



Biennial evaluation of 2018-2019 Pegase Direct Financial Support ("Pegase DFS") to the Palestinian Authority

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Biennial evaluation of 2018-2019 Pegase Direct Financial Support ("Pegase DFS") to the Palestinian Authority

**This evaluation was commissioned by the
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***The opinions expressed in this document represent the authors' points of view
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LIST OF ACRONYMS

2-SS	Two-State-Solution
AD	Action Document
AFP	Annual Financial Statement
AHLC	Ad Hoc Liaison Committee
BS	Budget Support
CCS	Commitment Control System
CEF	Comprehensive evaluation framework
CoG	Centre of Government
COVID-19	Corona Virus Disease
CR	Clearance Revenue
CS	Civil Society
CSOs	Civil Society Organisations
CSP	Civil Servants and Pensioners
CTP	Cash Transfer Programme
DAC	Development Assistance Committee
DEVCO	DG International Cooperation and Development
DFS	Direct Financial Support
DoL	Division of Labour
DPs	Development Partners
EC	European Commission
ECHO	European Civil Protection and Humanitarian Aid Operations
EDP	European Development Partners
EJ	East Jerusalem
EJH	East Jerusalem Hospitals
EJS	European Joint Strategy
EQs	Evaluation Questions
EU	European Union
EUMS	European Union Member States
EUREP	European Union Representative
FA	Financial Assistance
FCDO	Foreign and Commonwealth Development Office
FG	Focus Group
FGD	Focus Group Discussion
GBV	Gender Based Violence
GDP	Gross Domestic Product
GoI	Government of Israel
GPC	General Personnel Council

GS	General (Cabinet) Secretariat
HCPPP	Higher Council for Public Procurement Policy
HoC	Head(s) of Cooperation
HQ	Headquarters
HRM	Human Resource Management
ICC	International Criminal Court
ICU	Intensive Care Units
IL	Intervention Logic
ILO	International Labour Organisation
IMF	International Monetary Fund
JCs	Judgement Criteria
JP	Joint programming
LACS	Local Aid Coordination Secretariat
LMA	Line Ministries and Agencies
M&E	Monitoring and Evaluation
MAP	Multi-Donor Agribusiness Programme
MAS	Palestine Economic Policy Research Institute
MDLF	Municipal Development Lending Fund
METAC	Middle East Regional Technical Assistance Centre
MoF	Ministry of Finance
MoFP	Ministry of Finance and Planning
MoH	Ministry of Health
MoL	Ministry of Labor
MoSD	Ministry of Social Development
MoU	Memorandum of Understanding
MTR	Mid Term Review
OECD	Organisation for Economic Co-operation and Development
OO	Overall Objective
OPTs	Occupied Palestinian Territories
PA	Palestinian Authority
PACC	Palestinian Anti-Corruption Commission
PAR	Public Administration Reform
PCBS	Palestinian Central Bureau of Statistics
PEFA	Public Expenditure and Financial Accountability
PENGO	Palestinian Environmental NGOs Network
PENRA	Palestinian Energy & Natural Resources Authority
PFM	Public Finance Management
PMTF	Proxy Means Testing Formula

PNPA	Palestinian National Policy Agenda
PWA	Palestinian Water Authority
PWD	Persons with Disabilities
RBA	Rights Based Approach
ROF	Results Oriented Framework
SAACB	State Audit and Administrative Control Bureau
SDGs	Sustainable Development Goals
SDSS	Social Development Sector Strategy
SIGMA	Support for Improvement in Governance and Management
SO	Specific Objective
SP	Social Protection
SRF	Strategic Results Framework
SSRP	Services, Stability and Reform Programme
SWG	Sector Working Group
TA	Technical Assistance
ToC	Theory of change
ToR	Terms of Reference
UK	United Kingdom
UN	United Nations
UNICEF	United Nations International Children's Emergency Fund
UNRWA	United Nations Relief and Works Agency
US	United States
WASH	Water, sanitation, and hygiene
WB	World Bank
WFP	World Food Programme
WHO	World Health Organisation

1. INTRODUCTION

This Evaluation covers a two-year period from January 2018 to December 2019 and provides an overall independent assessment of the performance of the PEGASE Direct Financial Support (DFS) paying particular attention to its results measured against expected objectives and the reasons underpinning such results. It provides key lessons learned, conclusions and related recommendations within this Final Report in order to improve current and future PEGASE programmes.

The Evaluation focuses on:

- (a) Reviewing the results and political benefits of funding provided (2019: EUR 182.3M; 2018: EUR 185.8M), associated transaction costs and fiduciary risks;
- (b) Reviewing the PEGASE DFS mechanism's safeguarding measures (2019: EUR 1.25M; 2018: EUR 1.05M);
- (c) Assessing the contribution towards PA sector reforms' progress and outcomes;
- (d) Reviewing the Civil Servants and Pensioners' (CSP) Incentives-Based reform related to Public Finance Management (PFM) and Water sector, as well as shedding light on related reform in the Energy sector for 2020;
- (e) Providing a specific assessment on the newly introduced Incentives-Based tranche;
- (f) Considering whether gender and social inclusion, and cross-cutting issues of environment and climate change were addressed and/or mainstreamed during the design and programme implementation, including an explicit focus on Sustainable Development Goals (SDGs) and their development agendas including: 'Leave No-One Behind', and a Rights-Based Approach (RBA);
- (g) Assessing the contribution to effectiveness of policy dialogue;
- (h) Reviewing complementarities of the PEGASE DFS mechanism and synergies/disconnects between it and other DP's funding modalities; and
- (i) Visibility of PEGASE DFS programmes particularly in relation to the PEGASE DFS (2019: indicative allocation: EUR 0.3M).

2. KEY METHODOLOGICAL ELEMENTS

Overall evaluation approach

The scope of the evaluation covers the three windows of the PEGASE DFS: CSP, Cash Transfer programme (CTP) and East Jerusalem Hospitals (EJH), along with the related six sectors associated with the PEGASE programme, (including those sectors (marked *) subject to the Incentives-Based tranche): (1) Public Finance Management (PFM); (2) Public Administration Reform (PAR); (3) Social Protection (SP); (4) Health Referrals; (5) *Water (consolidated); and (6) *Energy (consolidated).

The PEGASE Biennial Evaluation commenced in February 2021 and the Inception Phase was completed in June 2021 with the approval of the Inception Report. A combined Phase 2 (Desk) and 3 (Field) commenced with an extensive document review of over 150 documents (Annex 5) and consultation with key stakeholders (see Annex 4 for list of institutions interviewed, and Section 4 for details on the methodology adopted). This Final Report was produced during Phase 4: Synthesis and Phase 5: Dissemination was completed with the Dissemination workshop to discuss findings held in Ramallah with various stakeholders (16 March 2022).

Challenges and limitations

Due to the breadth and complexity of the scope of the PEGASE programme, with its six associated reform sectors, along with the EJS' Results Oriented Framework (ROF), the Desk Phase required an extensive review of documents (Annex 5) and during the Field Phase a wide range of around 75 stakeholders were interviewed (Annex 4). Cognisant of the need to produce emerging findings as soon as possible, due to the aforementioned delays during and after the Inception Phase, it was decided to merge Phases 2 (Desk) with 3 (Field). This resulted in a compressed period to undertake this detailed evaluation and tenacity was required to secure KIIs and FG meetings with the stakeholders, their cooperation and availability is much appreciated.

The voluminous list of indicators that was developed to underpin the JCs, required a vast amount of data, most of which was collected successfully. During the finalisation of this Desk-Field Report and in preparation of this Final Report, the findings have been triangulated to develop sound conclusions and carefully considered

recommendations. The Report also addresses some forward-looking recommendations in relation to the 2022 PEGASE programme.

3. EU SUPPORT AND ITS EVOLUTION IN THE OCCUPIED PALESTINIAN TERRITORIES AND EVOLUTION (INTENDED & REALISED INTERVENTION LOGIC)

Political and socioeconomic context in the Occupied Palestinian Territories

During 2018-19, there was increased uncertainty about future donor flows and risk of tensions spilling into unrest painted a bleak picture of political reality. The US' recognition of Jerusalem as the capital of Israel and the subsequent withdrawal of funding from the United Nations Relief and Works Agency (UNRWA), one of the main providers of jobs and service delivery in Gaza, resulted in increased levels of anxiety and unrest on the ground¹. President Donald Trump withdrew more than US\$200 million in aid to the Palestinians in 2018, including US\$25 million earmarked for East Jerusalem Hospitals (EJH). It is noteworthy that the Biden administration has decided to resume aid to UNRWA².

In March 2019, a new Palestinian government was formed headed by Mohammad Shtayyeh. The new government took initial steps to revise its development plan – the Palestinian National Policy Agenda (PNPA) *Putting Citizens First* (2017–22). During its first Cabinet meeting, the government emphasised a number of priorities including: the importance of increased productivity and competitiveness of the Palestinian private sector; the adoption of a geographical, 'cluster', approach towards development; the need for improved service delivery, with a focus on health and education; and reduced reliance on Israel³. However, such plans and the budgets for 2020 and 2021 were superseded by a State of Emergency due to the outbreak of the Covid-19 pandemic and the fiscal crisis. Palestinian law states that presidential and legislative council terms are for four years but there has not been a general election since 2006. The last local elections were held in the West Bank in 2017, with Hamas and other Palestinian factions abstaining. The 22 May 2021 Parliamentary and 31 July 2021 Presidential elections were postponed amid a dispute over voting in Israeli-annexed East Jerusalem (and divisions in the Fatah party).

Violence broke out between the Israeli Government and Hamas, mostly in the Gaza Strip for a period of 11 days during 10 – 21 May 2021, which resulted in the deaths of 232 Palestinians, including 65 children, and displacement of 75,000 people in Gaza due to the destruction of 1,500 residential apartments (and 50 schools); and the deaths of 12 Israelis, including 2 children⁴. A statement issued by the European Council on 24 May 2021 informed⁵ "We welcome the ceasefire that should bring an end to the violence. The EU will continue to work with international partners to restart a political process. The EU reiterates its firm commitment to the two-state solution". The State of Palestine is a state - party to both the Rome Statute and the Apartheid Convention. In March 2021, the International Criminal Court (ICC) Office of Prosecutor announced the opening of a formal investigation into the situation in Palestine⁶. The situation within Palestine is extremely unstable and presents increased risks to the achievement of both sustainable reforms towards state-building, and the ultimate goal of the 2-SS.

Whilst this Evaluation covers the period 2018-2019, the current macro-economic context of Palestine in 2021 requires mentioning since it presents a much-deteriorated situation compared with the previous three years. Since 2020, Palestine has been in the midst of an unparalleled 'triple-shock' due to the combined effects of the Covid-19 pandemic, with its associated severe economic downturn, and during 2020 and 2019, separate and repeated political standoffs between the PA the Government of Israel (GoI) over Clearance Revenues (CR)⁷ which determines a bleak macro-economic trajectory. World Bank projections⁸ based on GDP per capita growth suggest that the poverty rate has been increasing since 2016, reaching 28.9 percent in 2020, a significant

¹ Office of the United Nations Special Coordinator for the Middle East Peace Process, 'Report to the Ad Hoc Liaison Committee', 20 March 2018; 27 September 2018

² <https://www.al-monitor.com/originals/2021/03/intel-us-announces-15-million-aid-west-bank-gaza#ixzz6qUKJEP2>

³ UNSCO AHLC Report – September 2019.

⁴ UN GENERAL ASSEMBLY, PLENARY, Seventy-Fifth Session, 67th & 68th Meetings (AM & PM), 19th May 2021

⁵ European Council conclusions on Russia, UK, Middle East and Mali, 24 May 2021

⁶ Statement of ICC Prosecutor, Fatou Bensouda, respecting an investigation of the Situation in Palestine, 3 March 2021, <https://www.icc-cpi.int/Pages/item.aspx?name=210303-prosecutor-statement-investigation-palestine>

⁷ AHLC Report, The World Bank, 30 April 2019

⁸ AHLC Report, The World Bank, 23 February 2021

increase of 7 per cent over the last four years – with nearly one-third (approximately 1.4 million) of people in Palestine living in poverty in 2020. However, whilst GDP in 2020 is expected to have contracted by 11.5 per cent, a modest recovery was projected during 2021 with growth returning to around 3.5 per cent.

Due to CR issues, the PA adopted austerity measures during 2018, including cutting the current wage bill by 30 percent, and curtailing other expenditures including social assistance payments. In 2019, the PA experienced a liquidity shock, with much of the PA's financing gap having been filled through the irregular practice of accumulating expenditure arrears and increased local borrowing. Gross arrears accumulated in 2019 exceeded US\$900 million, with net arrears, after the receipt of CR, amounting to US\$490 million. At the end of 2019, the PA's stock of domestic debt reached US\$1.58 billion. Nevertheless, public spending increased by 5.4 percent in 2019, year-on-year, on a commitment basis. Consequently, the PA's total deficit amounted to US\$1.4 billion in 2019 while aid received amounted to US\$590 million resulting in a financing gap exceeding US\$800 million.

Whilst the Covid-19 pandemic occurred after the Evaluation period of 2018 – 19, it is such a significant occurrence with ongoing impacts on the PA and the Palestinian people, that it requires a brief overview as part of this report's introduction, and has been taken into account for the Evaluation's evidence, particularly pertinent to the health and social protection sectors. During 2020 to date, the PA has proactively responded to the pandemic, in collaboration with development partners during the initial onset. The PA declared a State of Emergency and developed a Covid-19 Response Plan in March 2020⁹. The pandemic has disrupted health system financing and service delivery for other essential health and other social services.

Relevant national development strategies

In 2017, the Palestine National Policy Agenda's (PNPA) (2017-2022) sector reforms – the three-year Strategic Results Framework (SRF) and the annual Results and Action Plans (RAPs). The SRF and RAPs are used by PA institutions to report to the Cabinet Secretariat on a regular basis. Each sector should prepare an annual report of progress (although this has not always produced).

Public Administration Reform (PAR): In addition to Pillar 2 of the PNPA which focuses on government reform, two key national priorities relevant to PAR are citizens' centred government, and effective government. There has not been a PAR Strategy in place. The priorities of PAR - reform of the civil service, are encapsulated in the National Strategic Plan of Civil Service (2017– 2022).

Public Finance Management (PFM): The PA's PFM Strategy (2017-2022) was set to provide the PA with a framework for reforms contributing to enhanced fiscal discipline, improved allocative functions of the government and efficiency in the provision of essential public services. It was also expected to support the achievement of the PA's fiscal objectives through improved and consistently applied budgetary principles, policies and processes. A revised PFM Strategy for 2021-2023 was approved in September 2020, building on the key constraints and weaknesses identified in the Public Expenditure and Financial Accountability (PEFA) assessment¹⁰.

Social Protection (SP): The Ministry of Social Development (MoSD) has emphasised that the right to SP for the most vulnerable is respected and protected, in their strategy¹¹, which seeks to adhere to a rights-based concept of social development. MoSD through the strategy is working towards poverty eradication, removing all forms of marginalisation and social exclusion, as well as promoting social cohesion. Right holders, the marginalised and vulnerable groups include: the poor, women, children, youth, elderly, PWD, and those living in marginalised localities.

Health: The National Health Strategy (2017-2022) is linked to the ninth national priority "Comprehensive, quality and affordable health care for all," especially through the policy priorities that seek to provide comprehensive health care services for all and enhance citizens' health and well-being, by contributing to reforming the public health insurance system, enhancing the financial sustainability of the health care system (improving the system of purchasing medical services and referrals), advancing the level and quality of health services, increasing equality in accessing health care services, as well as promoting preventive health services and enhancing public awareness and healthy behaviours, introducing the family health approach, and

⁹ State of Emergency, Palestine's COVID-19 Response Plan, PA, 5 March 2020

¹⁰ PEFA, World Bank, June 2019

¹¹ Social Development Sector Strategy (SDSS) 2017-2022, MoSD, Ramallah, Palestine, 2016

enhancing programs for the management of non-communicable diseases and implementing related national policies.

