



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 23 May 2012

**10186/12
ADD 11**

LIMITE

**MED 28
OLP 1**



COVER NOTE

from: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 15 May 2012

to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

No Cion doc.: SWD(2012) 120 final

Subject: Joint Staff Working Document
= Implementation of the European Neighbourhood Policy in the occupied
Palestinian territory - Progress in 2011 and recommendations for action

Delegations will find attached Commission document SWD(2012) 120 final.

Encl.: SWD(2012) 120 final



EUROPEAN COMMISSION

HIGH REPRESENTATIVE OF THE
EUROPEAN UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 15.5.2012
SWD(2012) 120 final

JOINT STAFF WORKING DOCUMENT

**Implementation of the European Neighbourhood Policy in the occupied Palestinian
territory
Progress in 2011 and recommendations for action**

Accompanying the document

**JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL,
THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

Delivering on a new European Neighbourhood Policy

{JOIN(2012) 14 final}
{SWD(2012) 110 final}
{SWD(2012) 111 final}
{SWD(2012) 112 final}
{SWD(2012) 113 final}
{SWD(2012) 114 final}
{SWD(2012) 115 final}
{SWD(2012) 116 final}
{SWD(2012) 117 final}
{SWD(2012) 118 final}
{SWD(2012) 119 final}
{SWD(2012) 121 final}
{SWD(2012) 122 final}
{SWD(2012) 123 final}
{SWD(2012) 124 final}

1. OVERALL ASSESSMENT AND RECOMMENDATIONS

This document reports on overall progress made on the implementation of the EU-Palestinian Authority ENP Action Plan between 1 January and 31 December 2011, although developments outside this period are also considered when deemed relevant. It is not a general overview of the political and economic situation in the occupied Palestinian territory. For information on regional and multilateral sector processes readers should also refer to the report on the Partnership for Democracy and Shared Prosperity progress report. A new Action Plan, currently being negotiated by the parties, should be agreed in 2012.

Overall, the Palestinian Authority (PA) has made good progress in implementing the Action Plan in the areas within its control. However, the occupation and the internal Palestinian division have continued to have a serious impact on the PA's ability to serve the public effectively and to pursue economic development.

In the West Bank, the PA's capacity to impose the rule of law has become more effective, with steady progress registered in justice sector reform. However, the human rights situation remains a matter of concern, particularly in the Gaza Strip, but also in the West Bank. Human rights violations by individuals in the security services need to be seriously addressed. There has been no progress towards re-establishing a participatory democratic process, despite the capacity which the PA has demonstrated in the past to hold elections in line with international standards. Moreover, despite the much-heralded reconciliation agreement signed between Fatah and Hamas in May 2011 which should have led to new elections, the agreement has not yet been implemented. Under the leadership of Prime Minister Fayyad, the government continues to rule in a caretaker capacity in the West Bank, while a de-facto authority continues to rule in the Gaza Strip.

Despite these challenges, the PA has continued to register notable achievements in its state-building agenda. Its readiness for statehood was underlined both at the spring meeting of the Ad Hoc Liaison Committee (AHLC) hosted by the High Representative in Brussels and at the subsequent meeting held in September in New York. This progress risks being jeopardised as a result of the widening gap between the progress witnessed in the PA's state-building efforts and the lack of progress on the political track, namely continued deadlock in the peace process throughout 2011 and the continuing internal Palestinian division. On 23 September 2011, President Abbas submitted, on behalf of the Palestinian people, an application of the state of Palestine for admission to membership in the United Nations.

The economy of the occupied Palestinian territory (oPt) grew by 9.5% in the first half of 2011 although there was a sharp contrast between the Gaza Strip which registered a growth of about 20%, as it began to recover as a result of the slight loosening of the Israeli blockade in 2010, and the West Bank, which slowed to 5.7%. Total unemployment fell and inflation remained moderate and relatively stable. The economy is threatened by the PA's mounting fiscal crisis following a major shortfall in donor disbursements and insufficient easing of Israeli restrictions. This has also impeded progress towards the Action Plan goal of strengthening the PA's administrative capacity in the area of economic reform.

