Strategy aligned PA National Policy Agenda 2017-2022
  - (ii) PEGASE DFS programmes
  - (iii) Complementary programmes funded by EU.



## 2. PEGASE DFS PROGRAMMES

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>○ <b><u>Civil Servants and Pensioners (CSP)</u></b></li><li>○ ★ PA salaries/pensions (MoF civilian payroll)</li><li>○ ★ €1.3bn since 2008 EU/EUMS</li><li>○ ★ €135m 2014, €124m 2015 EU/EUMS</li><li>○ ★ Approximately 16% of MoF civilian payroll</li><li>○ ★ Ineligible: <i>security forces; political positions; daily paid; seconded outside PA; certain cost centres; salary &lt; NIS 600; not in reference months</i></li></ul> | <ul style="list-style-type: none"><li>○ <b><u>Vulnerable Palestinian Families (VPF)</u></b></li><li>○ ★ MoSD social allowances (Cash Transfer Programme)</li><li>○ ★ €300m since 2008</li><li>○ ★ €94 Million 2014&amp;2015, 65,000 households</li><li>○ <b><u>East Jerusalem Hospitals (EJH)</u></b></li><li>○ ★ MoH referrals to 6 EJH</li><li>○ ★ €62m since 2012</li><li>○ ★ €15m 2014, €28m 2015 EU/EUMS</li></ul> |
|---|---|



## CIVIL SERVICE AND PENSIONS CONCLUSIONS



1. CSP contributes approx. 16% to PA payroll and pension expenditure.
2. CSP Payment schedule fixed in advance and usually paid in timely manner by the EU, but twice delayed during 2014-15.
3. PA salary budget is unpredictable: late/partial salaries issued due to budget shortfalls from outstanding Gol Clearance Revenues.
4. PA Payroll Systems (antiquated) and capacity needs assessment required
5. No a demonstrable link between CSP and the PAR reform.
6. No direct link between CSP and service delivery
7. Efficiency review of PEGASE DFS CSP processes in 2014 - administrative processes tightened by EU.
8. All donors highly satisfied with the mechanism but some consider need for demonstrable results.
9. Overall view of PA and donors is that 'Conditionality' is contrary to the '2 state solution'.

## VULNERABLE PALESTINIAN FAMILIES CONCLUSIONS



1. EU contributes 43% of overall CTP budget, benefitting an average 60,000 households out of an overall average of 118,000 households..
2. Provides safety net to most poor but social allowance too low to make impact extreme poverty - multi-dimensional poverty study being undertaken by PNBS.
3. CBOs' views: Regional MoSD lacks capacity, poor coordination & communication; few services commissioned by MoSD; CTP perceived to be inflexible - excluding individuals facing multiple disadvantage.
4. CTP database is valuable data source for MoSD to target other non-cash interventions and is regularly updated by regional MoSD.
5. Progress has been made by MoSD but significant actions from several CTP efficiency studies remain outstanding.
6. MoSD confident NPA 'social development sector strategy' will focus on priorities: economic empowerment and inclusion, and specific client group focused services.



## EAST JERUSALEM HOSPITALS CONCLUSIONS



1. *85% of referrals to EJH are from MoH: EU support to MoH is crucial to keeping EJH open.*
2. *Demonstrable improvements of quality of EJP against international standards.*
3. *The sector is well supported including: Italy, France, USAID (Intrahealth), WHO, and WB.*
4. *Sector improvement results included implementation of comprehensive referrals reform; MoH achieved Eur.25 M efficiency savings in 2015.*
5. *USAID (Intrahealth) is now conducting efficiency review of referrals process to 3 EJH.*
6. *Support to EJH and current referral priorities may have indirect effect of diverting focus away from increasing quality of national hospitals.*

## PEGASE DFS RECOMMENDATIONS

1. Conditionality of PEGASE DFS should not be considered as an option by the EU in the short- medium term as not conducive to 2 State Solution.
2. CSP payments could be targeted to Education and Health employees to make linkages clearer to those sectors
3. EU/EUMS should differentiate its political from its technical objectives and seek to resolve political issues through high-level policy dialogue.
4. EU/EUMS should support the implementation of outstanding recommendations of CTP efficiency studies.
5. EU should pilot differential models of targeted assistance to extreme poor (not only VPF) based findings of multi-dimensional poverty study.
6. EU/EUMS should consider broader sector-wide approach, including potential for Budget Support.

### 3. PILOT ROF CONCLUSIONS : THE DESIGN



1. The ROF 2015, in its principles, is a relevant and appropriate initiative in relation to its general goals as spelled out in the MoU.
2. Its design during the Pilot stage, its institutional setting and the rooting of its indicators in the six "sectors" has focused on key areas deemed as of priority relevance for dialogue with the community of donors.
3. However the design of the pilot ROF faced several challenges:
  - It did not match the PNDP 2014-16 priorities and KPIs; It was developed in vacuum, as the PNDP was not implemented timely by the PA, and its M&E system not in place,
  - The ROF was not directly linked to funding of selected sectors included in pillars 1 & 2.
  - Indicators selected for Service Delivery Sectors (such as MoH and MoEHE) did not fully reflect their policies and priorities.