Overview of PEGASE Direct Financial Support

The overall objective of PEGASE DFS to recurrent expenditures of the PA 2018 and 2019 Actions is to build effective and accountable institutions ready for statehood and enable inclusive social development (leaving no-one behind). The specific objective is improved public services responding to citizens' needs, including those of marginalised groups.

Box 1: Overview of PEGASE DFS components

The Results addressed by the Evaluation* include:

Result 2. Timely and regular payment of salaries and pensions are made by the PA.

Civil Servants and Pensioners (CSP) - (EUR 85 million for 2018, EUR 85 million for 2019).

The annual allocations of EUR 85 million are disbursed according to a timetable agreed upon with the PA and taking into consideration the results of the incentive tranche indicators. There normally are about 4-5 payments per year to contribute to the salaries and pensions of around 55,000 PA civil servants and pensioners (about half of the total). A mechanism of incentives was introduced in 2018, solely for the CSP component (EUR 20 million yearly). The mechanism aims to underpin the reform process within the PA by creating incentives for greater ownership of reforms.

Result 3. Timely and regular payments of social allowances are made by the PA.

Cash Transfer Programme (CTP) - (EUR 50 million for 2018, EUR 50 million for 2019).

PEGASE contributes to quarterly CTP payments to an average of 70,000 families (80% of which in Gaza).

The CTP aims to ensure the continued assistance to Palestinian families living in extreme poverty, who are dependent on additional financial aid from the PA. It also reinforces the reform of the social protection system and the social cohesion among Palestinians.

Result 4. People in need of medical referrals have access to East Jerusalem Hospitals.

East Jerusalem Hospitals (EJHs) - (EUR 13 million for 2018, EUR 13 million for 2019).

EJHs serve as the main centres for specialised care within the Palestinian health system where patients needing services/procedures that are not available in the West Bank and Gaza are referred. The financial difficulties of the PA have resulted in unpaid hospital bills, generating arrears despite ongoing reforms. PEGASE support to the Ministry of Health (MoH) aims to ensure access to quality health services to the entire Palestinian population by covering part of the arrears for referrals.

Safeguarding measures: audit, verification, monitoring, evaluation, screening and IT support of PEGASE DFS programmes (EUR 1.05 million for 2018, EUR 1.25 million for 2019).

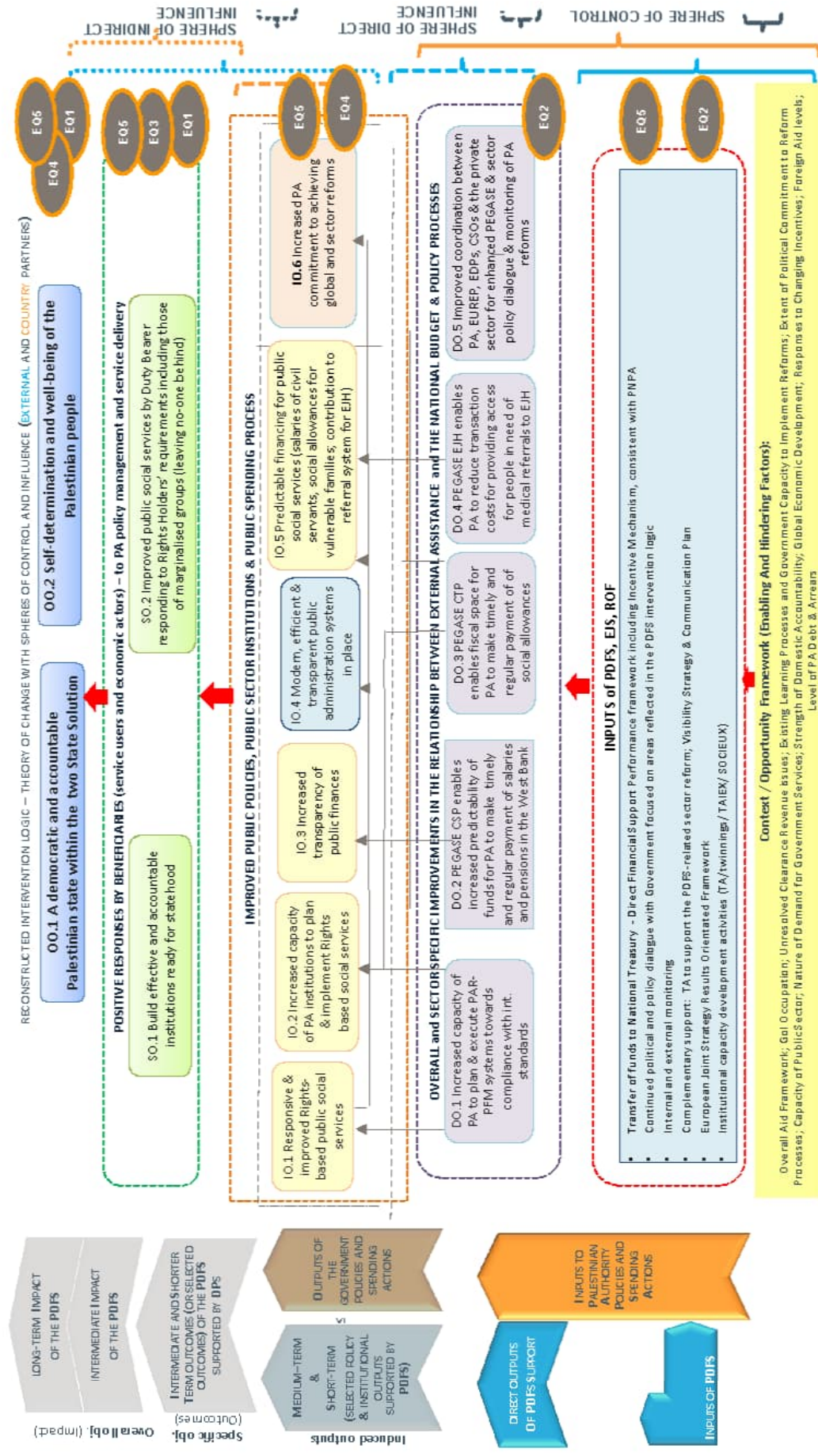
Results-based monitoring and reporting for policy dialogue (EUR 0.7 million in 2020/2021)

Visibility of PEGASE DFS programmes (Indicative allocation: EUR 0.3 million for 2019).

Source: Terms of Reference, PEGASE 2018-2019 Biennial Evaluation, EU

*Result 1. Selected institutions deliver efficient and needs based services, is not covered by this Evaluation.

The Reconstructed Intervention logic diagram – 2018 - 2019



The different levels of the reconstructed intervention logic

This Evaluation Terms of Reference (ToR) requires the reconstruction of the Intervention Logic (IL) of PEGASE, including the construction of the Theory of Change (ToC) (below). The review of the existing IL and ToC from 2016-2017¹² sought to assess whether it has remained valid over the 2018-2019 period and whether it should be adjusted to enhance its relevance and responsiveness. It was informed by: (a) the IL within the 2018-2020 PEGASE Action Document, (b) updated information provided by this Evaluation’s ToR, and (c) the ToC constructed by the 2016-2017 biennial evaluation report¹³. This exercise has informed the development of the EQs and JCs within the Evaluation Matrix (Annex 3).

Table 1: PEGASE Reconstructed Intervention Logic 2018 – 2020

Level	2018-2020 IL	Revised IL	EQ	Comments	Alignment with ROF
5: Impact	O.O.: Build effective and accountable institutions ready for statehood and enable inclusive social development (leaving no-one behind)	O.O.1 A democratic and accountable Palestinian state within the two State Solution	1	The OO within the Logframe is an Outcome rather than an Impact statement. It is proposed that the Two-State Solution is reinstated as the Vision for the PEGASE.	ROF does not include Impact Statement or OO
		O.O.2 Self-determination and well-being of the Palestinian people	1	“Leaving no-one behind” reflects that this Evaluation will assess whether the PA as the Duty Bearer addresses inclusive development - the requirements of Rights Holders in specific geographical areas, as well as vulnerable groups (including women, and Persons with Disabilities (PwD)) ¹⁴ .	ROF does not include Impact Statement or OO

¹² A ToC for 2018-2020 PEGASE programme was not adopted by the EUREP, although a reconstructed ToC was developed as part of the 2016-2017 PEGASE biennial evaluation.

¹³ Evaluation of 2016/2017 PEGASE Direct Financial Support to the Palestinian Authority (PEGASE DFS), A.R.S. Progetti, October 2018

¹⁴ The UN Common Country Analysis identified 20 vulnerable groups within the Occupied Palestinian Territory (oPt), Common Country Analysis, Leave No One Behind: A Perspective on Vulnerability and Structural Disadvantage in Palestine UN Country Team, 2016

Level	2018-2020 IL	Revised IL	EQ	Comments	Alignment with ROF
4: Outcomes		S.O.1 Build effective institutions accountable to their citizens ready for statehood	1,3	Moved from Impact level 5 to Outcomes level 4 and linked to accountability and citizens' participation to reflect the PFM-PAR reforms Addresses inclusive social development as part of the Duty-Bearer's SDG reform agenda	IO1: Effective and efficient legal framework developed, implemented and monitoring on law enforcement enhanced (PAR) IO2: Developed water and wastewater institutions to reinforce good governance bases within an integrated legal and institutional framework (Water) IO3: Protective legislations, policies and framework enhanced (SD)
	S.O.: Improved public services responding to citizens' needs, including those of marginalised groups	S.O.2 Improved public social services by Duty Bearer (PA) responding to Rights' Holders (citizens') requirements (including those of marginalised groups (leaving no-one behind))	1,3	Responsiveness of the Duty Bearer to the Right Holders demonstrated through improved public services and increased Rights Holders' (citizens') voice.	OC1: Living standards of poorest and most vulnerable Palestinians are maintained (SP); OC2: Vulnerable Palestinians have increased access to specialised social services (SP)
3: Induced Outputs		IO.1 Responsive & improved Rights-	4	Induced outputs are not included in the Logframe but are a	IOC2.1: Pilot case management

Level	2018-2020 IL	Revised IL	EQ	Comments	Alignment with ROF
		based public social services		<p>requirement of the Evaluation ToR.</p> <p>Social' services have been specified to reflect the nature of support to CTP and EJH in particular.</p>	<p>system is institutionalised and rolled out at regional directorate level (SP)</p> <p>IOC2.2: Joint Planning Groups are established in all directorates and implement action plans for the benefit of elderly, persons with disability, women and children at risk (SP)</p> <p>IOC2.3: Financial allocations for activities of Joint Planning Groups (JPGs) are reflected in MoSD budget (SD)</p> <p>IOC2.5: Number of women victim of violence (and their children), benefiting from social workers services in Westbank Directorates (out of which number referred to the Mehwar center) (SP)</p>
	DO.1: Selected Institutions	IO.2 Increased capacity of PA institutions to plan	2	Rephrasing of DO and use of RBA language adopted.	II2.1: SDG 1.3.1 Proportion of

Level	2018-2020 IL	Revised IL	EQ	Comments	Alignment with ROF
	deliver efficient and needs- based services	and implement Rights-based social services		Was previously a DO (from 2018-2020 IL) and now correctly reassigned as IO	population covered by social protection floors/systems, by sex, age and persons with disabilities (SP)
		IO.3 Increased transparency of public finances	4	Budgeting” has been expanded to include planning and expenditure to reflect the budget-expenditure cycle	OC2: Improved transparency of public finances (PFM)
		IO.4 Modern efficient & transparent public administration systems in place	4	PAR is included and provides the effect into S.O.2. This output is based on OC2 from the PAR ROF matrix	I1: Improve public administration and government effectiveness that respond to citizens' needs (PAR)
		IO.5 Predictable financing for public social services (salaries of civil servants, social allowances for vulnerable families; contribution to referral system for EJH)	4	Predictability of funds is crucial to enable the PA to deliver basic services and reforms. This IO emphasises the core functions of the MoSD and MoH to deliver responsive social services	OC5: Improved predictability and control in budget execution (PFM)
		IO.6 Increased PA commitment to achieving global and sector reforms	4	This includes the IO of the PFM Incentives-Based Tranche	No direct linkages IOC2.1: Effective implementation and monitoring of progress against NPA (PAR)

Level	2018-2020 IL	Revised IL	EQ	Comments	Alignment with ROF
2: Direct Outputs		DO.1 Increased capacity of PA to plan and execute transparent PAR-PFM systems towards complying with international standards	2	New DO to emphasise importance of building institutions through democratic, participative systems and processes (addressing both PAR and PFM) based on path towards international standards	II3.1: World governance index for government effectiveness (PFM) III.1: Effective, transparent and accountable civil service systems operated efficiently in line with national and international quality standards and responded to citizen's needs (PAR)
	O.2: Timely and regular payment of salaries and pensions are made by the PA in the West Bank	DO.2 PEGASE CSP enables increased predictability (depending on reform progress) of funds for PA to make timely and regular payment of salaries and pensions in the West Bank	2	Numbering of Output changed and rephrasing of DO to emphasise Duty Bearer's responsibility	No direct linkages II: Improve domestic resource mobilization (PFM) OC5: Improved predictability and control in budget execution (PFM)
	O.3: Timely and regular payments of social allowances are made by the PA	DO.3 PEGASE CTP enables fiscal space for PA to make timely and regular payments of social allowances	2	Numbering of Output changed and rephrasing of DO to emphasise Duty Bearer's responsibility	II2.1: SDG 1.3.1 Proportion of population covered by social protection floors/systems, by sex, age and persons with disabilities (SP)

Level	2018-2020 IL	Revised IL	EQ	Comments	Alignment with ROF
					IOC1.1: Number of families in deep poverty receiving social allowances under the Cash Transfer Programme (in West Bank and Gaza) (SP)
	O.4: People in need of medical referrals have access to East Jerusalem Hospitals	DO.4 PEGASE EJH enables PA to reduce arrears and provide access for people in need of medical referrals to EJH	2	Numbering of Output changed and rephrasing of DO to emphasise Duty Bearer's responsibility	OC2.1: Number and actual cost of medical referrals to Israeli hospitals from West Bank and Gaza (Health);
		DO.5 Improved coordination between PA, EUREP, EDPs, CSOs and the private sector for enhanced PEGASE and sector policy dialogue & monitoring of PA reforms	2	New DO that addresses the PEGASE Incentives-Based Tranche and ROF mechanisms for promoting PA reforms through policy dialogue and monitoring both within the PA and between the PA and EDPs. The ROF approach aims to guide/formalise a more structured, coherent results-oriented policy dialogue and monitoring between the EDPs and the PA	
1: Inputs		Funding, policy dialogue, Incentive Mechanism,	2	The specific inputs are comprehensively	

Level	2018-2020 IL	Revised IL	EQ	Comments	Alignment with ROF
		monitoring, complementary support measures, institutional capacity development		listed in the reconstructed IL-ToC	

As shown in the diagram (above), the IL has four main components:

1. the development results (levels 4 and 5);
2. the government policies and spending actions (level 3);
3. the various inputs to the government policies and spending actions, namely budget support, and their direct effects (levels 1 and 2); and
4. the context, including country and sectoral level political economy, various political, economic and social factors intervening in the process (the context interacts with all the levels overall government and development partners' priorities).

Risks

The following risks are noted in the PEGASE Action Document (2018 – 2020)¹⁵: worsening of the PA fiscal situation; weak PA cooperation; insufficient capacity of PA to implement the reforms causing delays; and failure of the reconciliation process. Other risks, inter-alia, that may be added include:

- Political: lack of progress towards the Two-State Solution; high risk of violence and failure of cease-fire resulting in continuation of recent 11-day conflict with impact on political stability and humanitarian needs; ongoing lack of PA elections and Palestinian Legislative Council (PLC); frequent PA-GoI CR stand-offs affecting 65 per cent of PA's revenue
- Technical: decreasing capacity for reforms due to high risk of violence and political conflict eliminating change space; weak oversight and anti-corruption institutions; insufficient focus on equity and equality issues; and lack of meaningful consultation with civil society on sector reforms, and
- Financial: increasing fiscal gap; weak and absent controls and escalating PA debt and arrears; lack of budget transparency.

