



Country Strategy for Development Cooperation

# OCCUPIED PALESTINIAN TERRITORY 2016-2019

MINISTRY FOR FOREIGN AFFAIRS

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## Abbreviations

|                    |  |
|--------------------|--|
| <b>AHLC</b>        | Ad Hoc Liaison Committee   |
| <b>CMWU</b>        | Coastal Municipalities Water Utility   |
| <b>EDSP III</b>    | Education Development Strategic Plan III 2014–2019                               |
| <b>EU</b>          | European Union   |
| <b>EUBAM Rafah</b> | European Union Border Assistance Mission at the Rafah Crossing Point             |
| <b>EUPOL COPPS</b> | EU Co-ordinating Office for Palestinian Police Support                           |
| <b>GDP</b>         | Gross domestic product   |
| <b>JFA</b>         | Joint Financing Arrangement  |
| <b>LACS</b>        | Local Aid Coordination Secretariat   |
| <b>MFA</b>         | Ministry for Foreign Affairs of Finland  |
| <b>NGO</b>         | Non-governmental organisation  |
| <b>OCHA</b>        | Office for the Coordination of Humanitarian Affairs                              |
| <b>PLO</b>         | Palestinian Liberation Organisation  |
| <b>SDG</b>         | Sustainable Development Goal   |
| <b>UN</b>          | United Nations   |
| <b>UNCTAD</b>      | United Nations Conference on Trade and Development                               |
| <b>UNDOF</b>       | United Nations Disengagement Observer Force                                      |
| <b>UNDP</b>        | United Nations Development Programme   |
| <b>UNICEF</b>      | United Nations Children's Fund   |
| <b>UNIFIL</b>      | United Nations Interim Force in Lebanon  |
| <b>UNRWA</b>       | United Nations Relief and Works Agency for Palestine Refugees in the Middle East |
| <b>UNTSO</b>       | United Nations Truce Supervision Organisation                                    |
| <b>USAID</b>       | United States Agency for International Development                               |

# Executive summary

The overall objective of Finland's development cooperation with the Palestinian Authority in the occupied Palestinian territory is to contribute to a peaceful, negotiated two-state solution to the Israeli-Palestinian conflict by supporting Palestinian state-building. Finland's good relations with the Palestinian Authority are mainly focused on development cooperation. This Country Strategy for development cooperation in the occupied Palestinian territory is the first of its kind and aims to contribute to the achievement of a democratic, independent, contiguous and viable Palestine, living side by side with Israel in peace and security, based on pre-1967 war borders.

The nearly 50 years of Israeli occupation and the Israeli-Palestinian conflict are the greatest obstacles to the development of Palestine. The Middle East peace process dates back to the early 1990s, when Israel and the Palestinian Liberation Organisation (PLO) signed the so-called Oslo agreement. In this agreement, the West Bank was provisionally divided into Areas A, B and C. The Palestinian Authority was granted full civil and security authority only in Area A (18% of the West Bank). In East Jerusalem and Area C (over 60% of the West Bank), the Palestinian Authority has limited jurisdiction. Rather than seeing a just and comprehensive solution to the conflict, the past 20 years or so have been marked by increasing Israeli settlements and several outbreaks of violence (including three wars in Gaza). The movement of people and goods to and from Gaza has been severely restricted since 2007, when Hamas took control of the area and Israel consequently imposed the blockade.

In a region suffering from several conflicts with immense humanitarian costs, it is in the interest of the international community to aid Palestinians to sustainable development and to find a peaceful solution to the conflict with Israel. The most likely short-term scenario is, however, a deterioration of the situation, despite the efforts by the international community. A return to peace negotiations seems unlikely in the short term.

This Country Strategy is in line with Finland's development policy and concentrates on two impact areas: 1) Palestinian children's right to equitable and quality education enhanced, and 2) strengthened resilience of Palestinians living in vulnerable areas (Area C, Gaza, East Jerusalem).

Important results have been achieved during 20 years of Palestinian-Finnish cooperation in the education sector. Finland is committed to continue these efforts. Education is a cornerstone for development. It contributes to employment and livelihoods, fosters democracy, human rights, tolerance and social equity, which in turn have a positive impact on stability. Education is also central to Palestinian state-building and one of the core services that a state is expected to deliver.

Finland will continue to promote and develop the sector-wide approach to supporting education, in line with the principles of aid effectiveness. The Palestinian Authority is responsible for about 67% of all students enrolled in basic education. Finland will support the Palestinian Ministry of Education and Higher Education in reforms to enhance the quality of education. Finland will also support the Ministry's efforts towards a more inclusive education system, and work for enhanced and expanded pre-school education. Palestinian pre-school education is still underdeveloped, but potentially an effective tool for improving equal access to and outcomes of education.

Finland will support resilience in vulnerable areas in line with Palestinian priorities and context, human rights and conflict analyses. Area C, East Jerusalem and Gaza are vital for the viability of an independent Palestinian state, but are left behind in development as a result of the Palestinian Authority's limited operational capacity and jurisdiction. Another way to enhance stability is to combat the geographical and social fragmentation in the occupied Palestinian territory. In this context Finland will continue its support for Gaza and East Jerusalem and extend its support to cover Area C. In Gaza, Finland will contribute to reconstruction efforts and work to ensure better access to clean water and wastewater services. All 1.8 million inhabitants of Gaza will benefit from better water infrastructure. In Area C and East Jerusalem, Finland intends to support local communities' livelihoods and living conditions, with a special focus on women. Small, grassroots-level projects will ensure sustainability.

In addition to bilateral support, Finland provides core funding to UNRWA, providing assistance and protection to about five million Palestinian refugees in the Middle East.

### PART 1

## 1. Country Context

### 1.1 Political, economic and social development

In 2012 the international community assessed that the Palestinian Authority had reached a level where its institutions are capable of assuming the government responsibilities of a state.<sup>1</sup> In April 2016 it was acknowledged<sup>2</sup> that there had been further progress in the area of local government, rule of law, and governance of Area C.