### PILOT ROF CONCLUSIONS: THE INDICATORS



The Indicators selected in the ROF are a mix serving four different perspectives:

- (a) Results oriented/short term (Health: in areas not sufficient to reflect Policy priorities);
- (b) Policy oriented (Education: Curriculum, MoEHE restructuring) but not necessarily the appropriate ones: Key Policy priorities of the sector such as ECD, TVET, or Quality improvement were not captured in the RoF.
- (c) Reforms oriented (process): for the PAR Reform and the PFM Reform; however these are not supported by nationally owned Reform programme documents.
- (d) Political issues: the reunification of Gaza & WB Civil Service placed under PAR reform.

1. PMO used the ROF to structure a dialogue on the six agreed sectors, as no national M&E system was in place. In such context the pilot ROF is an experimental tool.
2. Policy dialogue on PA priorities requires process rather than results indicators.

## PILOT ROF CONCLUSIONS: THE TARGETS



### Targets

1. Out of 24 indicators, 10 were met (of which 7 in Pillar 2/ service delivery), 10 others as unmet (7 in Pillar 1 related to Reforms), and 4 as not conclusive; in many cases indicators and targets **are not SMARTLY formulated**; **Although** substantive progress was achieved in some areas (like Education Curriculum developed and implemented for grades 1 to 4) but not captured through the indicator.
2. Several targets, principally those related to Reform processes, **are not realistic in terms of timing**. The availability and Cabinet approval of important reforms (such as PFM, PAR, or Education Curriculum, or Restructuring of a Ministry) cannot be targeted for 9 months.
3. International practice shows that reforms such as PAR & PFM **need to be thoroughly prepared**, involving all key stakeholders and internal structures of LMs, fundamentally discussed, **fully owned** by the future implementers and the LMs to which they apply, and **given a high status** in the agenda of **their institutional setting**, with **appropriate funding** of reform programme action plans.

## PILOT ROF CONCLUSIONS: THE REPORTING



### Lessons learned drawn from the Pilot RoF annual report:

1. **Ownership & Aid effectiveness**: a prerequisite for the RoF is that it should be anchored in the NPA.
2. **Harmonisation**: an efficient clarification of the division of responsibilities between the different stakeholders: **the PA should lead the process of monitoring, evaluation and reporting of the ROF** (the new M&E in the Cabinet Secretariat General).
3. **Timing of reporting** should be on bi-annual basis;
4. Consultation with **Civil Society** should be systematic.
5. The HLPD meetings require **high level representation from PA/LMs & strong preparation**.



## 4. COMPLEMENTARY PROGRAMMES



Contract Number	Contract title	Amount (EUR)	Implementation period
ENPI/2014/324-763	Institutional Strengthening of the State Audit and Administrative Control Bureau (SAACB) - Phase 2	2 499 880	19/09/2014 - 18/03/2017
ENI/2015/363-265	Technical assistance to the Palestinian Authority in Public Financial Management Reforms	235 587	20/10/2015 - 10/04/2017
ENI/2015/357-417	EU support for tax payer awareness campaign in Palestine	949 900	08/08/2015 - 07/02/2018
ENPI/2013/329-527	Technical Assistance to Support the Civil Service Reform in the West Bank and Gaza Strip	1 408 500	25/11/2013 - 24/05/2016
ENPI/2012/280-370	Capacity Building for the Statistical Programme 2012 - 2013	1 419 804	02/11/2012 - 02/09/2015
	Totals	6 513 671	142 months

## COMPLEMENTARY PROGRAMMES CONCLUSIONS



**C1: Institutional Strengthening of SAACB:** Sustained capacity development enabled SAACB towards meeting INTOSAI standards and providing effective range of audit to PA in relation to financial management and performance improvement.

**C2: TA to PA in PFM Reforms:** PFM Reform Strategy is not owned by PA (yet no clear agreement on PFM Reform program and agenda and lack of dedicated institutional arrangements).

**C3: EU support for tax payer awareness campaign in Palestine:** High dissatisfaction with TA; missed opportunities for increasing revenue due to late start of awareness campaign; Urgent support required to legislative reform and on-line taxpayer registration system.

**C4: TA Support to GPC** is appreciated. It produced substantial progress in areas of CS reform (Civil Service law, CS performance & IT development). This support is narrowly focused on CS Reform rather than a broader focus on PAR.

**C5: Support to PCBS** (national implementation) produced expected results; however insufficient for PCBS to feed the national M&E framework & the strategic Statistics Plan.



## COMPLEMENTARY PROGRAMMES RECOMMENDATIONS



### Further institutional and capacity development is required:

- PCBS, to match the requirements of the future national M&E framework.
- GPC to pursue the civil service management framework started with CP.
- Support to formulate and agree progressive PFM & PAR reforms.

### New CPs to support national planning and M&E:

National M&E framework and connection to LMs-M&Es.

PMO for the coordination of the NPA & national planning process.