Assumptions

The following assumptions are noted in the PEGASE Action Document. However, assumption (b) does not reflect the downward political and economic trajectory; and assumption (f) is no longer valid due to the arbitrary withholding of CR by the GoI in 2019 which reignited the CR issue.

- (a) The Two-State solution remains the political aim supported by international peace building initiatives;
- (b) No further significant deterioration of the current political and security context;
- (c) The PA continues to be committed to its statehood agenda and the reconciliation process;
- (d) The PA remains committed to implementing the PNPA strategy and related sector reforms;
- (e) Human resources and technical capacity to implement reforms are available, and
- (f) The Government of Israel respects its Oslo/Paris agreements' commitments, notably in terms of transfer of clearance revenues, and does not impose further restrictions.

¹⁵ ANNEX 1 to Commission Implementing Decision on the Multi-annual Action Programme for 2018, 2019 and 2020 in favour of Palestine from the general budget of the Union, Multi-annual Action Document for "PEGASE: Direct Financial Support to Recurrent Expenditures of the Palestinian Authority 2018, 2019 and 2020"

4. ANSWERS TO THE EVALUATION QUESTIONS

Introduction

Five EQs (Table 2) and JCs along with Indicators and the identification of information sources and methods were approved by EUREP during the Inception Phase and shared with the Evaluation's Reference Group (RG).

Table 2: Key Evaluation Questions

EQ1. To what extent was the design of PEGASE DFS relevant to the policy priorities of the PA and EDPs considering the changing circumstances during 2018-2019?
EQ2. To what extent have the financial and non-financial inputs of PEGASE DFS and the ROF contributed to the establishment of an improved aid management framework?
EQ3. To what extent have the development outcomes supported by PEGASE enabled the Duty Bearer to build effective institutions accountable to their citizens ready for statehood and achieve improved public social services and respond to Rights' Holders (citizens') requirements (including those of marginalised groups (leaving no-one behind)?
EQ4. To what extent and through which mechanisms (funds, dialogue, incentive tranche) has PEGASE contributed to improvements in the policy formulation and implementation processes?
EQ5. To what extent have PEGASE visibility and communication activities contributed to an increased awareness by the public to the EDPs support to its expected outcomes and achievements?

These EQs and JCs form the basis of the evaluation and have guided the focus of consultations and the structuring of findings. Annex 3 provides the Evaluation Matrix. The data collected and analysed per indicator is provided as part of the Evaluation Matrix (Annex 3) supporting the answers to the JCs (Annex 2).

The methodology and approach adopted is based on five of the six¹⁶ standard Development Assistance Committee (DAC) evaluation criteria, namely: relevance, coherence, effectiveness, efficiency and sustainability, with an additional criterion being '*EU Added Value*' i.e. the extent to which the PEGASE DFS through the European Joint Strategy (EJS) brings additional benefits over and Member States' singular interventions. Moreover, in line with the ToR, 'Impact' has not been covered by this evaluation; although, information on relevant policy changes that may have been achieved by the PA have been presented, where possible.

Information to inform the findings were gathered through the following methods as follows:

- 1:1/Group Key Informant Interviews (KII) with EUREP, EDPs, other DPs, and CSOs;
- 1:1/Group KII with the PA Line Ministries: Ministry of Health; Ministry of Social Development (SD);
- Focus Groups with CTP beneficiaries/potential beneficiaries and EJH referral patients;
- 1:1/KII with Centre of Government (CoG) comprising: the Prime Minister's Office (PMO), General Secretariat Cabinet (GS); General Personnel Council (GPC); and Ministry of Finance (MoF); and
- 1:1/KII with public sector agencies, including: as the High Commission for Public Procurement Policy (HCPPP); State Audit and Administrative Control Bureau (SAACB);

¹⁶ Impact is the sixth of the DAC evaluation criteria and as mentioned is beyond the scope of this Evaluation.

Palestinian Water Authority (PWA); and Palestinian Energy & Natural Resources Authority (PENRA).

The answers of each of the five EQs are presented below, with answers to each of their supporting JCs included in Annex 2.

EQ1. To what extent was the design of PEGASE DFS relevant to the policy priorities of the PA and EDPs considering the changing circumstances during 2018-2019?

The design of PEGASE objectives, indicators and results remained stable throughout the evaluation period and continued to be relevant to the PA's and EDPs policy priorities even within a changing economic and political context, although cross-cutting themes and marginalised groups have not been adequately addressed, and the programme's Theory of Change has not been used a tool for policy dialogue.

An explicit link between PEGASE, and the Palestine National Policy Agenda (PNPA) (2017 - 2022), through the ROF and EJS instruments was introduced for the first time in the 2018-2020 programme and therefore PEGASE addressed fundamental reforms and its indicators and targets remained applicable at all levels of the logframe. PEGASE encompasses three Pillars and four sectors of the EJS and related ROF. The Overall Objective (OO) of PEGASE is to 'Build effective and accountable institutions ready for statehood and enable inclusive social development (leaving no-one behind)' and this links with all four PEGASE outcomes in respect to its sectoral indicators (JC 1.3). However, cross-cutting themes and targeting of marginalized groups are inadequately mainstreamed or monitored in PEGASE which reduces EDPs abilities to support the PA as Duty Bearer to ensure *no one is left behind* and the changing needs of Rights Holders are met (JC 1.4). Whilst an IL and logframe were developed during programme formulation, and remained intact throughout 2018-2019, it was not accompanied by a comprehensive ToC since it was based only on a problem analysis and description of its IL, and so was not used as a tool for policy dialogue between EDPs and the PA. Although the IL remains valid, some of its underlying assumptions are no longer applicable, particularly in relation to the increasingly grave political and economic context, where the Government of Israel (GoI) withheld CR for example, and this risk remains (see IL assumptions in Section 3) (JC 1.1).

The PEGASE indicators (and the Incentives-Based indicators in particular) are relevant to the PNPA and accurately reflect the reform priorities of the six sectors relevant to PEGASE and their focus has evolved during 2018-2020 to address the changing context.

The indicators have been drawn in most cases from the sectors' own strategies and plans. Evolution has been seen in the Incentives-Based tranche with the inclusion of the Water and Energy sectors in 2019 and 2020 respectively; as well as in the increase of scope of PFM reforms to include Public Procurement in 2019. In March 2019, a new Palestinian government was formed headed by Mohammad Shtayyeh. The new government took initial steps to revise the PNPA but its priorities remained applicable to the objectives of PEGASE including the need for improved service delivery, with a focus on health and education; and reduced reliance on Israel. However, such plans and the budgets for 2020 and 2021 were superseded by a State of Emergency due to the outbreak of the Covid-19 pandemic, the increasing fiscal crisis and 11-day war (JC 1.2). In the light of a deteriorating political situation, EUREP and other stakeholders sought to address the Triple Nexus, within the framework of the EJS, in response to the increasing importance of greater alignment of humanitarian, development and peacebuilding planning and programming in Palestine. This applies particularly to the SP sector, mainly through cash transfers, but some Triple Nexus stakeholders cautioned that PEGASE will not achieve the level of scalability required due to a lack of funds and that the PA would need to prioritise SP spending, which has not been evidenced to date (JC 1.1).

PEGASE funding has remained stable but sectors suffer from under-funding and a lack of joint programming modalities (particularly for the SP and Health sectors) which has resulted in poor coherence.

In 2018, EUR 178.77 million was committed through PEGASE DFS by the EU and EDPs and in 2019 this reduced slightly to EUR 175.88 million (JC 1.2). CSP, PFM, Water and Energy Sectors’ reforms are supported by a range of EDPs and non-EDPs including the World Bank, who administer Multi Donor Trust Funds that already provide mechanisms for collaboration between EDPs and non-EDPs, although the SP and Health sectors do not currently benefit from joint programming. EUREP has made credible efforts to ensure that the PEGASE indicators are coherent in relation to support provided by a range of DPs and avoided duplication and differentiated the support by donors (e.g. PFM reform) but all sectors suffer from under-funding and often fragmented coordination has resulted in weak coherence (JC 1.3).

EQ2. To what extent have the financial and non-financial inputs of PEGASE DFS and the ROF contributed to the establishment of an improved aid management framework?

Both PEGASE funds and the ROF have contributed to effective aid cooperation and added value for EDPs but leverage of PEGASE in promoting coordination and supporting ROF policy dialogue processes, including monitoring, remains insufficiently realised due to absence of coherent policy dialogue fora, and ineffective inter-governmental mechanisms, and fragmentation amongst EDPs. PEGASE funds have remained stable during 2018 and 2019 (Table 5, Annex 2).

In 2018 (EUR 157.7 million) and 2019 (EUR 166.6 million) PEGASE funds were broadly disbursed to schedule, although some frontloading to CSP took place in 2019 due to the CR-related fiscal crisis (Figures 1 and 2; and Tables 6 and 7, Annex 2).

Figure 1: (EQ2 JC2.1) 2018 PEGASE DFS Planned and Actual Disbursements

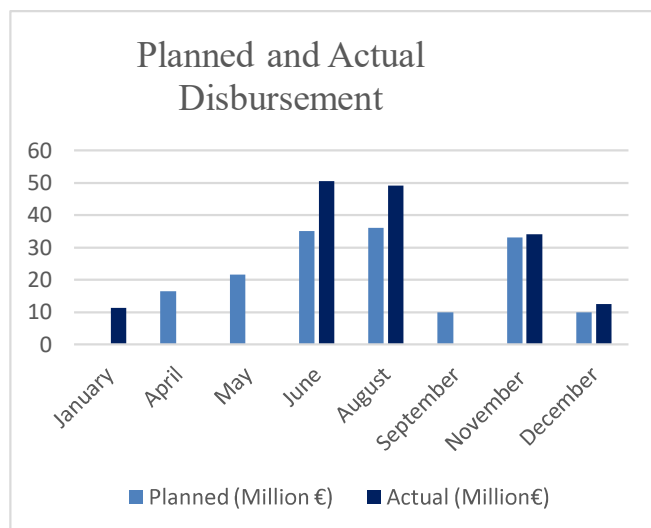
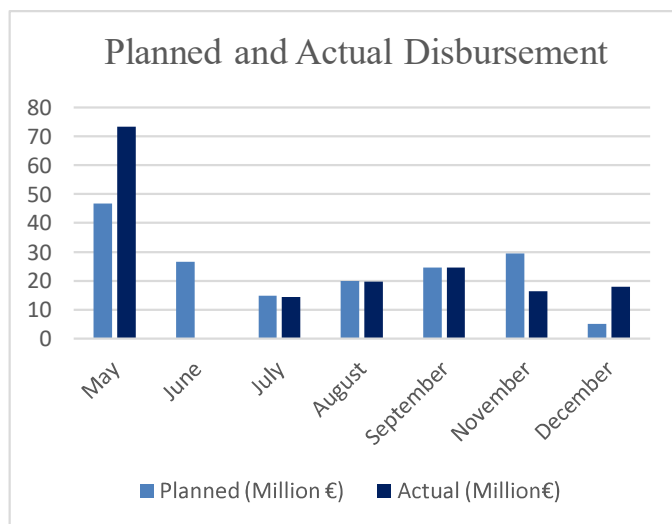


Figure 2: (EQ2 JC2.1) 2019 PEGASE and Actual Disbursements



However, more recently in 2021 due to delayed disbursement of CTP funds, the MoSD questioned predictability of these funds, and this raises broader concerns about the dependency of the PA on PEGASE funds (JC 2.1). As an instrument, PEGASE DFS enables the channelling of donor contributions to the PA in vital sectors without multiple administrative-transaction costs when funding across more than one component. This is an example of the ‘added value’ of PEGASE – its safeguarding measures reassure the contributing EDPs and target funds to three PEGASE components

to support associated sectoral reform. These are the key reasons why EDPS continue to fund PEGASE, The PA's commitment to financially sustaining its basic SP country-system was questioned by many local stakeholders and DPs interviewed. (JC 2.3). Nevertheless, during 2018-2019 eight EDPs continued to contribute to the PEGASE DFS, which is broadly similar to the 2016-2017 period (although the EU was the only donor to EJS in 2019). The UK completed its funding to civil servants' salaries through CSP in 2020 and have confirmed that they will no longer be contributing to PEGASE, but this is not a reflection of their dissatisfaction, but rather that the UK's international development budget was cut (Table 5, Annex 2), (JC 2.1, JC 2.4). EUREP-led discussions on priorities for the 2021 PEGASE programme took place in 2020 with most institutions (namely PMO, MoF, MoSD, MoH, EJS) and in line with their revised relevant sector strategies. Discussions have also taken place with the EJS Sector Leads or active EDPs in the sector in addition to other DPs and CSOs.

The ROF was recognised by most stakeholders as enabling structured discussions on results and indicators amongst partners. However, leverage of PEGASE in promoting coordination and supporting ROF policy dialogue processes remain insufficiently realised. While there appears to be a general common understanding between the PA and EDPs and interest to foster policy dialogue, the instruments and structures to enable such dialogue have been insufficient and lacked coherence to promote conducive sector reform processes.

Aid cooperation has been enhanced through PEGASE DFS and the ROF has helped build closer partnerships, avoided duplication, and sought to promote joint monitoring and accountability, as well as alignment to national priorities. However, this has been achieved in the absence of coherent policy dialogue fora, and inter-governmental mechanisms, and despite some misalignment between the ROF and PEGASE, and fragmentation amongst EDPs. In some sectors, (such as Health and SP), ROF and its policy dialogue processes have acted as the main, if not only formal framework for policy dialogue between the PA and EDPs¹⁷. The Incentives-Based Indicators do enable targeted policy dialogue in relation to specific aspects of sector reforms, although bilaterally, without coordinated policy dialogue meetings involving CoG and LMA stakeholders. This bilateral approach has contributed to insufficient synergies/implementation of joint programming approach in sectors that are linked to PEGASE thus having limited impact on improved harmonisation and complementarity (JC 2.3).

PEGASE's shift towards a programmatic approach (through the introduction of a multi-annual approach and incentives mechanism) has not been accompanied by adequate monitoring and reporting mechanisms (with the exception of the DFS safeguarding measures and the Incentives-Based tranche). (JC 2.2, JC 2.3).

As such, ROF has acted as the main tool for joint monitoring at general and sectoral levels, although DPs interviewed report that the impact of ROF reporting would have benefited from wider dissemination of ROF and PEGASE meeting report outputs particularly at the political level. Nonetheless, PEGASE DFS has neither presented any significant issues in relation to costs of controls nor witnessed any new fiduciary risks during the period, due to the well-established nature of PEGASE DFS and its safeguarding measures. For the Incentives-Based tranche, the MoF has submitted the progress reports to verify progress made against Incentive-Based indicator targets as required by the EC HQ although these reports lack detail in relation to steps taken and challenges faced. Nevertheless, the EU has demonstrated a flexible approach in response to these challenges by carrying forward and waiving indicators for example, in line with the provisions established in the Financing Agreement as far as waivers are concerned (JC 2.1).

¹⁷ ROF is supported by Sector Policy Dialogue on progress under the ROF of the EJS 2017-2020. These contain clear objectives, and mechanisms for recording decisions and key issues to be discussed in High-Level Policy Dialogue between EUREP and PMO where progress and challenges on the ROF are discussed

Whilst the principle of incentives has been accepted by EDPs, and to some extent by the PA itself, there are mixed views on the effectiveness of the Incentives-Based tranche for accelerating reform. EDPs believe that care needs to be taken to minimise the reputational risk of EDPs by only adopting indicators that reflect the priorities of the PA and are politically acceptable to the government.