In the area of public finance management, the new law on public procurement was adopted. The creation of a macro-fiscal unit has boosted the Ministry of Finance's fiscal reporting and forecasting capacities. However, the PA's efforts to contain total expenditures could not offset the effect of lower than expected revenues. The EU continued to be the PA's most reliable and important partner, contributing essentially to the stabilisation of the precarious fiscal situation and, ultimately, to the stabilisation of the social situation in both the West Bank and the Gaza Strip. In 2011, the EU also granted duty-free and quota-free access to the EU market for Palestinian agricultural products, processed agricultural products, fish and fishery products.

In the social sectors, the PA's poverty-based cash transfer programme was fully rolled out in the Gaza Strip with the support of EU technical assistance. The PA maintained its high commitment to the education sector and progress was registered in the health sector. Nevertheless, both sectors face serious challenges in the Gaza Strip mainly as a result of the ongoing closure. The PA progressed well in the energy sector, adopting a strategy and implementing electricity sector reform.

On the basis of this year's report and with a view to sustained implementation of the ENP Action Plan in 2012, the Palestinian Authority is invited to:

- Pursue the implementation of the reconciliation agreement signed on 3 May 2011 based on a commitment to the two-state solution.
- Hold genuine, transparent local and national elections in the oPt in line with international standards.
- Reform and develop the Palestinian security sector, institutionalising democratic control, promoting an environment conducive to civilian oversight and accountability for individuals suspected of abuses, and ensuring that all security sector agencies fully respect human rights, in particular for all detainees.
- Adopt a unified penal code which adheres to international human rights standards, including the formal abolition of the death penalty and strengthens legal guarantees for all fundamental freedoms.
- Clarify the responsibilities of the three main judicial institutions namely the Ministry of Justice, the Office of the Attorney General and the High Judicial Council.
- Adopt and implement the new regulatory framework for public procurement, including the adoption and harmonization of the relevant by-laws and procurement-related regulations.
- Implement a Public Expenditure and Financial Accountability (PEFA) assessment in 2012 and continue improving public finance management, in particular by developing and upgrading the State Audit and Administrative Control Bureau (SAACB) as an independent external audit institution in line with the International Organisation of Supreme Audit Institutions standards.
- Develop costing models and ensure appropriate allocation of the national budget to cover the cost of providing a set of basic social protection interventions, including the development and implementation of contributory schemes.
- Sign and ratify the regional Convention on pan-Euro-Mediterranean Rules of Origin.

- Implement the energy strategy including further progress on electricity sector reform particularly through further reductions in net lending.

Governance, including reform of the security and justice systems, is a focal sector of EU co-operation with the Palestinian Authority. There are a number of projects underway and in the pipeline which are intended to assist the PA in making progress towards accomplishing the recommendations.

2. POLITICAL DIALOGUE AND REFORM

Towards deep and sustainable democracy

More than four years of emergency rule and the continuing split between the West Bank and the Gaza Strip continue to take their toll on democratic institutions. The EU has continued to support the operational capacity of the Central Elections Commission (CEC) and the Palestinian Legislative Council (PLC). Nonetheless the holding of presidential, legislative and local **elections** across the entire occupied Palestinian territory (oPt) remains a priority precondition for the reinvigoration of democratic legitimacy, institutional sustainability and the reinforcement of good governance. In October 2011, the parliamentary assembly of the Council of Europe awarded the Palestinian National Council, the parliamentary body of the PLO, the status of 'Partner for Democracy'.