### CP design improvements:

- Linkages to supporting areas of policy dialogue in future ROF.
- Need to be 'owned' by counterparts.
- **Complementary to sector reform support programmes** that are well defined, agreed upon, and PA owned (Health Education, PFM, Civil Service, Social Development, PAR).
- A **Policy Dialogue Facility** could be established to fund the policy dialogue activities of the ROF and provide capacity to involved sectors, PMO's Priorities, Policies and Reforms Unit; DG/M&E.

## 5. GLOBAL ASSESSMENT



### The Pilot ROF 2015

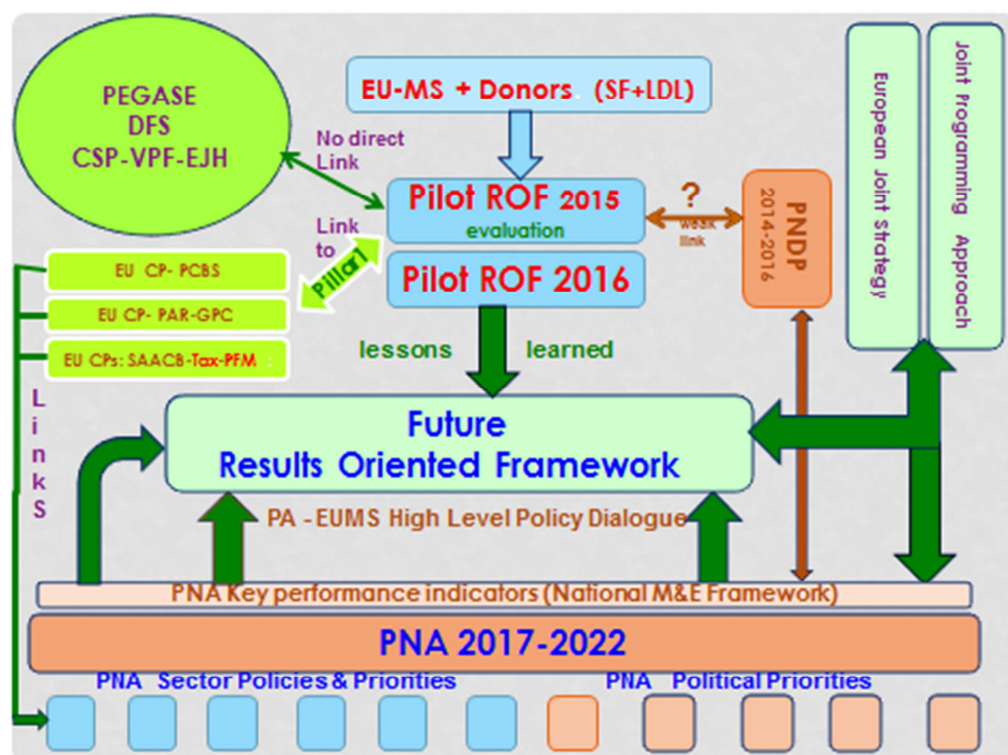
- **Derives mainly from EU-MS sector fiches**, on the basis of the LDS and division of labour for Palestine, articulated with other Donors interventions;
- **Was developed with little connection to the PNDP 2014-2016** and its M&E indicators, as these were not yet implemented by MoPAD;
- **Has no direct link to the PEGASE DFS**, although the 3 service delivery sectors selected in the ROF are also partially served by the DFS mechanism;
- **Was developed in parallel to the EJS and JPA**, but a convergence is sought;
- **Several stakeholders do not see it well appropriate for dialogue on policies**;
- Its **pilot period was too short** and was extended to 2016: to feed future ROF.
- Developed before the pilot ROF, **the 5 CPs relate to areas selected in Pillar 1**.

## GLOBAL ASSESSMENT RECOMMENDATIONS FOR THE DESIGN OF THE FUTURE ROF

The Future ROF is sought to result from **converging inputs** (illustrated by the dark green thick arrows) bottom to top of the figure):

- The NPA 2017-22 : **political priorities** and **sector policies priorities**;
- The **KPIs** in the national M&E, attached to the NPA priorities;
- Lessons Learnt from the Pilot ROF 2015 and ROF 2016;
- The European Joint Strategy (**EJS**) and the Joint Programming Approach (**JPA**);
- Inputs from **additionally CPs & capacity building initiatives** required (for planning and M&E).

**Risks :** weak/unprepared sector planning in NPA & national M&E.



### FUTURE ROF - HLPD AND REPORTING

1. Refocus the ROF as policy dialogue instrument to discuss policies and issues to fit national priorities.
2. The future ROF should be articulated to funding contributions of partners to sector programs and reforms priorities, independently from/in addition to the PEGASE DFS.
3. Support a secretariat in the DG/M&E in Cabinet to prepare, support and advise the HLPD on the ROF.
4. Elevate the level of participation to the HLPD and include the appropriate and responsible PA stakeholders.

### THANK YOU

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### DISCUSSION

- **Key questions:**
  - 1) *Are there factual errors for correction/ areas of clarification?*
  - 2) *Do you have comments on findings and recommendations?*