The EC Headquarters (HQ) and EUREP consider that the incentives mechanism has been a success. The PA and DPs also acknowledge that the incentives mechanism has speeded up the reform progress and are not averse to some increase in the coverage of the Incentives-Based tranche to other sectors per se. Those DPs who do not fund the CSP component lack information about the performance of the incentives' tranche. Some believe that the mechanism has deficiencies in practice due for example to some 'unmet' indicators being carried over to the following year with no perceived consequence in terms of loss of funds; although this is in line with EU Budget Support rules. In addition, in 2019 EUR 1.9 million was not disbursed to the PA due to under-performance against the Incentives-Based Indicators. This could possibly be explained by the existence of some misperceptions about the governance of the Incentives-Based tranche by some stakeholders, primarily due to a lack of information. (JC 2.4).






EQ3. To what extent have the development outcomes supported by PEGASE enabled the Duty Bearer to build effective institutions accountable to their citizens ready for statehood and achieve improved public social services and respond to Rights' Holders (citizens') requirements (including those of marginalised groups (leaving no-one behind)?

Development outcomes supported by PEGASE enabled the PA as a duty bearer to maintain public social services in CTP and health including reaching marginalised groups whose needs were compounded during Covid-19.

Since 2017, while the percentage of households living in extreme poverty and covered by social allowances slightly improved (Table 3), CTP beneficiaries only received 75 per cent of their annual allowances in 2018 and 2019, which is not in line with the Duty Bearer's commitment and it weakens the country-system of SP. Also, citizens' satisfaction with the PA's performance and health services has declined since 2016.

The main SP system is provided through the national CTP with cash assistance to 108,844 poor and vulnerable families as well as free health insurance, food assistance and school fee waivers. Since the previous reporting period (2016-2017), the percentage of households living in extreme poverty and covered by social allowance slightly improved and contributed to help meet basic needs. However, only three out of four annual payments were made by MoF. So, the CTP beneficiaries received 75 per cent of their annual allowances in 2018 and 2019; this is not in line with the Duty Bearer's commitment, and it weakens the country-system of SP. The PA's fiscal crisis that escalated in 2019 led to an increased reliance on PEGASE to help meet the basic needs of vulnerable groups which was compounded during Covid-19. PEGASE contributions accounted for 40-45 per cent of CTP in 'normal' times PA's payment of three out of the four CTP payments in the evaluation period increased PEGASE's share to around 60 per cent. round two thirds of beneficiary families being from Gaza In addition to CTP support, the PA's delivery of health services is supported by PEGASE through CSP and contribution to health referral arrears to EJHs (JC 3.1).

Table 3: (EQ3. JC 3.1) Number and profile of recipients of CTP 2017-2019

INDICATOR		YEARS		
		2017	2018	2019
	Deep Poor Families (PCBS)	158,000	127,048	127,048
	Families Registered in CTP Database	110,701	108,844	105,373
	Registered in CTP Database from Gaza Strip	72,287	71,659	69,908
	Registered in CTP Database from West Bank	38,414	37,185	35,124
	Registered in CTP Database with deep poverty scores (6.3939 score with the proxy-means-testing)	94,166	92,570	90,000
%	Percentage of total deep poor families targeted by CTP	59.60%	72.86%	70.84%
  	Female Headed Families	45,851	45,400	45,017
	Families headed by People with Disabilities	19,588	19,000	18,109
	Elderly Headed Households	33,370	37,099	37,432
	MOF Budget (NIS)		480,000,000	500,000,000
	Total Actual Annual Payment		369,645,424	370,752,136
	PEGASE Contribution		185,004,102	198,191,207
	PA Budget Contribution		184,641,322	172,560,929

Source: ROF Sector Matrices, EUREP, 2019, 2018

Whilst MoH estimates that 85 percent of people in need of medical referral were able to access and receive the service, Gaza citizens had difficulties in access due Israeli permit requirements not being granted which has negatively affected their health outcomes. Within the context of the accelerating fiscal crisis, Palestinians continue to report low satisfaction with government performance, and public services, along with low trust in the government. Citizen satisfaction with the health care system has also declined since 2016 which indicates that sufficient improvement in PA's performance in strengthening public social services and building effective institutions accountable to their citizens, has lagged (JC 3.2).

EQ4. To what extent and through which mechanisms (funds, dialogue, incentive tranche) have PEGASE contributed to improvements in the policy formulation and implementation processes?

During 2018-2019, PEGASE DFS provided an effective vehicle to the PA to continue to deliver public services, and free up PA funds for the PA to handle the pandemic in 2020, though not necessarily to improve services in a meaningful (or evidenced) way, especially in relation to the health sector. However, the challenges encountered in channelling EU funds in 2021 created missed opportunities to further support much needed services and marginalised groups amidst the pandemic, and the PA's commitment to investing in the development of the national healthcare system is questioned.

Most stakeholders still see PEGASE - as helping keep services afloat rather than a vehicle for reform, with the exception of the Incentives-Based mechanism. EUREP's leadership and coordination of the SP sector is well recognised by most stakeholders and along with the MoSD's multidimensional poverty

analysis supports the Social Development Sector Strategy 2017-2022 (and the revised strategy 2021-2023) through its approach to comprehensive social development, ensuring that the right to SP for the most vulnerable is respected and protected. However, the perceived lack of improved services especially by CTP and EJHs beneficiaries is reflected in the increased criticism by citizens and civil society over the PA's failure to meet its SP obligations. Relatedly, EJHs are experiencing a significant reduction in their ability to meet health service needs. PEGASE disbursement delays in 2021 (due to delays in the EC's approval of the PEGASE budget and the MoF's delay in disbursement) also led some EDPs to consider other funding mechanisms (although no specific alternate mechanism was named by these stakeholders) to assist Palestinians during Covid-19. However, the PA decreased its health expenditure in 2019 to below 2017 levels. This is one possible reason why the Civil Society and DPs have questioned the MoH's commitment to investing in the development of the national healthcare system (JC 4.1).

Overall, the state actors' performance in relation to the Incentives-Based has been satisfactory with the indicators reflecting their own reform priorities, which are at a relatively early stage in the reform process (Table 9).

The specific areas of PFM reform subject to the Incentives-Based mechanism are key priorities for MoF and are incorporated within their PFM Strategy (2017-2022) and their good performance in relation to these indicators (2018: 80% of indicators were Met/Partially Met; 2019: 75% were Met) demonstrates their commitment to these reforms, although the overall PFM reform agenda is extensive, and progress remains at a fundamental stage in the overall PFM reform process. For the Water Sector Reform and Sustainability, the sector's incentives have supported the efforts of the EU to apply appropriate pressure to the PWA to undertake the establishment of Bylaws and institutional reforms and whilst the indicators are 'owned', the PWA considers them to be particularly challenging due to their complexity, the number of stakeholders involved, along with the pandemic which has resulted in delays in legislative reform. Accordingly, during 2019 and 2020, the PWA achieved half of its Incentives-Based indicators. For the Energy Sector Reform and Sustainability, PENRA's Incentives-Based Indicators were drawn from its Energy strategy. The sector faces political, financial, and technical challenges and PENRA acknowledges that the objectives of EUREP are to support Palestine's agenda to obtain full resources and the transfer of the energy sector from Israel, although whilst reforms started with attention on technical and commercial topics, political issues impeded progress. Thus, PENRA achieved half of its indicators in 2020. Lessons identified by state sector stakeholders include: the need to gain senior level (including Ministerial) ownership; multi-stakeholder buy-in; early and timely negotiation of indicators between EUREP and the state actors; more frequent policy dialogue; increased funding; increased visibility for reforms achieved through PEGASE; and consistent flexibility across EUREP in relation to the setting of performance indicators and technical policy dialogue in relation to assessment of indicator compliance (JC 4.2).

The lack of progress in adoption of PEGASE related reform areas (outside of the Incentives - Based tranche) indicates the lack of policy-driven budgeting by the PA as well as poor capacity across the PA and state agencies to implement reforms.

The lack of realisation of policy reforms and progress is largely caused by weak links between the PNPA, sector strategies and the budgeting process, as well as a slow legislative promulgation process, linked to the PA's lack of financial capacity to fund existing and new legal mandates (Table 10, Annex 2). In addition, it indicates a lack of impact of ROF or PEGASE policy dialogue on the associated sectoral reforms. This has resulted in a lack of sustainable change within these PEGASE-linked sectors (particularly PAR, Health and SP) and is of serious concern. MoH has continued to reform and strengthen the existing Health Referral system, but some reforms stopped due to Covid-19 (Table 11, Annex 2) (JC 4.3, JC 4.4).

Despite the national CTP seeking to support the recovery and resilience of vulnerable populations, concerns about implications of non-execution of budget/resources remain amidst worrying signs that the PA sees it as less of a priority.

The CTP is not sufficiently shock-responsive and there are insufficient linkages between social assistance with resilience programming. Beneficiaries opined that the CTP payments are too low to help their families out of poverty in ‘normal’ times and being a CTP beneficiary may comprise an ‘exclusion criterion’ by some humanitarian actors who often target families outside the CTP who are considered to be “under-served”. CTP execution is reliant on MoF disbursements and concerns about PA’s commitment to the national system remain. During the period of evaluation, MoF did not execute the full budget for the national system (Table 3, page 26) and beneficiaries only received 3 out of 4 quarterly payments. In 2020, only half a quarterly payment was disbursed. This concern is compounded in times of crisis, such as Covid-19 most recently, where CTP families were not paid their social allowances and could not benefit from other agencies’ aid as well as PA’s inability to manage to mobilise the necessary funding to address the needs of families in crisis.

For Health, the National Health Sector strategy aims to nationalise the health system. Despite the volume of referrals reducing in 2019 as a result of PA policy to stop referrals to Israeli hospitals, costs of referrals to Israeli hospitals during 2018-2019 have not been proportionately reduced and remain unexplained by MoH¹⁸. However, according to the ministry, costs have been controlled by 85 to 90 percent due to the e-referral system which has unified prices and helped reduce costs (JC 4.4).

The nexus of the EJS, its ROF and the PEGASE ToC/IL has enabled a coherent and a more (but not fully) coordinated approach to results-based reforms and policy dialogue but aid harmonisation as well as monitoring of gender and social inclusion is sub-optimal. Whilst the PEGASE IL is well-aligned with Effective Development Cooperation Principles, the PA and some DPs wish the EU to reinstate an overarching political objective - *the maintenance of the 2-SS*, as the overarching objective of the programme (as per pre-2016).

This is in recognition of the constraints that the PA faces at both political and technical levels due to not being in control of their own resources due to Israeli Occupation, which is one of the causes affecting their ability to realise ambitious reforms. In terms of aid harmonisation, the PA commented that the DPs still continue to emphasise their own bi-lateral policy dialogue; this, along with a PEGASE SC not having been in place during the 2018-2020 period has prevented coherent coordination and monitoring. The EJS reflects the principles of an RBA and PEGASE underpins such an approach in its support to the CTP and EJH. The PEGASE programme is also relevant to Agenda 2030 and its IL identifies linkages with SDG 16, SDG 16.6.1, SDG 1.4.1, and SDG 1.4.1, and at the sectoral level both the PAR and SD strategies address, inter-alia, gender and PWD. Whilst the PEGASE logframe includes indicators in relation to gender social inclusion, Incentives-Based indicators are neither disaggregated in terms of gender and social inclusion nor focus on equalities issues (JC 4.5).

EQ5. To what extent have PEGASE visibility and communication activities contributed to an increased awareness by the public to the EDPs support to its expected outcomes and achievements?

PEGASE communications and visibility activities have not raised awareness of the public to EDPs support. Awareness-raising activities with the public (Iftah dinners for CTP beneficiaries) are limited; and EDPs consider communications to be inadequate with an absence of focus on outcomes.

¹⁸ The data reveals an insignificant and non- proportionate reduction in the cost of referrals to Israeli hospitals. MoH reports on the number and costs of referral but their reporting does not provide an explanation as to why that is. During the interviews, none of the interviewees could explain this when they were asked and this could not be triangulated/ validated from other reports.

The PEGASE Communications and Visibility Strategy was not implemented. EUREP considered their commissioning of the Visibility Strategy and Communications Plan to be an unsuccessful engagement as the strategy and plan appeared not to be useful, having been produced in June 2019 - 18 months into the 2018 - 2020 PEGASE programme. The Iftah dinners, aimed at CTP beneficiaries were the only events aimed at the 'public' and whilst appreciated by them, these dinners are a narrow form of communications-visibility. Safad (a local media company) successfully delivered 16 Iftah dinners (8 per annum) during 2018 and 2019, with cultural events and entertainment for 3,000 CTP beneficiaries in 16 different localities across the Occupied Palestinian Territories (OPTs). Safad noted the need to encourage more women to attend (some did not attend for cultural reasons) and to increase accessibility for PWD (JC 5.2, JC 5.3).

Formal feedback loops are not in place and EUREP PEGASE-related programme managers have not been involved in developing key messages (JC 5.1). EUREP organises a range of communications and visibility activities of modes and channels, that (inter-alia) allow for PEGASE-related bilateral and group discussions with DPs. Whilst meetings were found to be generally useful and informative, however, EDPs were more critical, informing the evaluation that communications are problematic and tend to focus on outputs rather than achievements, outcomes and challenges. EDPs are concerned about a lack of information from EUREP and the need for discussions about PEGASE's efficiency and effectiveness. The PA is less clear about the communications and visibility actions that EUREP has undertaken in relation to PEGASE; although they are aware of sector policy dialogue at the technical and political levels in relation to budget support and TA, as well as the ROF (JC 5.2).

5. OVERALL ASSESSMENT

It is important to be cognisant of the increasingly unstable context within which the PA has been operating since 2018, characterised by a deteriorating political and socioeconomic situation. Politically, this has included: the US' recognition of Jerusalem as the capital of Israel; US withdrawal of US\$200 million in aid to the Palestinians in 2018 (including US\$25 million earmarked for EJH); the repeated withholding of CR by the GoI in regard to Palestinian political prisoners and so-called martyrs; cancellation of planned Parliamentary and Presidential elections in 2019 and 2021; and ultimately the 11-day war in May 2021. Since 2020, Palestine has been in the midst of an unparalleled 'triple-shock' due to the combined effects of the Covid-19 pandemic, with its associated severe economic downturn, coupled with the serious political developments. This resulted in a 'State of Emergency' being declared by the PA in 2020 and 2021. The PA had already begun adopting austerity measures during 2018, including cutting the current wage bill by 30 percent, and curtailing other expenditures including social assistance payments. The PA's total deficit amounted to US\$1.4 billion in 2019 while aid received amounted to US\$590 million (reducing each year) resulting in a financing gap exceeding US\$800 million. The poverty rate, which has been rising since 2016, reached 28.9 percent in 2020, with nearly one-third (approximately 1.4 million) of people in Palestine living in poverty.

The deteriorating political and socioeconomic context increases the reliance of the PA as Duty Bearer and its Rights Holders on DP support, including PEGASE DFS. The PA confirmed that it appreciates the PEGASE support, and this proved to be increasingly essential to the payment of wages and pensions through the CSP, particularly during the CR standoffs as well as supporting the welfare of vulnerable people through the CTP and EJH, especially during the pandemic. **Whilst PEGASE is concerned with supporting the viability of the PA through reforms ultimately leading to strengthened institutions and improved, inclusive, service delivery, the political dimension is missed. It is therefore understandable that the wish of the PA and many EDPs is to reinstate an overall political objective of PEGASE in recognition of the impact of the GoI's occupation which affects the PA's access and control of its own resources, often creating an impasse in relation to more ambitious national and sectoral reform agendas.** This increasing multidimensional instability suggests that **now is not the time to make fundamental amendments to the composition of the three PEGASE components or to make reductions in the EU's funding thereof. However, the incremental changes to the design of the 2021 PEGASE programme are considered to be appropriate**, including: increasing the proportion of the Incentives-Based tranche to stimulate reforms; strengthening the governance system, including monitoring and reporting, and enhancing policy dialogue; and bolstering PEGASE with complementary capacity development activities. **On the other hand, it is advised that any fundamental change to PEGASE should be informed by a full Political Economy Analysis (including a conflict analysis) to assess the political impact of such options.**

In 2018 (EUR 178.77) and 2019 (EUR 175.88) PEGASE funds have remained constant and were broadly disbursed as planned, although some frontloading to CSP took place in 2019 due to the CR-related fiscal crisis. About 5-6 payments per year contribute to the salaries of around 55,000 PA CSP. The CSP funders during 2018-19 were the EU, Netherlands, and UK. The UK completed its funding to civil servants' salaries in 2020 and has confirmed that it will no longer be contributing to PEGASE, but this is not a reflection of dissatisfaction, but rather that the UK's international development budget was cut. PEGASE also contributes to quarterly CTP payments to an average of 70,000 families (80% of which in Gaza). The CTP funders during 2018-19 were: the EU, Austria, Spain, Ireland, and Finland. More recently in 2021 due to delayed disbursement of CTP funds, the MoSD questioned ownership and predictability of these funds, and this raises broader concerns about the dependency of the PA on PEGASE funds. EJH arrears payments were funded during the period by the EU, Italy and Finland; although in 2019, the EU was the sole funder. Nevertheless, during 2018-2019 eight EDPs continued to contribute to the PEGASE DFS, which is broadly similar to the 2016-2017 period.