The Palestinian economy is comparable to a lower middle-income country, but many development indicators place Palestine above countries with comparable income levels.<sup>3</sup> Yet, the Palestinian economy suffers from fiscal deficit, situational and structural obstacles, and limited capacity to encourage private sector growth. The Palestinian Authority faces insurmountable financial constraints in delivering basic services. Many parts of Gaza and the West Bank have limited supply of energy, even though almost all Palestinians are on the grid. Most of the occupied Palestinian territory faces chronic shortages of clean water, with the crisis being particularly severe in Gaza. The economy has been growing again since the Gaza conflict in 2014, but it is eroded by population growth.<sup>4</sup> Unemployment remains high, 26% in 2015, reaching 40% for youth and women. Labour participation rates are much lower for women (19%) than for men (72%), even though women have a higher education level.

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<sup>1</sup> Ad Hoc Liaison Committee (AHLC, international policy-level coordination mechanism for development assistance to the Palestinian people), September 2012.

<sup>2</sup> AHLC, April 2016.

<sup>3</sup> In 2015 per capita income was USD 4,699.

<sup>4</sup> Both figures are at approximately 3% a year.

The greatest obstacle to development is the nearly 50 years of Israeli occupation and the Israeli-Palestinian conflict. Occupation, its restrictions on the movement of people, on access to natural resources and on planning and building, and settlement activities have contributed to a fragmentation of the Palestinian territory and hindered economic development and private investment. In areas where the Palestinian Authority has only limited possibility to exercise its authority, namely East Jerusalem, Area C (60% of the West Bank) and Gaza, the freedom of movement of people and goods is restricted. Consequently, these areas lag behind the general level of development.

The lack of progress in intra-Palestinian (Fatah and Hamas) reconciliation is another major obstacle to development that undermines state-building efforts and social cohesion. The humanitarian toll is particularly high for the people of Gaza. Since Hamas won the last national elections in 2006, the Palestinian Authority has had limited capacity to develop Gaza.

The humanitarian situation in the occupied Palestinian territory is characterised by a protracted protection crisis driven by the occupation, inadequate respect for international law and weak accountability for violations. The human rights situation has deteriorated during the past year with a rise in clashes between Palestinians and the Israeli Security Forces.<sup>5</sup> In the West Bank, attacks on schools and personnel continue to impact children's access to education. The Gazans' right to freedom of movement is restricted by the blockade, which undermines their civil, political, economic, social and cultural rights.

The UN has estimated that some 0.8 million people in the West Bank and some 1.2 million people in Gaza (over 900,000 of them refugees) will be in need of some form of humanitarian assistance in 2017. The 2017 UN Humanitarian Response Plan amounted to USD 547 million.

In 2014, the Palestinian Authority ratified seven human rights treaties, but their implementation is still wanting.<sup>6</sup> The human rights situation in Gaza remains fragile. Palestinian human rights organi-

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<sup>5</sup> Punitive measures are taken against families of alleged perpetrators of attacks and there is a return to the practice of administrative detentions.

<sup>6</sup> These treaty obligations include fulfilling rights to education, health, food, water and work for all Palestinians.



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sations have reported arbitrary arrests, detention, torture, ill-treatment of detainees, other violations of due process, and violence against women and girls. The West Bank suffers from similar problems.

### 1.2 Development scenario for the country

A change for the better will not come easily with the present internal political constellations in the occupied Palestinian territory and in Israel. It is expected that Israeli occupation of the West Bank, the Gaza blockade, the internal Palestinian power struggle and economic difficulties will continue in the coming years. A return of the parties to peace negotiations is unlikely in the short term. Without a political perspective, economic opportunities and political reconciliation, Palestinian youth are bound to continue to express frustration and resort to aggression. The Palestinian leadership needs to remedy the democratic deficit. Their challenge is to integrate the people, especially young people and women, to the economic and political realms of society.

The international community wants to prevent the situation from escalating and the regional conflicts from spilling over. Neither the international community nor the parties themselves can allow a total breakdown of the system under the existing agreements and arrangements. There might be a slight upgrade of the current situation between Palestinians and Israel if the parties take confidence-building measures especially in order to meet Palestinian needs for economic opportunities and better living conditions. However, limited economic development will not solve the fiscal unsustainability of the Palestinian Authority, nor the state-building issue. Nor can it substitute for a political resolution to the conflict.

### 1.3 Finland's relations with the country and prospects for more diverse relations

Along with the rest of the international community, Finland engaged in supporting the Middle East peace process and Palestinian state-building in the mid-1990s. As a member of the European Union,

Finland is committed to support a peaceful, negotiated two-state solution to the Israeli-Palestinian conflict. Finland contributes to furthering this political aim by political means and by development cooperation with the Palestinian Authority. Activities within the framework of this Country Strategy aim to contribute to the achievement of a democratic, independent, contiguous and viable Palestine, living side by side with Israel in peace and security, based on pre-1967 war borders.

Finland's commitment to a peaceful solution of the Israeli-Palestinian conflict is supported by Finnish participation in the EU's civilian crisis management missions.<sup>7</sup> Finland supports stability in the region by financing and sending experts and soldiers to UN operations that are monitoring peace or cease-fire arrangements between Israel and its Arab neighbours.<sup>8</sup>

The Palestinian issue and the Middle East peace process are regularly discussed in international fora, including the EU, the UN and its special agencies. Finland has close bilateral contacts with both the Palestinians and Israelis and therefore is in the position to take constructive part in discussions at different levels.

Finland's cooperation with the Palestinian Authority is mainly focused on development cooperation. Greater emphasis will be placed on commercial and trade promotion when the situation allows, and according to the interests of both sides. The possibilities offered by different EU financing and cooperation instruments will be further explored. Cultural cooperation and academic exchange are encouraged.

<sup>7</sup> EU Co-ordinating Office for Palestinian Police Support (EUPOP COPPS) and European Union Border Assistance Mission at the Rafah Crossing Point (EUBAM Rafah).

<sup>8</sup> United Nations Truce Supervision Organisation (UNTSO), United Nations Disengagement Observer Force (UNDOF), United Nations Interim Force in Lebanon (UNIFIL), Multinational Force & Observers (MFO).