The implementation of the Fatah-Hamas reconciliation agreement, signed on 3 May in Cairo, stalled. Several months later there was still no new government of independent technocrats, which was supposed to be the first step in the deal's implementation. The agreement also included a commitment to hold elections within one year. Although President Abbas announced in early December 2011 that elections were scheduled for 4 May 2012, no Presidential Decree to this effect has been issued. Following its resignation on 14 February 2011, the 13th government under Prime Minister Fayyad thus continued to rule the Palestinian Authority in a care-taker capacity. A *de facto* government continued to rule in the Gaza Strip. The PLC continued not to meet and laws were issued by Presidential Decree under emergency rule. Democratic oversight over the PA was maintained, but only to a limited extent, through civil society organisations and informal sessions held by remaining PLC members in Ramallah.

While there is a thriving civil society, **freedom of association** remains under tight control in the West Bank and is under permanent threat in the Gaza Strip, where a number of civil society organisations and associations have been shut down. Palestinian freedom of association is also curtailed in East Jerusalem, where five Palestinian organizations have been closed down by the Israeli authorities.

Freedom of assembly is guaranteed by the Palestinian Basic Law but has been violated a number of times in the West Bank. On various occasions since the crackdown on the March 14 youth movement that rallied support for Palestinian unity, permission to hold a number of demonstrations, marches and events has not been granted. In the Gaza Strip, the de-facto authorities prevented peaceful marches to commemorate the annual anniversary of the death of former President Arafat. These rights have also been curtailed by the Israeli authorities, especially in villages organising peaceful protests against the Separation Barrier.

Violations of the rights of Palestinian journalists, both by Israeli forces and by the Palestinian security forces in the West Bank and Gaza Strip, persisted on a wide scale with journalists being severely harassed and at times arbitrarily detained. The Palestinian Centre for Development and Media Freedoms deplored the numerous violations of the **freedom of expression and the media** in the oPt, including the banning of some newspapers from working in the West Bank or the Gaza Strip.

Improvements continued to be observed on the **independence of the judiciary** and combating **impunity** with the population showing more confidence in the justice system and increased **access** to higher quality services in the West Bank. The EU continued to support the reform process through education and training for judges, prosecutors and lawyers. Preparations have started for the construction of seven new courthouses across the West Bank, where institutional capacity and the skills of judges, court staff and lawyers are improving. The PA has taken significant measures to improve efficiency in the judicial process, for instance in the areas of case management and inter-institutional collaboration in criminal justice.

Despite these positive developments, further improvements are required to maintain the pace of reform so as to ensure **fair trials**, especially with regard to the quality of judgments, the independence of judges, the implementation of court decisions and putting a stop to civilians' trials by the military judiciary. The Ministry of Justice (MoJ), the High Judicial Council and the Office of the Attorney General have worked together on improving their units and departments, including the reinforcement of the human rights unit at the MoJ. However, a draft memorandum of understanding to clarify the division of responsibilities between these institutions has not yet been approved. A draft new penal code is awaiting approval. The PA should also make greater efforts to ensure that the human rights enshrined in the Basic Law and other legislation are respected by all state institutions responsible for applying the rule of law.

The PA continued to make progress in the **fight against corruption**. An Anti-corruption Commission was created, co-operation between the Ministry of Finance's Internal Audit Department and the PA's audit committee improved and the PA's supreme audit, the State Audit and Administrative Control Bureau (SAACB), was strengthened with EU support.

Security and law enforcement sector reform remained unsatisfactory, with no major progress in terms of civilian or **democratic control over security forces** or in terms of the integration of the various security services under the Ministry of Interior. Little progress was made on a number of initiatives suggested by the EU and the international community aimed at bolstering accountability. Although there are indications that citizens are generally positive about police activities in the areas where the Palestinian Civil Police is active, they are less positive about the other security services such as Preventive Security and General Intelligence, over which the Ministry of Interior has less control. The Israeli occupation continued to have a serious impact both on the functioning of the security sector and on its ability to serve the public effectively.