It is of concern that Palestinian citizens' satisfaction with the PA's performance and health services has declined since 2016. This has led some EDPs to question supporting unsustainable

country systems. Meanwhile, EDPs continue to fund PEGASE in recognition of the added value that it provides – through safeguarding measures and along low administration costs, which enable support across more than one PEGASE component without additional costs.

PEGASE has evolved over the evaluation period, with the introduction of multi-year programming and the introduction of the Incentives-Based tranche, which has been found to accelerate the reform focus. It is recommended that the tranche should be expanded to support more focused SP and Health referrals' reforms, accompanied by Technical Assistance (TA). Lessons learned in relation to the Incentives-Based tranche include the importance of the selection of indicators to be politically acceptable to the PA – which is crucial to increasing their ownership of these reforms. EUREP has been praised by the state actors involved in the current Incentives-Based tranche for its flexibility in its assessment of indicator compliance (the EUREP and EC HQ have applied provisions of the relevant Financing Agreements as well as established practice in Budget Support operations, although stakeholders may not be aware of them), but this kind of flexible, sensitive approach (in setting performance indicators and assessing compliance with these indicators) needs to be consistently applied by all management levels of EUREP.

The lack of monitoring and reporting of PEGASE progress, with a Steering Committee only having been set up recently in 2021, has meant that there is a lack of documented lessons learned. There has not been sufficient or coherent policy dialogue to allow space for reflection by stakeholders on the PEGASE programme and mechanism's design and implementation. A key finding of the Evaluation is that **PEGASE has supported keeping PA services afloat but there is a lack of evidence that it has supported the improvement of services**. There has also been little demonstrable progress in achieving sector-wide reforms. Many reforms remain in their infancy or not endorsed by the Cabinet. **Stronger engagement is required at the political (ministerial) level to inspire reform processes. Reforms take time**, and this is demonstrated by the fact that, in justified circumstances, a few Incentives-Based indicators that were deferred year on year, due to the complexity and challenges of promulgating legislation which would likely result in unfunded mandates for example. **Therefore, EDPs expectations need to be realistic, mindful of the context and associated challenges facing the PA**. Policy dialogue is an important tool for PEGASE EDPs to engage with the PA on its priorities and challenges, however such mechanisms are either moribund or institutional arrangements within the PA are not in place. **It is high time that PEGASE and the ROF facilitates the establishment and strengthening of robust, comprehensive, and regular institutional arrangements for policy dialogue** with formally agreed governance procedures.

A key challenge for the PA is its chronic underfunding. Whilst PEGASE funding has remained stable, PEGASE-related sectors suffer from under-funding by the PA and DPs and lack of joint implementation modalities (particularly for the SP and Health sectors) which has resulted in poor coherence. Consequently, **EDPs have questioned the commitment of the PA to fund CTP as well its plans to implement a national health service. Aid coordination will need to be strengthened through joint implementation. TA to support sector reforms will also need to accompany this process**.

Cross-cutting themes and marginalised groups have not been adequately addressed within the design of PEGASE, and monitoring of PEGASE-related reform progress has been weak, due to a lack of a monitoring and reporting framework. However, it is anticipated that with the opportunity presented by the 2021 PEGASE programme to increase the public oversight and engagement of the civil society in monitoring the reform process including the Incentives-Based tranche, that gender and social inclusion issues are more likely to be addressed and monitored by PEGASE. **It is therefore important that civil society are also involved in any reviews/redesign of PEGASE going forward**.

There have been limited examples of innovations and best practices identified during the 2018-2020 PEGASE programme, due mainly to it being a long-established mechanism. However, the Incentives-Based Indicators are a good example of introducing a change in approach which has not only contributed to accelerated reform results but also increased coherence, transparency and accountability between the PA and EDPs.

6. CONCLUSIONS

Brief intro presenting the clusters of the Conclusions

Clusters have been deduced logically from a review of the Conclusions and address aspects of the evaluation criteria, as well as reform processes and results, and include:

- Cluster 1: Design of PEGASE
- Cluster 2: Policy Reform progress
- Cluster 3: Service Delivery
- Cluster 4: Cross cutting issues
- Cluster 5: Policy dialogue
- Cluster 6: Incentives-Based tranche
- Cluster 7: PEGASE monitoring and reporting

Cluster 1: Design of PEGASE

Conclusion 1: The design of PEGASE continued to be relevant to the priorities of the PA and EDPs.

The design of PEGASE (objectives, indicators, and results) remained stable during 2018-2019 and continued to be relevant to the PA's and EDPs policy priorities even within a changing economic and political context. Building effective and accountable institutions ready for statehood and enable inclusive social development remained relevant for the PA over the period 2018-2019. Improved public services responding to citizen's needs remained a key priority for the PA; although PEGASE's current Overall Objective does not reflect the political context of the OPTs.

This conclusion is based mainly on EQ1: JC 1.1, JC 1.2, JC 1.3; and JC4: JC 4.5

An explicit link between PEGASE, and the PNPA (2017 - 2022), through the ROF and EJS instruments was introduced for the first time in the 2018-2020 programme and therefore PEGASE addressed fundamental reforms and its indicators and targets remained applicable at all levels of the logframe. PEGASE encompasses three Pillars and four sectors of the EJS and related ROF. The Overall Objective (OO) of PEGASE is to 'Build effective and accountable institutions ready for statehood and enable inclusive social development (leaving no-one behind)' and this links with all four PEGASE outcomes in respect to its sectoral indicators. However, this OO is more of an 'Outcome' rather than an 'Impact' statement. In the 2021 PEGASE programme, "Maintain Viability of The Two-State Solution" is presented as an input – a Key Driver of Change. The reinstatement of an overarching political objective - *the maintenance of the 2-SS*, as the OO of the programme would confirm EDPs recognition of the constraints that the PA faces at both political and technical levels, which affects their ability to realise ambitious reforms. The PEGASE logframe indicators have been drawn in most cases from the sectors' own strategies and plans and generally are found to be appropriate in that they follow the sectors' path of outputs towards reform.

Conclusion 2: PEGASE DFS funds and mechanism has provided added value to EDPs.

PEGASE DFS is providing EDPs with a robust mechanism to channel joint funding to the PA Treasury, however the sustainability of the country-systems is not ensured.

This conclusion is based mainly on EQ2: JC 2.1, JC 2.3, JC2.4

During 2018-2019 eight EDPs continued to contribute to the PEGASE DFS, which is broadly similar to the 2016-2017 period, where 14 MoUs were signed with seven EDPs (the same EDPs as in 2018-

2019). PEGASE funds have remained stable during 2018 and 2019. The channelling of donor contributions to the PA in vital sectors without multiple administrative-transaction costs when funding across more than one component, along with the well-established safeguarding measures, provides clear examples of ‘added value’. PEGASE has not presented any significant issues on costs of controls nor witnessed any new fiduciary risks during the period. It contributed to effective aid cooperation (but has not strengthened coordination to any significant extent). PEGASE DFS and the ROF have helped build closer partnerships, avoided duplication, and sought to promote joint monitoring and accountability, as well as alignment to national priorities. Inhibiting factors to the effectiveness of PEGASE support include: the lack of full alignment with sectoral priorities; questions about the acceptability of the Incentives-Based Tranche in the context of Occupation-related constraints on PA resources; poor progress in sector reforms; and concerns about commitment from the PA to address fundamental reforms required, particularly in relation to the SP and Health sectors.

Cluster 2: Policy Reform progress

Conclusion 3: PEGASE influence on Health referral reform is very limited but much needed.

Despite PEGASE DFS valued support to MoH’s payment of arrears to EJHs and payment of salaries of health civil servants through CSP, the health sector reform in relation to nationalising the healthcare system and rationalising referrals outside MoH is not addressed adequately by PEGASE in the framework of the European Joint Strategy.

This conclusion is based mainly on EQ2-JC2.2, JC 2.3 and EQ4; JC4.3

Health reforms indicators in ROF and PEGASE are not comprehensive. PEGASE’s contribution to EJH component and for salaries under CSP was not accompanied by support to reforms in the health sector despite including reform-related indicators being included in the PEGASE logframe (such as referral costs to Israeli hospitals, MoUs with EJHs to control the costs, etc.). The sector is severely underfunded and ROF and its policy dialogue processes which have acted as the main, if not only formal framework for policy dialogue between the PA and DPs, is seen as insufficient for conducive and systemic reforms to the healthcare system. PEGASE’s support to MoH for health workers’ salaries and pensions through CSP and the payment of referrals’ arrears to EJH means that the EDPs are stakeholders in health financing reforms related to nationalisation of the healthcare system, but the prioritisation and specification of these reforms (and related indicators) remains unclear in both PEGASE and the ROF and are very much needed. Further the PA’s capacity to implement reforms is relatively low and misses dedicated TA support required to strengthen it.

Cluster 3: Service Delivery

Conclusion 4: PEGASE remained crucial to keep service afloat but has not leveraged improved public services by the PA.

PEGASE has created fiscal space for the PA delivery of essential public services, but the PA’s performance in achieving reforms, improving public services, and accountability to its citizens has lagged.

This conclusion is based mainly on EQ3 JC3.1, JC3.2 and EQ4:JC4.1

Since 2017, the percentage of households living in extreme poverty and covered by social allowances improved. However only three out of the four annual payments were honoured by the PA since 2018, providing families with 75 per cent of their annual entitlements. The level of payments is often

described as too low to help families out of poverty and the partial payments make them even more insufficient to cover basic needs. The PA's fiscal crisis that started in 2019 led to an increased reliance on PEGASE to help meet the basic needs of vulnerable groups which was compounded during Covid-19. Despite the crisis, the PA only made three payments in 2020. PEGASE also helped free up PA funds for the PA to handle the pandemic in 2020. However, the PA's lag in undertaking reforms and improving services, along with accountability to its citizens has contributed to declining citizen satisfaction with the PA performance and public social services since 2016. The perceived lack of improved services especially by CTP and EJs beneficiaries is reflected in the increased criticism during 2021 by citizens and civil society over the PA's failure to meet its SP obligations.

Conclusion 5: PA's Lack of funding and coherent funding coordination in SP and Health sectors.

Unreliable financing of social sectors and low budget execution by the PA coupled by inefficiencies in the healthcare system has curtailed improvement of quality of service delivery. PEGASE could have been used more efficiently as leverage in the EU-PA policy dialogue.

This conclusion is based mainly on EQ1: JC1.3; EQ2: JC 2.3; EQ4: JC4.1, JC4.5

Whilst all sectors suffer from under-funding, the SP sector is especially affected by inadequate budgets. Whereas in addition to limited donors and funding, the health sector suffers from inefficiency in the system and an absence of a clear health financing strategy, along with fragmented coordination that has resulted in weak coherence. The PA decreased its health expenditure in 2019 to below 2017 levels and consequently, Civil Society and DPs have questioned the MoH's commitment to investing in the development of the national healthcare system. PEGASE and its associated sectors' policy dialogue with the PA has tended to be undertaken bilaterally and such an approach has resulted in the Health sector not benefiting currently from joint programming.

Conclusion 6: PEGASE support is increasingly vital to the Social Protection of Palestinians and help meet basic needs of vulnerable groups, but CTP cannot function without international funding.

PEGASE support to the PA in the social protection sector, in particular through the national Cash Transfer Programme has been crucial to ensure regular payment of social allowances. However, the reliability and sustainability of the country system is of concern as it cannot function without international funding.

This conclusion is based mainly on EQ2 JC2.1; EQ3: JC3.1, JC3.2; and EQ4: JC4.4

CTP enables the channelling of (additional funds) support to vulnerable groups. Considering the deteriorating socio-economic situation and worsening poverty in Gaza, an additional EUR 10 million were allocated for cash injection to the poorest families in Gaza targeting an additional 7,811 families who were on the CTP waiting list, most of them with refugee status. Despite the national CTP seeking to support the recovery and resilience of vulnerable populations, the long-term funding of the CTP fails to be sufficiently addressed amidst PA's reliance on PEGASE to fund it. CTP is also not sufficiently shock-responsive and there are insufficient linkages between social assistance with resilience programming. There is a lack of clarity as to expected outcomes of the social assistance. Collaboration between MoSD and humanitarian actors remains mostly on technical issues and suffers from limited harmonisation of approaches and strategic coordination towards a shared objective which is compounded by lack of regular and structured exchange between humanitarian clusters and LACS SP SWG. EUREP, DG ECHO and EDPs have agreed a roadmap 2021-2024 to operationalise the Triple Nexus for greater alignment of humanitarian, development and peacebuilding planning and programming in Palestine in relation to the SP sector, with a focus on cash transfer programmes.

However, CTP may not achieve the level of scalability required for effective SP due to a lack of funds which would require the PA to prioritise SP spending, which has not been evidenced to date.

Conclusion 7: The EJH component in PEGASE remains vital to the six EJHs and the OPT population's access to tertiary care.

The EJH component in PEGASE remains vital to the six EJHs and the OPT population's access to tertiary care and MoH's ability to meet health service needs was constrained by delays encountered in channelling EUREP funds in 2021.

This conclusion is based mainly on EQ2: JC2.1; EQ3: JC3.1; and EQ4: JC4.1, JC4.2, and JC4.4.

PEGASE support to EJH referrals' arrears is vital to the remaining six hospitals in East Jerusalem. EJHs serve as the main centres for specialised care within the Palestinian Health system. Patients needing services and procedures that are not available in the West Bank and Gaza are referred by MoH for treatment in EJHs whereas PEGASE supports the PA with financial contribution to partially cover the outstanding invoices of medical referrals to EJS. However, the challenges encountered in channelling EUR funds in 2021 constrained their ability to meet health service needs.

Cluster 4: Cross cutting issues

Conclusion 8: Inadequate mainstreaming of gender and social inclusion within PEGASE and the ROF negatively impacts the Duty Bearer's fulfilment of a Rights Based Approach.

Inadequate consideration of cross-cutting issues (gender and social inclusion in particular) within PEGASE limits EDPs' ability to support the Duty Bearer ensure a Rights Based Approach and Leaving no One behind.

This conclusion is based mainly on EQ1: JC1.4; EQ2: JC2.3; and EQ4: JC4.5

PEGASE supports the PA as a Duty Bearer in pursuing SDGs and its development agenda including its RBA and responsibility to Leave no One Behind. PEGASE support to the PA for ensuring RBA, is evident in availing services (via maintaining civil servants) and access of marginalised groups to their rights to public services, especially SP and EJH components. However, the PA's systemic constraints in gender and RBA data and analysis inhibit their effective integration/mainstreaming in PEGASE and ROF within sector reform programmes. This also negatively affects the EDPs abilities to carry out significant policy dialogue with the PA and support the Duty Bearer in assuring it is meeting the needs of different marginalised groups.

Conclusion 9: PEGASE visibility and communications have been minimal.

PEGASE visibility and communications efforts have been minimal and consequently awareness by DPs and the public is low.