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### 1.4 Themes of dialogue and advocacy

Finland advocates for a peaceful two-state solution to the Israeli-Palestinian conflict. This goal is being promoted in regular political dialogue with the Palestinian Authority, emphasising the principles of democracy, rule of law, and the necessity of Palestinian unity. Questions related to the implementation of development cooperation are covered in political as well as in more technical dialogue with the competent authorities. Issues of human rights and international law are addressed in Finland's political dialogue with the Palestinian Authority.

Finland works for better donor harmonisation and advocates for the rights of women and vulnerable groups, such as children, people with disabilities, and people living in Area C, Gaza, and East Jerusalem. The right of children to access education in a safe and secure school environment is a major objective that Finland promotes both in political dialogue and in development cooperation.

In order to advocate for a peaceful two-state solution to the conflict, an end to Israeli occupation and the blockade of Gaza, and to ensure the sustainability of development cooperation with the Palestinians, it is also necessary for Finland to have dialogue with Israel on the occupied Palestinian territory. This dialogue is both bilateral and multilateral, mainly through the EU. Important arenas for discussions about the Middle East peace process and the promotion of Palestinian state-building are the UN and its special agencies, and international monetary institutions.



## 2. Development Cooperation Context

Despite the substantial assistance given to the Palestinian people, the Palestinian economic outlook is bleak. The Palestinian economy operates under the framework of a customs and monetary union with Israel, and taxes and duties collected by Israel constitute some 70% of the Palestinian Authority's revenues. The Palestinian Authority thus has limited control over its revenues, and it suffers from substantial revenue losses under the current revenue sharing arrangements. In addition, revenue transfers are unpredictable due to the actions of Israeli authorities. Since 1994 these transfers have been frozen on eight occasions.

The situation in the occupied Palestinian territory is upheld with the support of the international donor community. This is an unsustainable arrangement, but necessary in the absence of a political solution. The Palestinian economy is one of the most aid-dependent in the world. Europe is the biggest donor (the EU, member states, Norway and Switzerland), but it is expected that the EU's and its member states' financial allocations to the Palestinian Authority will be cut. Budget support has already decreased by around 40% since 2011. Besides Europe, other significant Western donors are USAID and Canada. The Gulf countries, especially Qatar and Kuwait, are increasingly contributing to the donor community.

The Palestinian Authority has communicated its intentions for a significant public sector reform. For this process, it will finalise five national strategic documents by the end of 2016: (i) the national policy agenda; (ii) a revision of the ongoing national sector strategies; (iii) the macro and the fiscal framework; (iv) new national sector strategies covering 2017–2022; and (v) the budget. Compared with previous plans, the national policy agenda will bring a shift in focus from institution-building towards a more citizen-centred approach. It will be divided into three pillars: 1) path to independence, 2) governance reform, and 3) sustainable development.



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A national team has been formed to coordinate implementation of the 2030 agenda for sustainable development and to ensure that the sustainable development goals are properly integrated in the national policy agenda and the new national sector strategies for 2017–2022.<sup>9</sup> The Palestinian Authority has taken important steps to establish mechanisms for consulting with civil society, the private sector and academics in the policy planning process. The Local Aid Coordination Secretariat (LACS) is also being reformed. Both the number of working groups and the number of participants will be reduced.

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<sup>9</sup> Cabinet's Decision adopted on 16 February 2016.



### 3. Finnish Development Cooperation to Date and in the Future

Throughout the years, Finnish bilateral cooperation has centred on strengthening Palestinian state-building through institution-building. Finland's current development cooperation portfolio has been formed with a human rights based approach in an operating environment comparable to a fragile state. Palestinian state-building is supported in line with the anticipated main priorities of the upcoming Palestinian national policy agenda, and the UN's Sustainable Development Goal 16 to 'promote peaceful and inclusive societies, provide access to justice for all, and build effective, accountable institutions at all levels'. Steps will also be taken to advance Finland's development policy priorities, such as the rights of women and girls, democracy and the functioning of societies, and access to water. During the upcoming period Finland will support a better functioning Palestinian Authority, equal access and quality of education for all Palestinian children, supply and quality of water in Gaza, and women's livelihoods and economic opportunities in Area C.

An evaluation of the strengths and weaknesses of Finland's development cooperation in the occupied Palestinian (2014)<sup>10</sup> observed that Finland has a predictable, long-term engagement with the Palestinian Authority with good alignment, coordination and harmonisation with national development priorities and other development actors. Weaknesses relate specifically to the lack of a country strategy, as Finland's priorities and strategic approach have not been clearly outlined and portfolio-level results monitoring has been weak. This Country Strategy – the first of its kind – aims at addressing these issues.

<sup>10</sup> Evaluation: Peace and Development in Finland's Development Cooperation. Evaluation Report 2014/5. Ministry for Foreign Affairs of Finland.



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Geographical, political and social fragmentation constitute a growing risk for Palestinian statehood. In response to this challenge, Finland will support Palestinian development and resilience in the most vulnerable areas. Moreover, the above mentioned evaluation and another review of Finland's cooperation portfolio (2014)<sup>11</sup> both recommended that Finland's support to Palestinian institutions be complemented with grassroots-level support. Furthermore, it was recommended that state-building efforts include civil society, in order to strengthen the sustainability and accountability of institutions and to reduce the democratic deficit.

Finland's most significant achievement to date has been in the education sector. Committed to the wider goal of promoting the ongoing peace process, Finland was among the first countries to provide support for the sector in 1997. This support has been focused on quality: the main emphasis has been on capacity-building of human resources and on institution development, including the planning and assessment capacity of the Ministry of Education and Higher Education. With these measures, Finland contributed to the introduction of a sector-wide approach to supporting education in 2010, which has significantly strengthened local ownership and donor harmonisation. Other important results are the establishment of an assessment and evaluation centre and the basis for an evaluation system in 1997–2001, Palestinian textbook development for all grades that was completed in 2005, and continuous training of teachers in assessment and evaluation in 1997–2009.