Other human rights and governance-related issues

In 2011, recurrent cycles of hostilities in the Gaza Strip continued to put civilians at risk; in an escalation between 8 and 11 December, civilians accounted for over 90 percent of casualties in the Gaza Strip. According to the UN Office for the Coordination of Humanitarian Affairs (OCHA), in 2011 a total of 121 Palestinians have been killed in Israeli-Palestinian conflict related incidents in the West Bank and Gaza Strip.

West Bank settler-related violence remains a matter of grave concern. OCHA registered 377 cases of settler violence in 2011. The weekly average of settler attacks across the West Bank resulting in Palestinian casualties and property damage increased by 40% in 2011 compared with 2010. In addition one Palestinian was killed and 101 injured by Israeli soldiers during clashes with Israeli settlers. Eight Israeli settlers were killed and 30 others injured by Palestinians in 2011, compared with five killed and 43 injured during 2010. Nearly 10 000 Palestinian-owned trees were damaged by Israeli settlers in 2011. Although the Israeli army recently stepped up interventions against settler violence, ninety per cent of cases filed with the Israeli police concerning settler violence are closed without indictments.

In the West Bank the de facto moratorium on the **death penalty** continued. The new draft penal code foresees the abolition of the death penalty. Death sentences continued to be issued and carried out in the Gaza Strip.

Concerning the **prison system**, conditions of detention in the West Bank and the Gaza Strip continued to be a matter of concern, with the Independent Commission for Human Rights (ICHR) noting on-going serious violations of detainees' rights by security agencies and patterns of ill-treatment and torture across the oPt. Between July and December 2011, the ICHR received 435 complaints against the security and police services in the oPt, 55 of which included claims of torture and/or ill-treatment. For the third consecutive year, the ICHR has been prevented from visiting the Internal Security detention compounds. Moreover, there has still not been any documented evidence of the punishment of violators because of the lack of transparency of the military court system and of disciplinary mechanisms in the security services. Following the release of Palestinian prisoners in Israeli detention in exchange for the release of Israeli soldier Gilad Shalit, at the end of 2011, 4 281 Palestinian prisoners remained in Israeli detention of whom 135 were children including one in administrative detention.

Concerning **women's rights**, in May 2011, the Ministry of Women Affairs in Ramallah launched the Cross Sectoral National Gender Strategy which paves the way for a better integration of gender equality issues in all PA ministries. In June 2011, following the discovery of an honour killing, President Abbas announced a Presidential Decree freezing a clause of the 1960 Jordanian penal code granting leniency to perpetrators. Although this was welcomed as a first step by women's organizations, only a thorough reform of the penal code can ensure proper justice for victims of honour killings.

Furthermore, Israeli occupation had an adverse impact on **freedom of religion, economic and social rights, children's rights and property rights**.

On **regional and international issues**, the EU continued its efforts to encourage both the Israelis and the Palestinians to return to the negotiating table, while also leading efforts to reinvigorate the Quartet. In its statement on 23 September, the Quartet called for the resumption of direct bilateral negotiations without delay or preconditions, the aim being to reach an agreement within a timeframe agreed to by the parties but by the end of 2012 at the latest. The Quartet called upon the parties to refrain from provocative actions and reiterated the obligations under the Roadmap.

The Palestinians refused to re-enter negotiations without an Israeli settlement freeze, including in East Jerusalem, a demand with which Israel did not comply. On the contrary, in response to the Palestinian bid for full UN membership and to Palestine's admission as a member of UNESCO, Israel announced plans to step up settlement building. After UNESCO admitted Palestine as a member, Israel temporarily suspended the transfer of Palestinian tax revenues to the PA, contrary to its obligations under the Paris Protocol.

On 9 October in Brussels, the High Representative hosted Quartet envoys and the parties, the latter stating their readiness to engage in line with the Quartet statement. Under the auspices of the Quartet, this process brought about the first direct meeting of the parties' negotiators on 3 January 2012.