This conclusion is based mainly on EQ5

All stakeholders acknowledge that communications about PEGASE need to be increased and improved to maximise impact. Whilst visibility is also an EU requirement, this Evaluation acknowledges that undertaking visibility activities in relation to Budget Support operations is challenging. The Visibility Strategy and Communications Plan commissioned by EUREP was not implemented, having been produced 18 months into the 2018-2020 programme. EDPs consider communications to have been inadequate with an absence of focus on outcomes; and awareness-raising activities with the public (Iftah dinners for CTP beneficiaries) have been limited.

Cluster 5: Policy dialogue

Conclusion 10: Fragmented and ineffective Policy Dialogue mechanisms have reduced the effectiveness and efficiency of PEGASE reform processes.

Fragmented Development Partners-PA policy dialogue processes have affected the coordination, frequency, and effectiveness thereof and did not allow PEGASE to play its role as leverage for reform. This has also reduced opportunities for synergies and collaboration between Development Partners.

This conclusion is based mainly on EQ1: JC 1.3; EQ2: JC2.2, JC2.3; and EQ4: JC4.5

While there appears to be a general common understanding between the PA and EDPs and interest to foster policy dialogue, the structures to enable such dialogue has been insufficient, ineffective and lacked coherence to promote conducive sector reform processes. This has prevented coherent coordination and monitoring. Excluding the SP WW, the most PA's LACS SWGs did not meet regularly during 2018-2019 and has resulted in informal DP-only meetings being held to exchange information which may have hampered the potential for increased synergies. Other contributory factors include: a lack of effective leadership and engagement of CoG, failing intra-governmental institutional arrangements between the PA's CoG and LMA, lack of clear linkages between PEGASE and ROF regarding PA reforms in relation to relevant PEGASE sectors (notably Health), and EDP fragmentation.

PEGASE's leverage in the ROF policy dialogue has also been minimal as it is mainly seen as funding mechanisms by EDPs rather than a joint programme, with multiple stakeholders from the PA side. therefore, the leverage for reform is weak, compared to a traditional sector-wide approach programme like the Education Joint Financing Agreement (JFA) between EDPs and MoE, for which LACS/ROF and JFA policy dialogue are aligned, reinforcing each other.

Conclusion 11: A comprehensive Theory of Change for PEGASE was not adopted during the programme and some assumptions underlying the Intervention Logic are no longer valid.

Whilst an Intervention logic was established, a comprehensive Theory of Change was not explicitly developed for the 2018-2020 PEGASE programme. Some of its underlying assumptions are no longer valid, including: "No further significant deterioration of the current political and security context", which does not reflect downward political and economic trajectories; and "Israel respects its Oslo/Paris agreements' commitments, notably in terms of transfer of Clearance Revenue, and does not impose further restrictions" is not happening.

This conclusion is based mainly on EQs 1, JC 1.1

Whilst an IL and logframe were developed during programme formulation, and remained intact throughout 2018-2019, a comprehensive ToC was neither developed for the 2018-2020 PEGASE programme (although a ToC was constructed as part of the 2016-2017 PEGASE biennial evaluation) nor used as an explicit tool for policy dialogue between EDPs and the PA. Later, the IL was further elaborated and refined as part of the 2021 PEGASE programme including a multi-annual reform agenda for key sectors. A ToC was also constructed based on a reconstructed IL as part of this PEGASE Biennial Evaluation (Section 3. of *this* report). Some of its underlying assumptions are no longer applicable, particularly in relation to the increasingly grave political and economic context, where the GoI withheld CR for example, and this risk remains.

Cluster 6: Incentives-Based tranche

Conclusion 12: The Incentives-Based tranche has evolved during 2018-2020 and performance has provided positive results.

The introduction of an Incentive-Based approach for the CSP window (where funds are disbursed on the condition that certain performance indicators are achieved) with the inclusion of new sectors, such as energy and water in the performance indicators has provided positive results. Targeted Incentives-Based Indicators have speeded up the pace of some reforms.

This conclusion is based mainly on EQs 1, JC 1.1; and EQ4: JC4.2

Evolution has been seen in the Incentives-Based tranche with the inclusion of the Water and Energy sectors in 2019 and 2020 respectively; as well as in the increase of scope of PFM reforms to include Public Procurement in 2019. These indicators reflect the fundamental nature of the reforms required within the early stages of the reform processes. They are drawn from the state actors' own strategies and are thus 'owned' by them. Over 75 percent PFM indicators were achieved during the 2018-2019, and the Water and Energy sectors achieved half of their indicators during 2019 and 2020 respectively. Whilst there is a lack of documented lessons learned, those lessons identified by state sector stakeholders include: the need to gain senior level (including Ministerial) ownership; multi-stakeholder buy-in; early and timely negotiation of indicators between EUREP and the state actors; more frequent policy dialogue; increased funding; increased visibility for reforms achieved through PEGASE; and a consistent approach across EUREP in relation to the setting of performance indicators in discussion with the PA and assessing indicator compliance.

Conclusion 13: The appropriate choice of Incentives-Based Indicators minimises the reputational risk of EDPs.

Care needs to be taken to minimise the reputational risk of EDPs by only adopting indicators that reflect the priorities of the PA and are politically acceptable to the government.

This conclusion is based mainly on EQ2: JC2.4

Overall, the Incentives-Based mechanism has been a success in terms of increasing PA ownership and speed of progress and provides the opportunity to increase its coverage to other sectors. However, care needs to be taken to select indicators that are politically acceptable to the PA, in order to continue to harness PA buy-in, thereby reducing the potential reputational risk to EDPs (which may result from the adoption of indicators that are considered politically unacceptable to the PA).

Conclusion 14: Targeted policy dialogue for Incentives-Based Indicators has speeded up the pace of reform.

Whilst there are mixed views on the effectiveness of the Incentives-Based tranche, targeted policy dialogue for Incentives-Based Indicators has speeded up the pace of reform.

This conclusion is based mainly on EQ2: JC 2.3, JC2.4

Whilst the principle of incentives has been accepted by EDPs, and to some extent by the PA itself, there are mixed views on the effectiveness of the Incentives-Based tranche but this is mainly related to issues of communication. The Incentives-Based Indicators do enable targeted policy dialogue in relation to specific aspects of sector reforms and have speeded up the pace of reform compared with other sectors not subject to Incentives. Those DPs who do not fund the CSP component lack information about the performance of the incentives' tranche, and some believe the mechanism has deficiencies in practice due for example to some 'unmet' indicators being carried over to the

following year with no perceived consequence in terms of loss of funds (although disbursement decisions taken are in line with EU Budget Support operations and Financing Agreement provisions).

Cluster 7: PEGASE monitoring and reporting

Conclusion 15: Inadequate monitoring and reporting of PEGASE and the ROF.

Monitoring and reporting of PEGASE and ROF achievements should be enhanced.

This conclusion is based mainly on EQ1: JC1.4; and EQ2: JC2.1

PEGASE's shift towards a programmatic approach (through the introduction of a multi-annual approach and incentives mechanisms) has not been accompanied by adequate monitoring and reporting mechanisms (with the exception of the DFS safeguarding measures and the Incentives-Based tranche). As such, ROF has acted as the main tool for joint monitoring at general and sectoral level, however, it has lacked active monitoring during implementation and acted as a 'late' reporting framework.

Conclusion 16: The EJH component of PEGASE does not monitor equitable access to tertiary care.

Lack of disaggregated data on Health referrals in PEGASE logframe and ROF indicators inhibits monitoring of equitable access to the 'Right to Health' amongst Palestinians and especially vulnerable groups in Gaza, and limits EDPs engagement with the PA and Government of Israel in ensuring 'Right to Health' for all.

This conclusion is based mainly on EQ1: JC 1.4

In PEGASE DFS log frame, the few disaggregated performance and process indicators by gender and marginalized groups primarily concern CTP whereas disaggregation is largely lacking in Health referrals amidst a deteriorating 'Right to Health' in Gaza and reports and discrepancies about equitable access between the West Bank and Gaza.

Conclusion 17: The PA's Incentives-Based progress reports are not comprehensive which prevents issues being resolved in a timely manner.

The PA's Incentives-Based progress reports lack detail in relation reform steps taken and challenges faced which prevents issues being resolved in a timely manner.

This conclusion is based mainly on EQ2: JC2.1

For the Incentives-Based tranche, the MoF has submitted progress reports to verify progress made against Incentive-Based indicator targets as required by the PEGASE DFS mechanism (aligned with EC Budget Support processes) although these reports lack detail in relation to steps taken and challenges faced.

7. RECOMMENDATIONS

Figure 3 provides an overview of the level of priority in terms of importance of the recommendations and the urgency (agenda) of their realisation. They are presented according to the five EQs and seven Clusters of conclusions within the context of a programme management lifecycle.

Figure 3: Major links between EQs, conclusions and recommendations

			R01	R02	R03	R04	R05	R06	R07	R08	R09	R10	R11	R12	R13	R14			
EQ1 Policy priorities	DESIGN OF PEGASE	C1 Relevant design	✓	✓									✓					Policy framework	
		C2 Added value		✓								✓	✓						
EQ2 Aid Management Framework	POLICY REFORM PROGRESS	C3 Health reforms				✓												Financing	
		C4 Public services			✓	✓	✓	✓	✓										
	SERVICE DELIVERY	C5 Funding					✓	✓											Financing
		C6 CTP sustainability					✓		✓										
		C7 EIH access								✓	✓								
	CROSS CUTTING ISSUES	C8 Gender mainstreaming										✓							Implementation planning
		C9 Visibility & communications												✓	✓				
EQ3 Institutions & social services	POLICY DIALOGUE	C10 Policy dialogue	✓				✓					✓		✓	✓			Implementation planning	
		C11 Theory of Change	✓										✓						
EQ4 Policy formulation & implementation	INCENTIVES-BASED TRANCHE	C12 Incentives-Based tranche				✓		✓					✓					Monitoring	
		C13 Incentives-Based indicators												✓					
		C14 Incentives-Based reform											✓		✓				
EQ5 Visibility & Communications	MONITORING & REPORTING	C15 Monitoring & reporting													✓	✓		Monitoring	
		C16 EIH monitoring													✓				
		C17 Incentives-Based reports														✓	✓		

Legend

R1 Overall & Specific Objectives	R5 Social services financing	R9 Visibility & Comms. Strategy	R13 Monitoring & reporting
R2 2022 PEGASE policy dialogue	R6 SP roadmap	R10 Policy dialogue networks	R14 Health referrals monitoring
R3 PA reforms' accountability	R7 Health contingency planning	R11 2022 PEGASE ToC	
R4 Health reforms focus	R8 Gender mainstreaming	R12 CTP & EIH Incentives	

Table 4 provides an overview of the level of priority in terms of importance of the recommendations and the urgency (agenda) of their realisation.

Table 4: Prioritisation of recommendations

No.	Recommendation	Importance*	Urgency*
1	<i>Revise the Overall Objective and Specific Objectives for 2022 PEGASE programme.</i>	4	4
2	<i>Hold policy dialogue with current PEGASE stakeholders about the forthcoming PEGASE programme and future funding options.</i>	3	4
3	<i>Promote PA accountability to Palestinians about PEGASE-related policy reforms.</i>	3	3
4	<i>Consider supporting reforms in the Health sector including Health referrals.</i>	4	3
5	<i>Increased financing and joint programming in the SP and Health sectors, accompanied by coherent policy dialogue is required.</i>	4	3
6	<i>Clear and effectively coordinated roadmap for Social Protection and Development is required.</i>	2	2
7	<i>Contingency planning to enable vulnerable groups' access to essential SP and Health services is required.</i>	3	2
8	<i>Improve mainstreaming of gender and social inclusion.</i>	2	1
9	<i>A new Visibility and Communications Strategy should be developed and implemented for the 2022 PEGASE programme.</i>	2	1
10	<i>Coherent PEGASE-related policy dialogue networks should be established between all key stakeholders.</i>	4	3
11	<i>Prepare a Theory of Change for the 2022 PEGASE programme.</i>	2	3
12	<i>The Incentives-Based tranche should be expanded to cover the other two PEGASE components/sectors: CTP-SD, and EJH-Health sector referrals.</i>	3	2
13	<i>Introduce regular monitoring and reporting of PEGASE reform progress and increase its frequency in relation to the ROF.</i>	4	3
14	<i>Improve monitoring of equitable access to health referrals</i>	3	2

* 1 = low, 4 = high

Figure 4: Prioritisation of recommendations, schematic overview



Cluster 1: Design of PEGASE

Recommendation 1: Revise the Overall Objective and Specific Objectives for 2022 PEGASE programme.

Revise the Overall Objective for PEGASE 2022 to: “O.O.1 A democratic and accountable Palestinian state within the two State Solution”, and “O.O.2: Self-determination and well-being of the Palestinian people”. This presents Impact level objectives, rather than the current OO which is more properly located at the Specific Objective – outcome level. Accordingly, the outcome level Specific Objectives should be revised to: “S.O.1: Build effective institutions accountable to their citizens ready for statehood”, and “S.O.2: Improved public social services by Duty Bearer (PA) responding to Rights’ Holders (citizens’) requirements (including those of marginalised groups (leaving no-one behind)”. Process-based indicators relating to steps required to recommence the peace process would also need to be developed in discussion with the PA leadership, within the context of the PEGASE ToC. Now is not the time to make fundamental amendments to the composition of the three PEGASE components or to make reductions in the EU’s funding thereof.

This recommendation is linked to:

- Conclusion 1: The design of PEGASE (objectives, indicators, and results) remained stable during 2018-2019 and continued to be relevant to the PA’s and EDPs policy priorities even within a changing economic and political context. Building effective and accountable institutions ready for statehood and enable inclusive social development remained relevant for the PA over the period 2018-2019. Improved public services responding to citizen’s needs remained a key priority for the PA; although PEGASE’s current Overall Objective does not reflect the political context of the OPTs.
- Conclusion 11: Whilst an Intervention logic was established, a comprehensive Theory of Change was not explicitly developed for the 2018-2020 PEGASE programme. Some of its underlying assumptions are no longer valid, including: “No further significant deterioration of the current political and security context”, which does not reflect downward political and economic

trajectories; and “Israel respects its Oslo/Paris agreements' commitments, notably in terms of transfer of Clearance Revenue, and does not impose further restrictions” is not happening.	
<i>Main implementation responsibility: EUREP</i>	
<i>Main associated actors: EC HQ, PMO, Ad-Hoc Liaison Committee (AHLC)</i>	
<i>What works and should continue?</i>	
<i>The PEGASE programme-based approach, with its multi-annual programming and Incentives-based tranche introduced for the 2018-2020 programme should continue.</i>	
<i>What should be strengthened (or discontinued)?</i>	<i>How should this be done?</i>
<i>The indicators associated with the current OO remain applicable to the proposed revised OO, but additional process-based indicators relating to the recommencement of the peace process would be required.</i>	<i>The revision of the PEGASE OO would require political engagement with the PA leadership including discussions at the AHLC about the recommencement of the peace process. This would be followed by discussions with the PMO and MoF regarding changes to the Specific Objectives and their indicators, within the context of the PEGASE ToC.</i>

Recommendation 2: Hold policy dialogue with current PEGASE stakeholders about the forthcoming PEGASE programme and future funding options.