Finland has supported the Palestinian water sector bilaterally, but bilateral infrastructure projects have been deemed too resource intensive for Finland's current development budget. Finland's latest bilateral water sector project resulted in nine villages, about 35,000 inhabitants, being properly connected to the water system. As a result, the consumer cost for water was reduced, and water quantity and quality increased.

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<sup>11</sup> Analysis to support the Preparation of a Results-based Country Strategy for the Occupied Palestinian Territories. Raisa Venäläinen & Muhammad Sharia. 2014.

Finnish NGOs have been active in the region. In 2015 support for Finnish NGOs working in the occupied Palestinian territory amounted to 1.3 million euros. Four Finnish partner organisations receiving multiannual programme-based support were active in the occupied Palestinian territory in 2015: Crisis Management Initiative, the Free Church Federation in Finland, Finn Church Aid, and Felm. In recent years, one cooperation project between Bethlehem University and Diaconia University of Applied Sciences has been funded through the Higher Education Institutions Institutional Cooperation Instrument. Important international organisations that receive core funding from Finland in the occupied Palestinian territory are UNICEF, UNRWA and the World Bank.

Finnish humanitarian assistance to Palestinians has mostly been channelled through UNRWA. In 2015, UNRWA received 4.5 million euros in core funding and 1 million euros in response to its Gaza emergency appeal.

Given the present economy and budget cutbacks, Finland will decrease the number of interventions in the occupied Palestinian territory. A more focused portfolio and increased investment in added value and visibility, including more efficient follow-up, peer support and better portfolio coherence, will serve to enhance effectiveness.

### PART 2

## 4. Expected Results of the Development Cooperation Programme

### 4.1 Impact

The third pillar of the upcoming National Policy Agenda (NPA) will contain two national priorities relevant for Finland: 1) education for all and 2) resilient communities. In line with these priorities, Finland has chosen two impact-level goals for its development cooperation in the occupied Palestinian territory:

- 1) Palestinian children's right to equitable and quality education enhanced**
- 2) Strengthened resilience of Palestinians living in vulnerable areas (Area C, Gaza, East Jerusalem)**

Finland's choice to promote equitable and quality education is supported by the priorities of the Palestinian NPA (quality of education is raised as a policy-level priority) and the Palestinian Education Development Strategic Plan 2014–2019 as well as by Finland's own development policy. It is also in line with the fourth UN Sustainable Development Goal to 'ensure inclusive and quality education for all and promote lifelong learning'.

Finland will continue to build on earlier fruitful cooperation in the education sector, where Finland is well established and enjoys a good reputation. Education is a cornerstone for development. Palestinians value education and it is highly relevant in the occupied Palestinian territory, as it is one of

the core services that a state is expected to deliver. In addition, education fosters democracy, human rights, gender equality, tolerance and social equity, which in turn can have positive impacts on reconciliation and stability.

The Palestinian NPA approaches the different parts of the occupied Palestinian territory as one contiguous entity, one important objective of the agenda being resilient communities. The importance of supporting areas that are especially vulnerable and have been left behind in development is also highlighted by the National Early Recovery and Reconstruction Plan for Gaza 2014–2017 and the National Strategic Framework for Development Policies and Interventions in Area C 2014–2016.

The impact-level goal of promoting resilience in vulnerable areas is a new priority for Finland that stems from Palestinian priorities and context, human rights and conflict analyses. This priority is also recommended by two external reviews<sup>12</sup> of Finland's development cooperation in the occupied Palestinian territory. Area C, Gaza and East Jerusalem are vital for the viability of an independent Palestinian state. Increasing Israeli settlement activities and other restrictions on movement in Area C and East Jerusalem have considerable consequences with regard to fragmentation and living conditions, and highlight the urgency of supporting the people living in these areas. Combatting geographical and social fragmentation is also a means to enhance stability.

Occupation and conflict has accelerated de-development in the occupied Palestinian territory, a process that has not merely hindered but in fact reversed development.<sup>13</sup> Therefore, a zero-sum result of efforts to strengthen resilience in fragile areas and halting de-development may in itself be considered a success.

<sup>12</sup> Evaluation: Peace and Development in Finland's Development Cooperation. Evaluation Report 2014/5. Ministry for Foreign Affairs of Finland: Analysis to support the Preparation of a Results-based Country Strategy for the Occupied Palestinian Territories. Raisa Venäläinen & Muhammad Sharia, 2014.

<sup>13</sup> Report on UNCTAD (United Nations Conference on Trade and Development) assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory (TD/B/62/3; 6 July 2015).

### 4.2 Outcomes and outputs



#### IMPACT 1: PALESTINIAN CHILDREN'S RIGHT TO EQUITABLE AND QUALITY EDUCATION ENHANCED

##### Outcome: Improved quality of education

Palestinian enrolment and gender equality rates are relatively high compared with many countries in the region. Progress towards improved quality of education has, however, not matched that of progress towards quantitative targets. This weakness is noted both in the current Palestinian National Development Plan (2014–2016) and in the Education Development Strategic Plan (2014–2019) of the Ministry of Education and Higher Education. Progress towards better quality of education is raised as a national priority in the sector, and it is a main priority of Finland and other joint financing partners.

A key reform priority of the Palestinian Ministry of Education and Higher Education – one which contributes to better quality of education – is the reform and implementation of a new curriculum. As part of its efforts to improve educational quality, the Ministry has also for the first time introduced a policy of inclusive education. In this context quality of education refers to student-centred learning and teaching that is adjusted to different learners.

##### Outputs:

- Learning and teaching enabling conditions improved

Quality education demands several enabling conditions and factors. In addition to curriculum reform, the most important enablers include competent teachers and sufficient and appropriate facilities. There is geographical inequality in the school system, as the Palestinian Authority is not able to operate freely in all areas (East Jerusalem and Area C being especially problematic). These areas suffer

from deficient school infrastructure, leading to overcrowded school classes and poorer quality of education. One background incentive factor influencing the quality of teaching is the payment of teacher salaries. The Palestinian Authority depends upon external support to make these payments.