Settlement construction and expansion continued in the West Bank, including East Jerusalem with a surge in settlement activity at the end of 2011. The proposed constructions in Givat Hamatos are of particular concern as they would sever Palestinian geographic contiguity between Jerusalem and Bethlehem.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

The economy of the occupied Palestinian territory (oPt) grew by 9.5% in the first half of 2011 although there was a sharp contrast between the Gaza Strip (20%) that began to recover due to the 2010 slight loosening of the Israeli blockade, and the West Bank where growth declined to just 5.7%.

The slowdown in the West Bank was the result of a decrease in donor aid, fiscal retrenchment and a 9% drop in agricultural output during the first semester, reflecting difficulties in access to markets and land. Whilst many of the West Bank's gains in recent years are attributable to a partial relaxation of closure restrictions, no further easing took place in the West Bank (including East Jerusalem) in 2011.

The rapid growth in the Gaza Strip - which accounts for around 25% of total Palestinian GDP - mainly represented a base effect, and GDP per capita in Gaza remains well below that in the West Bank. Almost half of Gaza's growth came from its construction sector, which had dramatically declined owing to Israeli restrictions on the import of building materials. Agriculture and fishing also grew by 27% year-on-year.

The Palestinian Authority (PA) continued its efforts to reduce the structural deficit, increasing tax collection and lowering spending in line with the Action Plan and the

Palestinian National Development Plan. However, by October the PA had only received 35% of pledged donor contributions, despite the EU's front-loading of its disbursements at the PA's request. The most significant delayed payments were from Arab donor countries, although the US also suspended aid worth EUR 149 million in response to the PA's bid for statehood recognition at the UN. All of this created a problem for the PA's finances, as donor contributions were to cover 45% of 2011 expenditures.

The PA was forced to fill its funding gap by borrowing from domestic banks. However, by May it reached the banks' financing limit - borrowing just under EUR 700 million from them - and as a result the PA has since been building up large arrears. The fiscal situation could deteriorate further if there is a renewed suspension of clearance revenue (import duties collected by Israel on the PA's behalf) accounting for approximately 70% of the PA's non-aid revenue.

Employment and social policy

High unemployment rates (20.2%), low participation rate (around 42% of the labour force), low wages and high rates of poverty against the background of rapid population growth continue to be crucial concerns. This refers in particular to unemployment rates in Gaza and youth unemployment, which are particularly high. A National Employment Strategy under the National Development Plan was released in April 2011.

The women's participation rate remains exceptionally low (16% against 70% for men) and unemployment among women is 10% higher than among men. In July 2011, the by-laws regulating the National Women's Employment Committee were endorsed and a number of workshops and conferences were held. The Committee should act as an advisory platform to policy making.

A national tri-partite Socio-economic Council was set up with the aim of facilitating **social dialogue**. However, adoption of by-laws is still necessary to make the Council operational.

On **social protection** and the fight against poverty, the Palestinian Fund for Employment and Social Protection was reactivated. A social development strategy group was established, including relevant ministries, NGOs and donors.

In May 2011, the PA adopted a Business Strategy (2011-2013) of the Ministry of Social Affairs (which also covers Gaza). The EU supported the institutional capacity building of the Ministry of Social Affairs.

Further progress was made in the implementation of the Cash Transfer Programme (CTP) which is a part of the Palestinian National Programme for Social Protection and targets families below the extreme poverty line. In October 2011 full coverage was extended to the Gaza Strip, bank accounts for beneficiaries were opened, and cash transfer payments were fully integrated into the PA's centralised accounting system. The CTP total caseload of eligible beneficiaries in the West Bank and Gaza rose to over 75,500, for an estimated annual cost of over EUR64 million, with over EUR29 million of EU contributions in 2011.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

In 2011 oPt was the smallest trading partner for the EU in the Euro-Mediterranean region, with total trade amounting to EUR 99 million in 2011 with the majority accounted for by EU exports (EUR 87 million). EU–oPt bilateral trade contracted by 13% year-on-year (2010: EUR114 million) after having doubled in 2010. The oPt ranks in 164th position among the EU's major partners. EU imports from the oPt were just EUR 12 million in 2011, a third of what the EU imported in 2010. These consist mainly of agricultural products (75%). EU exports to oPt increased by 8% over the same period and reached EUR 87 million. These include machinery and transport equipment (51%), chemicals (15%) and agricultural products (10.3%).