<p><i>Seek to improve the understanding of and participation in PEGASE in preparation for the launch of PEGASE 2022, by holding a series of policy dialogue meetings with current EDPs, non-EDPs, the PA, and Civil Society to (a) present an overview of the outcomes and benefits of PEGASE, the proposed programme and its DFS mechanism, its Intervention Logic – Theory of Change, and indicators (including the Incentives-Based tranche), (b) the associated challenges and reforms required in support of the three components and PEGASE-related sectors and its linkages to the PNPA, and ROF, (c) a schedule of policy dialogue, monitoring and reporting arrangements (d) Identification of synergies and opportunities for collaboration, including integrated national financing frameworks, and joint programming.</i></p>
<p><i>This recommendation is linked to:</i></p> <ul style="list-style-type: none"> ● Conclusion 2: PEGASE DFS is providing EDPs with a robust mechanism to channel joint funding to the PA Treasury, however the sustainability of the country-systems is not ensured.. ● Conclusion 9: PEGASE visibility and communications efforts have been minimal and consequently awareness by DPs and the public is low. ● Conclusion 10: Fragmented Development Partners-PA policy dialogue processes have affected the coordination, frequency, and effectiveness thereof and did not allow PEGASE to play its role as leverage for reform. This has also reduced opportunities for synergies and collaboration between Development Partners. ● Conclusion 11: Whilst an Intervention logic was established, a comprehensive Theory of Change was not explicitly developed for the 2018-2020 PEGASE programme. Some of its underlying assumptions are no longer valid, including: “No further significant deterioration of the current political and security context”, which does not reflect downward political and economic trajectories; and “Israel respects its Oslo/Paris agreements' commitments, notably in terms of transfer of Clearance Revenue, and does not impose further restrictions” is not happening.
<i>Main implementation responsibility: EUREP</i>

Main associated actors: current PEGASE EDPs (Netherlands, Austria, Spain, Ireland, Finland, Italy), non-EDPs, PA (Centre of Government (CoG), Line Ministries and Agencies), and CSOs.

What works and should continue?

The PEGASE programme and DFS mechanism should continue with support to the three components.

What should be strengthened (or discontinued)?

The approach, results, and benefits of PEGASE should be strengthened through unified (involving all key stakeholders) as well as bilateral policy dialogue, monitoring and reporting. Visibility and communications' activities to publicise PEGASE outcomes should be increase to target current and potential additional EDP/non-EDP funders, as well as addressing the communications' needs of the newly established PEGASE Steering Committee.

How should this be done?

A series of PEGASE 2022 workshops should be held with EDPs/non-EDPs/PA/CSOs. A schedule of policy dialogue, monitoring, and reporting arrangements should be prepared. A new Visibility and Communications Plan should be developed with the involvement of EUREP PEGASE-related sector programme managers. Share a strategy paper identifying funding options for the medium-long term vision for PEGASE/its progression in relation to opportunities for collaboration, including integrated national financing frameworks, and joint implementation arrangements, including discussions concerning results.

Cluster 2: Policy Reform progress

Recommendation 3: PEGASE should be further leveraged to support and incentivise the PA to enhance its accountability to its citizens.

PEGASE should be further leveraged to support and incentivise the PA to enhance its accountability to its citizens (including Civil Society) within reform processes. CSOs focusing on governance – transparency, accountability, and human rights should be included in the PA's planning and budgeting processes, and PEGASE and related ROF policy dialogue and consultation processes

This recommendation is linked to:

- Conclusion 4: PEGASE has created fiscal space for the PA delivery of essential public services, but the PA's performance in achieving reforms, improving public services, and accountability to its citizens has lagged.

Main implementation responsibility: EUREP and PA: PMO and MoF

Main associated actors: PA (CoG, Line Ministries and Agencies), Cabinet Secretariat, and CSOs; current PEGASE EDPs (Netherlands, Austria, Spain, Ireland, Finland, Italy); ROF Leads; and non-EDPs,

What works and should continue?

ROF policy dialogue arrangements that are already in place and its inclusion of engagement with Civil Society demonstrate EDPs commitment to the importance to the role of civil society in policy development and in monitoring the implementation of laws and policies.

The 2021 PEGASE programme has set up a Steering Committee including the PMO, and relevant Line Ministries and Agencies involved in reforms.

What should be strengthened (or discontinued)?

How should this be done?

Ongoing improved development cooperation including PEGASE-related reforms is dependent and strongly intertwined with political progress towards the 2-SS and the continued perceived legitimacy of the PA as Duty Bearer.

PMO's identification of national reform priorities linked with a transparent and participative sector planning and budgeting process within a Medium-Term Budget Framework, require comprehensive implementation.

Strengthen Civil Society role in holding PA to account over PEGASE related reforms, including transparency in budgeting and decision making by the PA (PFM-budgeting processes-(already initiated in 2021 PEGASE Action Document).

Increase coherence between ROF and PEGASE in policy dialogue meetings; and when planning complementary measures

EU's continued policy dialogue backed up by financial support is essential to promote the perspective elections and reintegration of Gaza in the PA policies and programmes (especially the Rights Holders' access to services). Whilst they are unlikely to be achieved until the medium-longer term, a roadmap towards these goals would need to be prepared in the short-term.

Inclusion of CSOs focusing on governance – transparency, accountability, and human rights in PA's planning and budgeting processes, and in PEGASE and related ROF policy dialogue and consultation processes

Include an update on ROF reform progress as a standing agenda item for the PEGASE Steering Committee, and vice-versa for PEGASE within the agenda of the relevant ROF sector policy dialogue meetings' agendas, as well cross referencing within reports, to increase coherence between PEGASE and relevant sectors within the ROF.

Address ROF and PEGASE reform priorities and support required when planning complementary measures for related sectors including TA and twinnings.

Consider supporting a joint council on anti-corruption (combining the Palestinian Anti-Corruption Commission and relevant Civil Society organizations).

Recommendation 4: Consider directly linking PEGASE with support to Health sector reforms including health referrals.

Consider directly linking PEGASE with support to Health sector reforms including health referrals. Accordingly, define the potential future focus and role of PEGASE and the ROF in strengthening the Health referrals. EDPs should advocate for increased support to fund the health sector and support reforms needed to nationalise health services. Inclusion of Health reforms in the Incentives-Based Tranche at a proportionate level should also be considered.

This recommendation is linked to:

- Conclusion 3: Despite PEGASE DFS valued support to MoH's payment of arrears to EJs and payment of salaries of health civil servants through CSP, the health sector reform in relation to nationalising the healthcare system and rationalising referrals outside MoH is not addressed adequately by PEGASE in the framework of the European Joint Strategy.
- Conclusion 4: PEGASE has created fiscal space for the PA delivery of essential public services, but the PA's performance in achieving reforms, improving public services, and accountability to its citizens has lagged.
- Conclusion 12: The introduction of an Incentive-Based approach for the CSP window (where funds are disbursed on the condition that certain performance indicators are achieved) with the

inclusion of new sectors, such as energy and water in the performance indicators has provided positive results. Targeted Incentives-Based Indicators have speeded up the pace of some reforms.	
<i>Main implementation responsibility: Italy as Sector Lead, MoH, and EUREP</i>	
<i>Main associated actors: EDPs, CSOs</i>	
<i>What works and should continue?</i>	
<i>EJH component supports the MoH and EJH as Duty Bearers to enable Rights Holders' access to tertiary health services and should continue.</i>	
<i>What should be strengthened (or discontinued)?</i>	<i>How should this be done?</i>
<i>Coherent policy dialogue in health sector should be strengthened and supported through PEGASE SC and joint programming in the sector to strengthen a multi-stakeholder sector-wide approach (whilst PEGASE provides joint funding it does not relate to joint programming).</i>	<i>Clarify and jointly determine PEGASE's focus and role in supporting the PA to increase access to quality national tertiary health services and reflect healthcare system and health financing reforms and their indicators in PEGASE and the ROF.</i> <i>EDPs should advocate for increased support to fund the health sector and support needed reforms to nationalise health services through joint programming, TA, etc.</i> <i>Consider inclusion of health-related reforms in the Incentives-Based Tranche at a proportionate level.</i>

Cluster 3: Service Delivery

Recommendation 5: Increased financing and joint programming in the SP and Health sectors, accompanied by coherent policy dialogue is required.

<i>Increased financing and joint programming in the Social Protection and Health sectors, accompanied by well-coordinated policy dialogue is required to support the Duty Bearers to deliver improved and inclusive social services</i>
<i>This recommendation is linked to:</i>
<ul style="list-style-type: none"> ● Conclusion 5: Unreliable financing of social sectors and low budget execution by the PA coupled by inefficiencies in the healthcare system has curtailed improvement of quality of service delivery. PEGASE could have been used more efficiently as leverage in the EU-PA policy dialogue. ● Conclusion 6: PEGASE support to the PA in the social protection sector, in particular through the national Cash Transfer Programme has been crucial to ensure regular payment of social allowances. However, the reliability and sustainability of the country system is of concern as it cannot function without international funding. ● Conclusion 4: PEGASE has created fiscal space for the PA delivery of essential public services, but the PA's performance in achieving reforms, improving public services, and accountability to its citizens has lagged. ● Conclusion 10: Fragmented Development Partners-PA policy dialogue processes have affected the coordination, frequency, and effectiveness thereof and did not allow PEGASE to play its role as leverage for reform. This has also reduced opportunities for synergies and collaboration between Development Partners.
<i>Main implementation responsibility: EUREP and Italy</i>

<i>Main associated actors: COG, MOSD, and MOH; and other EDPs.</i>	
<i>What works and should continue?</i>	
<i>CTP and EJHs components of PEGASE use of national mechanisms and to provide-joint funding support to the PA.</i>	
<i>What should be strengthened (or discontinued)?</i>	<i>How should this be done?</i>
<p><i>Joint programming in supporting MoSD to build shock-responsive social assistance system linked to nexus approach to SD and nationalised quality health care for all Palestinians.</i></p> <p><i>Policy dialogue mechanisms for SP and Health should be reviewed.</i></p>	<p><i>EDPs are encouraged to promote delegated cooperation through pool funding/ joint programming in SP & health linked to policy-related reforms,</i></p> <p><i>Consider increased EU other DPs support to resource health reforms based on clearly defined roadmap that explains specific reforms to nationalise the health services and referrals and cost of services, and one that is linked to a clear and transparent health financing strategy with qualitative engagement of CSOs.</i></p> <p><i>Support the PA/MoSD in identifying medium term financing needs and sustainability of the policy reforms pertaining to new Law for the protection of PWD and the Elderly.</i></p> <p><i>Policy dialogue mechanisms for SP and Health should be reviewed (in relation to PEGASE/ROF/LACS/PA) to identify gaps in institutional arrangements, clearly differentiated ToR's should be developed to avoid duplications in focus and remit</i></p>

Recommendation 6: Clear and effectively coordinated roadmap and respective action plan for operationalising social development sustainable service delivery is required.

PEGASE should support MoSD to develop a clear roadmap and action plan to operationalise the SDSS. PEGASE should also continue its support to MoSD to build a shock-responsive social assistance system under a formal Nexus coordination mechanism. PEGASE should consider contingency planning and inclusion of SP-related reforms in the Incentives-Based Tranche at a proportionate level. TA support should be provided to increase gender and conflict sensitive CTP. Further, policy dialogue with CoG to prioritise SP funding is required to ensure continued access to SP by beneficiaries, including Gaza. MoSD also requires support to identify its medium-term financing needs. EDPs are encouraged to practice delegated cooperation through pool funding/ joint programming in SD programming and MoSD's operationalisation of the Nexus approach to SD.

This recommendation is linked to:

- Conclusion 6: PEGASE support to the PA in the social protection sector, in particular through the national Cash Transfer Programme has been crucial to ensure regular payment of social allowances. However, the reliability and sustainability of the country system is of concern as it cannot function without international funding.
- Conclusion 4: PEGASE has created fiscal space for the PA delivery of essential public services, but the PA’s performance in achieving reforms, improving public services, and accountability to its citizens has lagged.
- Conclusion 5: Unreliable financing of social sectors and low budget execution by the PA coupled by inefficiencies in the healthcare system has curtailed improvement of quality of service delivery. PEGASE could have been used more efficiently as leverage in the EU-PA policy dialogue.
- Conclusion 12: The introduction of an Incentive-Based approach for the CSP window (where funds are disbursed on the condition that certain performance indicators are achieved) with the inclusion of new sectors, such as energy and water in the performance indicators has provided positive results. Targeted Incentives-Based Indicators have speeded up the pace of some reforms.

Main implementation responsibility: EUREP, ECHO, and MoSD.

Main associated actors: current PEGASE EDPs, non-EDPs, and CSOs.

What works and should continue?

PEGASE support to CTP should continue.

EUREP’s leadership of the SP sector should continue.

SP coordination platforms amongst DPs and PA should continue.

Work on the implementation of the roadmap 2021-2024 to operationalise the Triple Nexus for greater alignment of humanitarian, development and peacebuilding planning and programming in Palestine in relation to the SP sector, should also continue.

Ongoing nexus coherence project implemented by ILO/UNICEF/OXFAM funded under the PEGASE decision (start date 1 July 2021 - inception phase). The project’s overall objective is to “Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable. SO 1: Rights-based and nexus programmatic coherence of social protection is enhanced and SO 2: Responsiveness of the social protection system is enhanced”.

What should be strengthened (or discontinued)?

How should this be done?

Support to MoSD to build a shock-responsive social assistance system.

Formalise a Nexus coordination mechanism for social assistance.

Consider expanding the CTP component considering the new developments triggered by Covid-19 in terms of new families and inflation in line with the revised SD strategy 2021-2023 that addresses the social impacts of Covid-19.

PEGASE should support MoSD in improving its targeting of CTP beneficiaries, especially its

The SD roadmap should be developed including a ToC that reflects the shared responsibility of all actors, with clear definitions of actor’s roles and responsibilities.

Consider contingency planning as CTP/marginalised groups/households rely on PEGASE support.

Consider increasing PEGASE DFS support to support the Duty Bearer in reaching more Rights Holders.

<p><i>analysis of individual vulnerabilities within households and in terms of gender.</i></p>	<p><i>Consider inclusion of SP-related reforms in the Incentives-Based Tranche at a proportionate level.</i></p> <p><i>PEGASE complimentary support should include TA support to MoSD through gender and conflict sensitive risk analysis of the current social assistance system to identify gaps and determine stakeholders' responsibilities.</i></p> <p><i>Support MOSD carry out CTP impact assessment. Engage in high level policy dialogue with the CoG to prioritise SP and continued access to social services by vulnerable groups (notably; keep Gaza on the table).</i></p> <p><i>Support the PA/MoSD in identifying medium term financing needs and sustainability of the policy reforms pertaining to new Law for the protection of PWD and the Elderly.</i></p> <p><i>EDPs are encouraged to practice delegated cooperation through pool funding/ joint programming in SD programming and MoSD's operationalisation of nexus approach to SD.</i></p>
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Recommendation 7: Contingency planning to enable vulnerable groups' access to essential Health services is required.

Contingency planning to enable vulnerable groups' access to essential Health services in EJH through the EJH component is required. PEGASE should provide TA support to MoH to undertake contingency planning to support Rights Holders' access to tertiary medical care at EJS and EJH's continued delivery of Health services. DPs are encouraged to practice delegated cooperation through pool funding/ joint programming to support MoH's Health sector reforms, including nationalising the Health care system and rationalising referral system.

This recommendation is linked to:

- Conclusion 7: The EJH component in PEGASE remains vital to the six EJHs and the OPT population's access to tertiary care and MoH's ability to meet health service needs was constrained by delays encountered in channelling EUREP funds in 2021.
- Conclusion 4: PEGASE has created fiscal space for the PA delivery of essential public services, but the PA's performance in achieving reforms, improving public services, and accountability to its citizens has lagged.

Main implementation responsibility: Italy and other EDPs

Main associated actors: MoH; EJHs; COG; EUREP; non EDPs including the World Bank and possibly USAID; and CSOs.

What works and should continue?

PEGASE to continue supporting EJHs through contributing to the payment of outstanding invoices of MoH's medical referrals.

<i>What should be strengthened (or discontinued)?</i>	<i>How should this be done?</i>
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Support MoH to undertake contingency planning to support Rights Holders' access to tertiary medical care at EJS and EJH's continued delivery of Health services.

PEGASE should provide TA support to enable MoH to undertake contingency planning.

DPs are encouraged to practice delegated cooperation through pool funding/ joint programming in health sector reforms and nationalising the Health care system and rationalising referral system as part of the PEGASE Incentives-Based tranche.

Cluster 4: Cross cutting issues

Recommendation 8: Improve mainstreaming of gender, RBA and social inclusion in PEGASE by supporting PA capacities.