Finland supports efforts to foster these enabling conditions. Ultimately, however, the achievement of better quality education depends on the implementation of the priority reforms (curriculum reform, management reform and school system reform) of the Ministry of Education and Higher Education.

### **Instruments, inputs and linkages:**

Finland, together with Belgium, Ireland, Norway and Germany, provides financing to the education sector through a joint financing arrangement, a sector-wide system for supporting the third five-year strategic plan of the Ministry of Education and Higher Education. Finland participates in the education sector working group and finances teacher salaries and pensions through the EU's Pegase mechanism (direct financial assistance to the Palestinian Authority).

Measures and reforms to improve the quality of education are at the core of the agenda of the joint financing partners in their regular dialogue with the Ministry of Education and Higher Education. Finland is actively engaged in this dialogue.

During the period of this Country Strategy, Finland aims to keep a high profile in the education sector. From January 2017 Finland has taken on the role as co-chair of the whole sector.

Finland also provides core funding to UNRWA, the UN organisation responsible for providing assistance and protection to Palestinian refugees in the Middle East.<sup>14</sup> UNRWA has a crucial role in providing education and health services to Palestinian refugees. In Gaza, over 230,000 students attend UNRWA schools, and in the West Bank more than 50,000. Finland is keen to highlight the importance of UNRWA efforts to take into account vulnerable groups in its services to Palestinian refugees and the goal of ensuring quality education for all.

<sup>14</sup> The UNRWA provides services for Palestinian refugees in Gaza, West Bank, Jordan, Lebanon and Syria.



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In 2014, 67% of Palestinian students enrolled in basic education attended public schools, 24% attended UNRWA schools and 8.85% private schools.

### **Outcome: Improved educational equality**

Access to education, especially at lower stages, is quite high in the occupied Palestinian territory: gross enrolment in basic education was 95.9% in 2014. There are, however, some vulnerability factors that affect equal access to education. The dropout rate of boys is one cause of concern. Palestinian children face violence and harassment on their way to school, especially in the proximity of settlements and check-points. Violence is also a problem at school. The violence impacts boys and girls differently, but both genders are affected. There is also a great risk that children with disabilities and special needs fall out of the education system, or that they are excluded from the outset. Increasing household poverty in East Jerusalem is also reflected in dropout rates.

The Ministry of Education and Higher Education is aware of these system weaknesses and has identified equality of education as one of its priorities. There is a lot that could be done by the Palestinian Authority, even though some of the challenges are beyond its jurisdiction. Finland emphasises the right of all Palestinian children to access education in all situations. Finland supports the Palestinian Authority's objective of an inclusive Palestinian education system that ensures both access and adjusted teaching, taking into account all Palestinian children and their special needs.

In order to enhance educational equality, different barriers (environmental, attitudinal, practice and resource related) need to be eliminated, and there is a need for awareness raising and training of teachers, staff and leadership. According to the Palestine Inclusive Education Policy 'a child-friendly school recognizes and supports the child's basic rights, not only in education, but also in social equality, protection, health, nutrition, cultural education, and the right to a voice within a democratic educational environment'.

### Outputs:

- Expanded and enhanced pre-school education

Pre-school education provides the first venue for improving educational equality. An effective and good pre-school system is one means to improve equal access to and outcomes of education. Pre-school education provides children with learning skills and is a possibility at an early stage to spot and support children with different capacities and challenges to engage in basic education.

Pre-school education in the occupied Palestinian territory is in its early stages, but its expansion and enhancement is explicitly identified in the upcoming National Policy Agenda as one of the main policy interventions within the education sector. Pre-school education is mostly provided by the private sector. The aim of the Ministry of Education and Higher Education is to license, instruct and control the quality of private service providers, while also providing pre-school education to poor families especially in vulnerable areas.

The budget for pre-school education is small and most of the budget is funded through the joint financing arrangement. Improvements are needed in the areas of curriculum reform, teacher capacity and the supervision of pre-schools even within the allocated budget. Enhanced and expanded pre-school education will demand improved administration as part of the management reform of the Ministry of Education and Higher Education.

Better pre-school education will contribute to improved educational equality, but other equality-enhancing measures will also be needed and should be implemented in accordance with the Education Development Strategic Plan 2014–2019.

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### Instruments, inputs and linkages:

In 2016 Finland started as co-chair of the technical working group for pre-school education. While realising the budget constraints of the Ministry of Education and Higher Education, Finland will work to strengthen the position of pre-school education. Finland will support its Palestinian counterpart in monitoring quality pre-school education and specifically in implementing the new pre-school education strategy, as well as in developing and implementing the pre-school curriculum. Finland will provide added value through peer support and other support for capacity development of the Palestinian pre-school administration.

Finland finances a project by UNICEF, focusing on reducing violence at school and within pre-school education, as well as on improving the coordination of education and protection humanitarian response in vulnerable areas. Finland also advocates for all children's equal right to safe and secure education. Finland has signed the Safe Schools Declaration and contributed to the related EU Council Conclusions (1/2016) in this regard.



### IMPACT 2: STRENGTHENED RESILIENCE OF PALESTINIANS LIVING IN VULNERABLE AREAS (AREA C, GAZA, EAST JERUSALEM)

#### Outcome: Improved water supply and wastewater services in Gaza

Chronic shortages of water and energy are particularly urgent in Gaza. As early as 2011 a UN study<sup>15</sup> concluded that in order for Gaza to remain a liveable place, 'herculean' efforts would be needed in sectors such as health, education, energy, water and sanitation. However, the war in Gaza in 2014 caused vast destruction and humanitarian suffering to a population of about 1.8 million, with estimated reconstruction costs of USD 4.5 billion. Reconstruction has been slow. The war in Gaza caused severe damage on Gaza's water and sanitation infrastructure, including water wells and networks, tanks,

<sup>15</sup> Report on UNCTAD assistance to the Palestinian people: Developments in the economy of the Occupied Palestinian Territory (TD/B/62/3; 6 July 2015).

desalination units, wastewater networks and pumping stations. Gaza relies almost completely on a coastal aquifer as a source of freshwater, and most of the aquifer's water is not safe to drink without treatment. The scarcity of drinking water has been aggravated by a failing sanitation system and chronic energy shortages.