In September 2011, the Palestine Liberation Organisation (PLO) joined the Agadir free trade agreement, whose signatories are Morocco, Tunisia, Egypt and Jordan. Participation in the Agadir free trade area is expected to integrate the oPt into the regional trading system.

The Agreement between the EU and the PA on the further liberalisation of trade in **agriculture**, processed agricultural products, and fish and fisheries products, concluded in 2011, entered into force in 2012.

Palestinian **customs** trained its staff on the use of the latest version of the automated system for customs data and negotiated data exchange with its Israeli counterpart. The EU provided training to develop competency in the area of pan-Euro-Mediterranean rules of origin. A customs court of appeal was established.

The PA amended its **tax** law, providing more flexibility to the Government to modify the tax rate and to widen the tax base, hence improving tax collection. The oPt suffers from fiscal leakages that co-operation with Israel would help to contain. Discussions between the two administrations started in February 2011 but were interrupted following the May 2011 Palestinian reconciliation Agreement.

The PA and the EU cooperated on **sanitary and phyto-sanitary** (SPS) issues. An assessment under the EU TAIEX programme noted various gaps in the SPS legislation and in institutional capacity. A food safety strategy and SPS legislation are being prepared, aiming to support public health and sustainable economic development of primary production, food processing and retail sectors.

The improvement of **the investment climate** in 2011 was severely hampered by the closures imposed by the Israeli government on both the West Bank and Gaza. These restrict the movement of goods and people both within and across borders, thereby increasing labour and transport costs and strongly discouraging private and foreign investment. The oPt's ranking in the World Bank's "Doing Business 2012" annual report fell from 128 to 131, compared with the previous year.

No regulatory reforms were undertaken in the area of **financial services**. The banking sector remained stable and credit conditions improved. The share of non-performing loans continued to decrease and reached about 3% in mid-2011. The Palestinian Monetary Authority continued to progress towards the implementation of Basel II standards and worked with commercial banks stress tests in line with these principles.

Other Key Areas

The PA **procurement** law was adopted in July 2011, reflecting, to a large extent, the essence of the United Nation Commission on International trade Law Model Procurement Law (1994). The law established a Higher Council for Public Procurement Policies that will assume an oversight role and ensure compliance with legislation. It also established a complaint mechanism and a dispute review body.

The Palestinian Central Bureau of **Statistics** (PCBS) published in 2011 the accelerated data program on the PCBS website and built the Palestinian economic module for forecasting. The transition from the General Data Dissemination Standard to the Special Data Dissemination Standard was completed in 2011. Results of the first ever 2010 agriculture census were published in 2011. The PCBS resumed its operations in Gaza in early 2011, after a suspension dating back to the 2007 census operations. In future, the PCBS should improve cooperation with other administrations to increase the use of administrative data sources and more systematically report on data quality, including on metadata.

As regards **public finance management and external audit**, the EU continued to support the PA Supreme Audit Institution, State Audit and administrative Control Bureau (SAACB) with technical assistance. The financial statements for the year 2009 were sent by the Ministry of Finance to the SAACB in early 2011 and their audit was completed in September 2011. The Ministry of Finance created a macro-fiscal unit, which will increase its capacity to analyse macroeconomic and fiscal data and report on budget execution. Legislative amendments to the pension system were finalised in May 2011 and submitted to the council. As a contribution to reducing net lending in the context of Public Finance Management, the EU is also providing support to the restructuring of the electricity providers and to installing pre-paid meters.