A strategy has been prepared to respond to the challenging water supply situation in Gaza. The strategy consists of three main action items: 1) to recycle treated wastewater by injecting it to the aquifer to cover a portion of the irrigation demand, 2) to increase potable water imports from Israel, and 3) to fill the remaining gap by seawater desalination. Finland has decided to support these goals, conforming to the UN's sixth Sustainable Development Goal to 'ensure availability and sustainable management of water and sanitation for all'.

### Outputs:

- Rehabilitated existing and damaged water and wastewater systems in Gaza; enhanced capacity of the Coastal Municipalities Water Utility (CMWU) to sustain water and wastewater services

Water supply and wastewater services are improved by reconstructing, building and repairing water and wastewater systems and networks in Gaza, including piped networks, pumping stations, wells and other water sources. The work includes expanding existing infrastructure as well as repairing damages that occurred during the 2014 Gaza conflict.

In order to ensure efficient water and wastewater service provision for Gazans, there is also a need to strengthen the capacity of the local water sector operator CMWU. Therefore, capacity-building is an integral part of the trust fund's water sector interventions both locally for the CMWU, which is implementing all the water sector projects in Gaza, but also on a wider scale in the form of capacity support to the Palestinian Water Authority.



## OCCUPIED PALESTINIAN TERRITORY

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The success of these outputs relies on material entering Gaza and on the simultaneous promotion of energy solutions.

### **Instruments, inputs and linkages:**

Finland supports the water sector in Gaza through a World Bank administered multi-donor trust fund for infrastructure programmes. The trust fund is designed to be a flexible tool to respond to the budget shortages of large infrastructure projects, mostly in Gaza but also on the West Bank. Capacity-building projects are financed in parallel with infrastructure financing. The trust fund supports both water and energy programmes. In Gaza, energy solutions are urgently needed for a sustainable solution to the water supply situation. All trust fund programmes are implemented by institutions of the Palestinian Authority. In the Gaza water sector, the main implementer is the local water utility CMWU. Finland participates in the trust fund's oversight group and water sector working group and engages in joint advocacy with other donors for programme advancement in Gaza.

Finland also engages in political dialogue with Israel and the Palestinian Authority about the situation in Gaza and advocates for lifting the blockade of Gaza.

### **Outcome: Strengthened livelihoods and living conditions of Palestinians living in Area C and East Jerusalem**

Finland's goal is to empower local people and organisations in Area C and East Jerusalem to act with resilience and to respond to threats that affect their sustenance and resilience to stay on their land. Area C covers more than 60% of the West Bank land area, whereas the Palestinian population in this area equals about 11% of the total Palestinian population in the West Bank. In Area C the settler population has already exceeded the number of Palestinians, in East Jerusalem Palestinians are still in the majority. Supporting these people is important as the Palestinian Authority has very limited possibilities to provide services in these areas. The decision to channel support to Area C is in itself a significant political signal that underlines the importance of the area, a view shared by most of the international donor community. The idea is to support more long-term development projects in the area, in addition to the humanitarian aid that is provided.

### Outputs:

- Communities in Area C and East Jerusalem are strengthened through financing for local development projects; women's economic opportunities and livelihoods supported in Area C and East Jerusalem

Finland will support community-level projects that strengthen the resilience of the people to stay on their land. Finland will emphasise women's livelihood projects, as better economic opportunities for women will benefit the whole family, and women are among the most susceptible to the hardships in the area. The success of these outputs is, however, dependent on Israel not intervening against the objectives and results of the programme. Finland has specifically chosen to support small, grassroots projects as well as civil society and local stakeholders in order to increase sustainability.

### Instruments, inputs and linkages:

Support for Palestinians living in Area C and East Jerusalem is a new opening for Palestinian-Finnish cooperation, and so far a UNDP administered trust fund has been identified as the best channel for support. In parallel, Finland will engage in political dialogue bilaterally and within the EU framework with Israel and the Palestinian Authority about development in Area C and East Jerusalem and about respect of international law.

# 5. Implementation

## 5.1 Complementarity and coherence

EU cooperation provides a central framework for Finland's work in the occupied Palestinian territory. Finland engages in the EU's joint programming, in EU aid coordination, and channels funds through the EU's Pegase mechanism.

Finland supports local NGO projects that enhance the rights and status of women. Special emphasis is on improving women's economic opportunities and on supporting victims of gender-based violence. In addition, Finnish NGO projects receive funding for their work in the occupied Palestinian territory, and some regional development programmes funded by Finland benefit Palestinians as well.

Finnish humanitarian assistance to Palestinians is channelled through UNRWA, both as contributions to the general budget of the organisation and in response to emergency appeals, most recently concerning Gaza in 2015.

Finland participates in the EU's civilian crisis management missions in the area. Finland regularly sends experts to the EU Police Mission for the occupied Palestinian territories (EUPOL COPPS), which started in 2006. The aim of the mission is to contribute to the establishment of sustainable and effective policing arrangements and to advise Palestinian counterparts on criminal justice and rule of law related aspects under Palestinian ownership. Currently, 21 EU member states are contributing to the mission. Finland has also supported the European Union Border Assistance Mission at the Rafah Crossing Point – EUBAM Rafah.

### 5.2 Partnerships and modalities for development cooperation

Finland's main partners in the management and implementation of this Country Strategy are the Palestinian Authority and its line ministries. The Prime Minister's Office is the partner for policy dialogue, while the Ministry of Finance and Development is Finland's counterpart in discussions about Finland's cooperation portfolio as a whole. In the education sector Finland participates in active dialogue with the Ministry of Education and Higher Education together with the other donors of the joint financing arrangement.

Finland has worked closely with the World Bank in the land administration sector. During the period for this strategy, Finland's cooperation with the World Bank will focus on the water sector in Gaza. As for cooperation in Area C, UNDP will most likely become a new partner for Finland. Finland will also work closely with UNICEF, especially regarding pre-school education and child protection. Finland's Representative Office in Ramallah will aim to have active interaction with Finnish NGOs working in the region.