The **enterprise policy** of the PA received substantial support from international donors to revive the private sector, in particular in Gaza. Financial assistance was provided to businesses that need to restore production machinery, office equipment and re-build facilities and other business premises damaged or destroyed by the conflict. In January the 1998 investment law was amended by presidential decree. It now provides for simpler investment procedures, reform of the Palestinian Investment Promotion Agency (PIPA) and tax exemptions and incentives.

The PA participated in implementing the 2011-2012 industrial cooperation work programme that Euro-Mediterranean Industry Ministers adopted on 11-12 May 2011 in Malta.

5. ENERGY, ENVIRONMENT, TRANSPORT, RESEARCH AND INNOVATION

Due to the political situation, the provision of **transport** operations remained limited, especially in light of the closure of the Gaza Strip, the absence of sovereignty and limited access to certain areas in the West Bank. Nonetheless the transport sector remains a vital recovery tool for the Palestinian economy. The PA adopted a revised transport strategy in April 2011. Restructuring of the public passenger transport is ongoing and the independent roads regulator remained to be established.

In 2011, the PA adopted an **energy** strategy until 2013 and pursued electricity sector reform, with EU assistance aimed at reducing net lending. The Electricity Regulatory Council, which was strengthened, adopted licensing rules and a tariff methodology. The PA made progress on the establishment of regional electricity distribution companies and prepared the construction of a power plant in the Northern West Bank. It continued developing Gaza and West Bank electricity networks including in rural areas. To improve bill collection rates, the PA installed additional pre-paid electricity meters. The PA implemented energy efficiency measures and developed renewable energy projects, solar energy in particular. Energy efficiency and renewable energy plans are in preparation. The EU remains committed to re-launching trilateral energy cooperation with the Palestinian Authority and Israel.

In the field of **climate change**, sub-regional co-operation (Israel, Jordan, Palestine) was launched on the impact of climate change on water availability.

The reform of the **environment and water** sectors continued. The National Development Plan (2011-2013) identifies water supply, sewage treatment, solid waste management, sustainable use and conservation of natural resources as well as public awareness as key issues. Construction of wastewater treatment plants continued in the Gaza Strip. The state of the environment in the Gaza Strip continues to be a serious concern, exacerbated by the restrictions on the Environmental Quality Authority's (EQA) ability to operation in the area. Works continued to drill new wells in the West Bank and to build a new water supply system. Environmental impact assessments were carried out for a number of infrastructure projects.

The Cabinet endorsed the environment sector strategy for 2011–2013, and the EQA prepared the related action plan for 2012-2014. The Cabinet also endorsed the bylaw on environmental conditions for stone and marble cutting industry. The EQA developed a National strategy for combating desertification as well as plans on solid waste management. The Palestinian Water Authority released the final report of the institutional water sector review, which recommends measures to reform the water and sanitation sector institutions. Water and wastewater is a focal issue of EU-Palestine co-operation, including the financing of a small-scale desalination plant in Gaza. In 2011, EUR22 million was allocated for water sanitation and reuse in the West Bank.

With regard to **civil protection**, the Civil Defence and the Ministry of Women's Affairs launched an action programme aimed at raising the awareness of Palestinian women. The Palestinian Authority intensified cooperation with the countries from the region and the exchange of best practices with the EU in the field of disaster prevention, preparedness and response through its participation in the EU Programme for Prevention of, Preparedness for, and Response to natural and man-made disasters.

On the **information society** sector, the law on setting up an independent regulatory authority, which was enacted by presidential decree in 2011, has not been implemented as a result of political disagreement over the legal basis for this decree and the recruitment of the Board. This caused the World Bank to freeze its activities, and also US aid has halted its activities in telecoms for now. The Ministry of Telecommunications and Information Technology is nonetheless trying to modernise

the sector, for example by preparing number portability. However, it seriously lacks resources - in particular for the introduction of a licensing system.