Finland has no bilateral projects with the Palestinian Authority, all support is channelled through co-financing mechanisms. The choice of co-financing is a means of harmonisation and of strengthening local systems. One reason why multilateral cooperation is preferred is that the Palestinian Authority has limited ability to operate in certain areas. Finland's budget and human resource limitations also affect the alternatives for cooperation. Should the political and security situation continue to deteriorate, even more emphasis would be placed on risk sharing and sustaining humanitarian aid. On the other hand, any positive developments in the conflict, or in Finland's budget, would lead to a shift towards greater support for economic development and employment as well as the promotion of private sector and trade relations.

### 5.3 Long-term sustainability

As noted above, the Palestinian Authority has achieved the capacity of state government. The current situation is, however, not sustainable and there is a significant risk of de-development. Finland's development cooperation in the occupied Palestinian territory aims for sustainable development. Education is an important investment in the future. The choice of supporting Gaza, Area C and East Jerusalem has been made to sustain the viability of a Palestinian state as part of a two-state solution to the conflict. Long-term sustainability and the full development potential of the area are not achievable without a just and comprehensive solution to the conflict.

### 5.4 Risk management

The occupied Palestinian territory is a fragile, high-risk environment suffering from fragmentation of people, area, and political and administrative control as well as democratic deficit. Development progress might be slow or non-existent, and there is a danger of turmoil and violence. With the political goal of a two-state solution, Finland and the donor community have accepted this reality and related contextual risks, considering the risks of no development cooperation and funding to be even higher causing instability, human suffering and losing already achieved results.

The Palestinian Authority is vulnerable because of its dependence on Israeli fund transfers and international aid. This vulnerability constitutes a programmatic risk that could negatively affect Finland's cooperation: a decrease of external funding for the Palestinian Authority could lead to reprioritisation and adjustments in programme activities and budgets. Programmes in Area C and Gaza may also be hindered and delayed because of Israeli action.

Institutional, reputational risks relate to the risk of poor and weak governance and corruption, and the risk of Israeli demolition of project results in Area C. All of the above may influence the capacity and political will of the Palestinian Authority to implement planned reforms.

Finland channels its funds via different co-financing mechanisms, hence sharing risks and mitigation efforts. Close monitoring and evaluation and the use of audits, integrated capacity-building, flexible implementation arrangements and information sharing with the Palestinian Authority and donors are essential to prevent the realisation of risks, to anticipate possible challenges and to respond to different situations. It is necessary to maintain open and regular political dialogue with the Palestinian Authority, as well as with Israel. This dialogue takes place bilaterally, but also within the international context, especially as part of the EU. Developing Finland's own human resource capacity is also essential.

# 6. Monitoring and evaluation

Country Strategy monitoring is based on ongoing monitoring of development projects, programmes, policy dialogue and other cooperation by the Representative Office of Finland in Ramallah. This work follows the principles and guidelines of the Ministry for Foreign Affairs (MFA), especially the Guideline on Results-based Management, the Manual for Bilateral Programmes and the Evaluation Guidelines. In joint arrangements, Finland will participate in joint reviews and evaluations.

The Country Team will continuously monitor the validity of the assumptions made in the Country Strategy and its Logic Model (Annex I) as well as identified risks, and take corrective measures as needed. The use of Country Strategy budgeted funds is monitored on an ongoing basis using automated reports from the MFA financial accounting systems.

The Country Team will prepare an annual report following the MFA reporting format in the first quarter of the calendar year. The annual report provides an overview of Country Strategy monitoring and reporting. The potential need for corrective measures will be determined by the Department for Africa and the Middle East.

Findings of project-level management reviews and mid-term, final and potential impact evaluations, as well as relevant thematic evaluations also feed into Country Strategy monitoring and reporting.

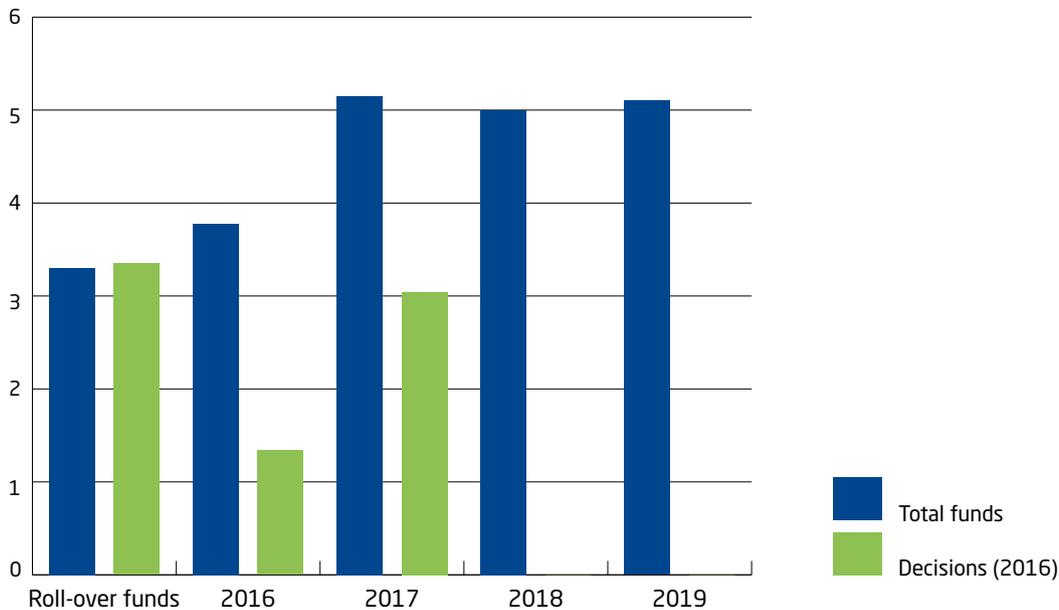
The Country Strategy as a whole will be evaluated towards the end of the strategy period (MFA Evaluation Unit).

## 7. Tentative financing plan (budget)

The planned budget frame for 2016–2019 is 21.9 million euros. The financing plan only applies to the bilateral development cooperation that comes under the Country Strategy. It does not include humanitarian aid, private sector instruments or Finnish NGOs referred to in Chapter 3.