On **audiovisual** issues, the draft of the broadcasting law addressing certain restrictions on media freedom has yet to be adopted. In the area of **research and technology**, participation by Palestinian researchers in the 7th Framework Programme for Research (FP7) in 2011 increased. Up to mid-October 2011, the PA had 11 signed grant agreements, involving 11 participants from the occupied Palestinian territory and benefiting from an EU financial contribution of EUR0.9 million. The occupied Palestinian territory has an appointed National Contact Point Coordinator and participates in the Mediterranean Innovation and Research Action project, which contributes to setting up and training this NCP.

6. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

The Palestinian Authority remained highly committed to the implementation of the **Education** Development Strategic Plan 2008-2012. However, challenges persisted, such as lack of infrastructure, high drop-out in certain geographical areas, access by the poorest students to higher education, as well as high dependence on donor financial support. The situation in East Jerusalem is of particular concern. The EU/World Bank Project on Tertiary Education was extended until June 2011; it aimed to foster employability of students and bridge labour market gaps and was positively assessed. The EU continued to support the implementation of the Teacher Education Strategy.

As regards EU-oPT higher education cooperation, no consortia or partnerships involving institutions from the occupied Palestinian territory could be selected under the **Erasmus Mundus** programme in 2011. Two additional **Tempus** university cooperation **projects** involving the oPt were selected, in line with the participation of previous years. At the end of 2011 the oPt was involved in nine projects, including six multi-country projects, offering access to international networks and the possibility to modernise curricula and the quality of teaching and learning. Unlike 2010, no project under the **Jean Monnet** programme (aimed at fostering EU integration studies) was selected in 2011, nor did the oPt participate in **Marie Curie** research collaboration. Palestinian involvement in these programmes should be enhanced.

On a more positive note an increasing number of Palestinian youth and youth organisations benefitted from the Youth in Action programme (56 projects targeting 236 young people/youth workers compared to 31 projects and 98 young people/youth workers in 2010).

In the framework of the Torino Process, the European Training Foundation (ETF), in cooperation with main stakeholders, carried out an analysis of oPt **vocational education and training** (VET) policies. Major challenges were identified in the fields of teacher training and VET costing. ETF took initiatives to improve the relevance of VET, reinforce the role of social partners and strengthen partnership between public VET institutions and the private sector at local level. The EU is supporting a EUR4 million programme to assist of the implementation of the national Palestinian Technical Vocational Education and Training strategy in three target governorates.

The PA developed a cross-cutting **Youth** Strategy for 2011-2013. On this basis, work started to develop related action plans, as well as setting out priorities in the area of youth integration. An increasing number of Palestinian youth and youth organisations benefitted from the **Youth in Action** programme (43 projects targeting 176 young people compared to 31 projects and 98 persons in 2010).

Five projects under the 2009/2010 **Culture** programme's special actions continued to run. No additional project was selected in 2011. Ten Palestinian candidates were selected to participate in the Euromed Scuola 2011 event in November 2011 in Strasbourg. The oPt continued to directly benefit from the Euromed Heritage IV programmes.

The PA started implementing its **health** strategy 2011–2013 including by rehabilitating health care facilities, establishing a chronic diseases centre and further preparing a health insurance law. Availability of medicines in the oPt and access by patients and medical personnel to East Jerusalem hospitals remained difficult. The PA participated in the EU-supported 'Episouth Plus' project aimed at increasing health security in the Mediterranean region and South East Europe network on communicable diseases for the EU, Mediterranean and Balkan countries. The EU provided various types of support to the health sector including East Jerusalem hospitals, mental health, salaries, medicines, rehabilitation services, emergency preparedness and primary health care including mobile health clinics to facilitate care in areas where movement of persons is limited due to the political situation.