### Budgeting framework 2016-2019

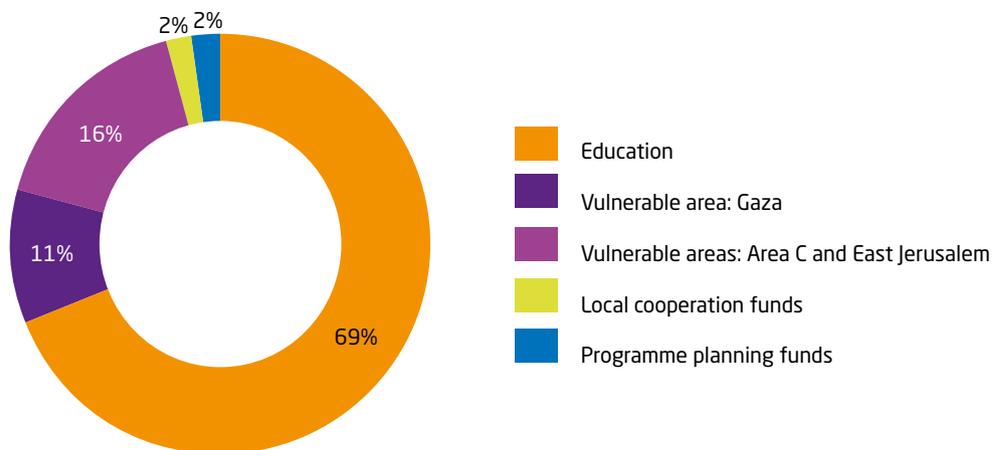
(million euros)



## OCCUPIED PALESTINIAN TERRITORY

### Planned budget allocation 2016-2019

(Total funds 21.9 million euros)





# Annexes

## Annex I. Logic Model

| IMPACT   | OUTCOME                            | OUTPUT  | Key assumptions linking outputs/ outcomes/impacts   | Instruments and inputs   |
|--|------------------------------------|---|---|--|
| <b>1. Palestinian children's right to equitable and quality education enhanced</b> | 1.1. Improved quality of education | 1.1.1. Learning and teaching enabling conditions improved | <b>Output-outcome</b><br>New curriculum approved and implemented by the Ministry of Education; pre-school administration improved as part of the management reform of the Ministry of Education and Higher Education; continued capacity of the Ministry of Education to implement the education development strategic plan 2014–2019, including measures to ensure equal access to education for all; no major increase in restrictions of movement. | Joint financing arrangement (JFA) for the development budget of the Ministry of Education and Higher Education; Finland's estimated funding 12 million euros in 2016–2019. Finland's support so far approximately 17% of JFA funding.<br><br>Payment of salaries and pensions of public servants (mostly teachers and doctors) through the EU Pegase mechanism; Finland's estimated funding 2 million euros in 2016–2019.  |
|  | 1.2. Improved educational equality | 1.2.1. Expanded and enhanced pre-school education         | <b>Outcome-impact</b><br><br>Sustained level of support from development partners; government-donor dialogue continues in the education sector; continued commitment of the Palestinian Authority to the education sector reform; no drastic escalation of the political and security situation.  | UNICEF's project for non-violence in school and pre-school and better coordination of education and protection humanitarian response; Finland's contribution (100% of project budget) 1 million euros 2016–2018.<br><br>Counsellor, supporting education sector consultant, MFA's education sector advisor, a local education sector expert.<br><br>Continuous JFA dialogue with the Ministry of Education and Higher Education; Finland co-chair of the education sector; EU education working group and dialogue with Palestinian Authority; Finland co-chair for pre-school technical working group; participation in working groups for emergency and inclusive education. |

## OCCUPIED PALESTINIAN TERRITORY

| IMPACT  | OUTCOME  | OUTPUT   | Key assumptions linking outputs/ outcomes/impacts  | Instruments and inputs  |  |   |
|---|--|--|--|---|--|---|
| <b>2. Strengthened resilience of Palestinians living in vulnerable areas (Area C, Gaza, East Jerusalem)</b> | 2.1. Improved water supply and wastewater services in Gaza   | 2.1.1. Rehabilitated existing and damaged water and wastewater systems in Gaza                                       | <b>Output-outcome</b><br>Progress of trust fund projects, needed material and equipment enter Gaza. The Palestinian Authority continues to operate in Gaza, especially regarding the trust fund projects. Enabling conditions (such as sufficient energy supply) for water sector development advanced through trust fund activities as well as through other means. Continued functionality and financing of the trust fund. Funding sustained for UNDP's CRDP programme. UNDP is able to function in Area C, projects financed by the programme advance. No major increase in restrictions of movement. No major increase in Israeli interventions against project objectives. | The World Bank's Partnership for Infrastructure Development Multi-Donor Trust Fund. Finland's estimated contribution 2 million euros in 2016-2019, Finland's support to the trust fund is so far 11% of the total.<br><br>Counsellor, MFA's water sector advisor.<br><br>Trust fund Steering Committee participation; participation in the trust fund water sector group and its missions; political follow-up and dialogue with the parties and the international community on developments in Gaza. |  |   |
|   |  | 2.1.2. Enhanced capacity of the Coastal Municipalities Water Utility (CMWU) to sustain water and wastewater services |  |   |  |   |
|   | 2.2. Strengthened livelihoods and living conditions for Palestinians living in Area C and East Jerusalem | 2.2.1. Communities in Area C strengthened through financing of local development projects                            |  |   | <b>Outcome-impact</b><br><br>No drastic escalation of the political and security situation. Continued international financial and political support for Gaza reconstruction and development in Area C. | Support to East Jerusalem hospitals through EU's Pegase mechanism. Finland's support 1 million euros in 2016.<br><br>UNDP's CRDP programme, total budget USD 19.7 million in 2012-2016; Finland's planned contribution approximately 3 million euros 2016-2019. |
|   |  | 2.2.2. Women's economic opportunities and livelihoods supported in Area C  |  |   |  |   |





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