In coordination with Italy, the EU through PEGASE should provide TA support to the PA, including LMA's capacities in mainstreaming and integration of gender and adherence to RBA in their sector reform strategies, especially in relation to Health and SP and help institutionalise the process in planning, policy formulation and development processes. Gender and RBA should also be more thoroughly mainstreamed within PEGASE and the ROF. EUREP should consider including PCBS in the PEGASE SC to support efficient generation and utilisation of data needed to support mainstreaming. Cross-cutting issues should also be addressed in policy dialogue for a and through potentially tying some reforms to the Incentives-Based tranche.

This recommendation is linked to:

- Conclusion 8: Inadequate mainstreaming of gender and social inclusion within PEGASE and the ROF negatively impacts the Duty Bearer's fulfilment of a Rights Based Approach.
- Conclusion 7: The EJH component in PEGASE remains vital to the six EJHs and the OPT population's access to tertiary care and MoH's ability to meet health service needs was constrained by delays encountered in channelling EUREP funds in 2021.

Main implementation responsibility: Italy,

Main associated actors: EUREP, other DPs, COG and LMAs; and CSOs.

What works and should continue?

Gender Lead (Italy) supporting mainstreaming of gender equality in EJS and ROF processes and its funding many gender specific and gender mainstreaming programmes with MoSD, MoWA, PCBS should continue.

What should be strengthened (or discontinued)?

EDPs should support PA's increased adherence to RBA and mainstreaming of gender through PEGASE and ROF.

How should this be done?

In coordination with Italy, the EU through PEGASE should support the PA in mainstreaming gender and cross cutting issues through TA to undertake proper gender and RBA analysis especially in Health and SP and help institutionalise the process in planning, policy formulation and development processes. Consider including PCBS in PEGASE DFS Steering Committee to support efficient generation and utilisation of needed data to

support mainstreaming. Cross-cutting issues should also be addressed in policy dialogue fora.

Recommendation 9: A new Visibility and Communications Strategy should be developed and implemented for the 2022 PEGASE programme.

A new Visibility and Communications Strategy should be developed and implemented for the 2022 programme, with regular communications and events about PEGASE outcomes.

This recommendation is linked to:

- Conclusion 9: PEGASE visibility and communications efforts have been minimal and consequently awareness by DPs and the public is low.
- Conclusion 2: PEGASE DFS is providing EDPs with a robust mechanism to channel joint funding to the PA Treasury, however the sustainability of the country-systems is not ensured.

Main implementation responsibility: EUREP including PEGASE-related sector programme managers

Main associated actors: Targeting: EDPs, non-EDPs, PA, CSOs, PEGASE beneficiaries, and the general public

What works and should continue?

The Iftah dinners for CTP beneficiaries have been well-received and should continue but should seek to include women as well as men, and include patient beneficiaries from EJH as well as the current CTP.

What should be strengthened (or discontinued)?

Visibility and communications' activities to publicise PEGASE outcomes should be increased to target current and potential additional EDP/non-EDP funders.

How should this be done?

A new Visibility and Communications Plan should be developed with the involvement of EUREP PEGASE-related sector programme managers. Visibility activities should also target: the PA, CSOs, PEGASE beneficiaries, and the general public. Baselines in relation to public awareness about PEGASE support should be established. Feedback loops about PEGASE should be put in place and utilised to inform the content and targeting of visibility/communications. A range of PEGASE promotional materials should be produced and distributed at EUREP and EDP events.

Cluster 5: Policy dialogue

Recommendation 10: Coherent PEGASE-related policy dialogue networks should be established between all key stakeholders.

PEGASE-related policy dialogue networks should be established/reviewed involving all key stakeholders. The policy dialogue mechanisms for each of the PEGASE-related sectors should be mapped against other existing policy dialogue fora to identify and address gaps in these institutional arrangements (in terms of their mandates, membership and frequency of meetings) so that their coherence can be strengthened.

This recommendation is linked to:

- Conclusion 10: Fragmented Development Partners-PA policy dialogue processes have affected the coordination, frequency, and effectiveness thereof and did not allow PEGASE to play its role as leverage for reform. This has also reduced opportunities for synergies and collaboration between Development Partners.
- Conclusion 2: PEGASE DFS is providing EDPs with a robust mechanism to channel joint funding to the PA Treasury, however the sustainability of the country-systems is not ensured.
- Conclusion 14: Whilst there are mixed views on the effectiveness of the Incentives-Based tranche, targeted policy dialogue for Incentives-Based Indicators have speeded up the pace of reform.

Main implementation responsibility: PMO/Cabinet Secretariat/MoF Main associated actors: EJS-ROF Sector Leads, EDPs, Non-EDPs, LACS Chairpersons, PA: CoG, Line Ministries and Agencies, and CSOs

What works and should continue?

Existing PEGASE-related policy dialogue meetings (including the newly established PEGASE SC), ROF sector meetings and LACS SWGs should continue.

What should be strengthened (or discontinued)?

Existing policy dialogue arrangements should be reviewed to identify and address weaknesses, in terms of governance, membership, and frequency etc. so that they can be streamlined and strengthened.

How should this be done?

Existing policy dialogue arrangements for PEGASE, ROF, LACS SWG, intra-PA committees, DP and CSOs' standing meetings etc. should be reviewed and revised, coherent, institutional arrangements introduced to ensure that all PEGASE-related sectors are covered. This should include the revision of ToRs including monitoring and reporting requirements, and the issuance of meeting schedules etc. for each sector.

Recommendation 11: Prepare a Theory of Change for the 2022 PEGASE programme.

Prepare a Theory of Change for the 2022 PEGASE programme to be used as the basis for policy dialogue with the PA in consultation with them and the EDPs. Ideally each PEGASE-related sector supported should also develop their own ToC and this could be undertaken as part of the PEGASE-ROF mechanisms.

This recommendation is linked to:

- Conclusion 11: Whilst an Intervention logic was established, a comprehensive Theory of Change was not explicitly developed for the 2018-2020 PEGASE programme. Some of its underlying assumptions are no longer valid, including: “No further significant deterioration of the current political and security context”, which does not reflect downward political and economic trajectories; and “Israel respects its Oslo/Paris agreements' commitments, notably in terms of transfer of Clearance Revenue, and does not impose further restrictions” is not happening.
- Conclusion 1: The design of PEGASE remained stable during 2018-2019 and continued to be relevant to the PA's and EDPs policy priorities even within a changing economic and political context. Building effective and accountable institutions ready for statehood and enable inclusive social development remained relevant for the PA over the period 2018-2019. Improved public

<p>services responding to citizen’s needs remained a key priority for the PA; although PEGASE’s current Overall Objective does not reflect the political context of the OPTs.</p>	
<p><i>Main implementation responsibility: EUREP</i></p> <p><i>Main associated actors: PA: CoG and Line Ministries and Agencies, EDPs</i></p>	
<p><i>What works and should continue?</i></p> <p><i>The 2021 PEGASE programme includes a well-developed IL which provides a good starting point for the development of a fully-fledged ToC for 2022.</i></p>	
<p><i>What should be strengthened (or discontinued)?</i></p> <p><i>The current IL’s OO should be subject to review (as per Recommendation 1) and its underlying assumptions and risks need to be updated.</i></p>	<p><i>How should this be done?</i></p> <p><i>To be an effective tool for policy dialogue, the ToC should be developed with the PA and EDPs in a participatory manner and used to inform the agendas of PEGASE policy dialogue meetings. Ideally each PEGASE-related sector supported should also develop their own ToC and this could be undertaken as part of the PEGASE-ROF mechanisms.</i></p>

Cluster 6: Incentives-Based tranche

Recommendation 12: The Incentives-Based tranche should be expanded to cover the other two PEGASE components/sectors: CTP-SP, and EJH-Health sector referrals.

The Incentives-Based Tranche has increased the commitment to and pace of these reforms and should continue for the PFM/Water/Energy sectors, and be expanded to cover CTP - SP and EJH – Health Referrals reforms. The proportion of funds subject to Incentives should remain a small proportion of overall funds. Indicators should be drawn directly from sector strategies and be coherent with the ROF and should be politically acceptable to the PA in order to continue to harness the PA’s buy-in to the Incentives-Based tranche. However, considering that the UK no longer funds the CSP, the EUREP should identify other possible donors (including other non-EDPs) to fund the component. Ideally, sectors subject to Incentives-Based Indicators should be supported by TA. Lessons learned from experience in the PFM/Water/Energy sectors should be heeded.

This recommendation is linked to:

- Conclusion 12: The introduction of an Incentive-Based approach for the CSP window (where funds are disbursed on the condition that certain performance indicators are achieved) with the inclusion of new sectors, such as energy and water in the performance indicators has provided positive results. Targeted Incentives-Based Indicators have speeded up the pace of some reforms.
- Conclusion 13: Overall, the Incentives-Based mechanism has been a success in terms of increasing PA ownership and speed of progress and provides the opportunity to increase its coverage to other sectors. However, care needs to be taken to select indicators that are politically acceptable to the PA, in order to continue to harness PA buy-in, thereby reducing the potential reputational risk to EDPs (which may result from the adoption of indicators that are considered politically unacceptable to the PA).
- Conclusion 14: Whilst there are mixed views on the effectiveness of the Incentives-Based tranche, targeted policy dialogue for Incentives-Based Indicators have speeded up the pace of reform.
- Conclusion 10: Fragmented Development Partners-PA policy dialogue processes have affected the coordination, frequency, and effectiveness thereof and did not allow PEGASE to play its role

<p>as leverage for reform. This has also reduced opportunities for synergies and collaboration between Development Partners.</p> <ul style="list-style-type: none"> ● Conclusion 9: PEGASE visibility and communications efforts have been minimal and consequently awareness by DPs and the public is low. 	
<p><i>Main implementation responsibility: EUREP</i> <i>Main associated actors: MoSD, MoH, MoF, and ROF Leads.</i></p>	
<p><i>What works and should continue?</i></p>	
<p><i>The Incentives-Based Indicators for the PFM/Water/Energy sectors should continue.</i></p>	
<p><i>What should be strengthened or discontinued?</i></p>	<p><i>How should this be done?</i></p>
<p><i>TA support should be provided to all sectors subject top Incentives-Based Indicators.</i></p>	<p><i>TA support should be introduced for all sectors subject top Incentives-Based Indicators. The process for introducing the Incentives-Based Indicators for PFM/Water/Energy should be adopted whilst taking into account lessons learned, including: the need to gain senior level (including Ministerial) ownership; multi-stakeholder buy-in; early and timely negotiation of indicators between EUREP and the state actors; more frequent policy dialogue; increased funding; increased visibility for reforms achieved through PEGASE; and consistent flexibility across EUREP in relation to the assessment of indicator compliance.</i></p>

Cluster 7: PEGASE monitoring and reporting

Recommendation 13: Introduce regular monitoring and reporting of PEGASE reform progress and increase its frequency in relation to the ROF.

<p><i>Introduce regular monitoring and reporting of PEGASE reform progress. Reporting should identify progress, issues, and risks to seek to proactively tackle anticipated delays in meeting targets for example. The frequency of monitoring and reporting in relation to the ROF should also increase. All monitoring and reporting should be accompanied by policy dialogue.</i></p>
<p><i>This recommendation is linked to:</i></p> <ul style="list-style-type: none"> ● Conclusion 15: Monitoring and reporting of PEGASE and ROF achievements should be enhanced. ● Conclusion 17: The PA’s Incentives-Based progress reports lack detail in relation reform steps taken and challenges faced which prevents issues being resolved in a timely manner. ● Conclusion 10: Fragmented Development Partners-PA policy dialogue processes have affected the coordination, frequency, and effectiveness thereof and did not allow PEGASE to play its role as leverage for reform. This has also reduced opportunities for synergies and collaboration between Development Partners.
<p><i>Main implementation responsibility: EUREP</i> <i>Main associated actors: PA: MoF, PWA, PENRA, MoSD, MoH, PMO; ROF Leads; EDPs.</i></p>
<p><i>What works and should continue?</i></p>

<i>ROF monitoring and reporting should continue.</i>	
<i>What should be strengthened (or discontinued)?</i>	<i>How should this be done?</i>
<i>The frequency of ROF monitoring and reporting should increase to biannual. Likewise, a biannual monitoring and reporting system should be introduced for the PEGASE-related sectors. The Incentives-Based Indicators' progress reports should be revised to become more comprehensive.</i>	<i>Discuss the proposed increase of frequency of ROF monitoring and reporting with the ROF Leads (EDPs/PA). Develop a simple a biannual PEGASE monitoring and reporting system (including progress to identify progress, issues, and risks) for the PEGASE-related sectors in consultation with the PA stakeholders and EDPs. The format for the MoF-led Incentives-Based Indicators' progress reports should be revised include qualitative detail in relation to steps taken and challenges faced. Reporting should be accompanied by policy dialogue.</i>

Recommendation 14: Improve monitoring of equitable access to health referrals.

The PEGASE logframe and monitoring should include necessary disaggregation, including geographically, to ensure vulnerable groups have equal rights to accessing health referrals outside MOH.

This recommendation is linked to:

- Conclusion 16: Lack of disaggregated data on Health referrals in PEGASE log frame and ROF indicators inhibits monitoring of equitable access to the 'Right to Health' amongst Palestinians and especially vulnerable groups in Gaza, and limits EDPs engagement with the PA and Government of Israel in ensuring 'Right to Health' for all.
- Conclusion 15: Monitoring and reporting of PEGASE and ROF achievements should be enhanced.
- Conclusion 4: PEGASE has created fiscal space for the PA delivery of essential public services, but the PA's performance in achieving reforms, improving public services, and accountability to its citizens has lagged.

Main implementation responsibility: EUREP

Main associated actors: MoH, Italy and other EDPs; and DPs.

What works and should continue?

With EC/ ECHO support, DPs and CSOs periodically monitor the status of Palestinian's right to health, this should continue (as planned within 2021 PEGASE programme) and be linked to PEGASE monitoring and its continuous engagement with duty bearers from the PA and GOI as an occupying power

<i>What should be strengthened (or discontinued)?</i>	<i>How should this be done?</i>
<i>Monitoring the population's equitable access to 'Right to Health' especially pertaining to tertiary Health referral services should be improved in PEGASE and ROF indicators.</i>	<i>Include necessary disaggregation, including geographically, in PEGASE and ROF logframes. PEGASE should provide TA support MoH to conduct rights-based analysis of its Health Referrals' system building on its database. Such analysis should also reflect on associated costs. EDPs should utilize PEGASE monitoring data and analysis in messaging about accountability,</i>



through existing channels with GOI in order to address barriers to 'Right to Health' (such as the need for increased access for Gaza Rights Holders' often impeded by GoI's denial of travel permits).

ANNEXES (ANOTHER VOLUME)

ANNEX 1: TERMS OF REFERENCE

1 BACKGROUND

1.1 Relevant country and sector background

Palestine¹ has been marked by the ongoing Palestinian-Israeli conflict, as well as by the disruption of fifty years of occupation and the progressive fragmentation of its territory, including the illegal annexation of East Jerusalem. Palestine has been characterised by regular cycles of violence and wars that have led, amongst others, to the construction of an illegal separation barrier beyond the 1967 border since 2002, the movement restrictions imposed by Israel on the Gaza Strip since the early 1990s and intensified in June 2007 with its closure and imposition of a land, air and sea blockade.

The Oslo Accords, under which the Palestinian Authority (PA) was created in 1994, were intended to lead to a final negotiated settlement between the parties. More than twenty years after, the PA, which has operated as a transitional authority with limited jurisdiction since its creation, has full civil and security authority only in 18% of the West Bank. This takes place in the context of growing governance challenges on the Palestinian side. The last general elections were held in January 2006 and the Gaza Strip came under the de facto control of Hamas in 2007. As a consequence of this split, the work of the Palestinian Legislative Council (PLC) was suspended. No new legislative measures have been adopted by the PLC subsequently, with legal acts being promulgated instead by presidential decrees applicable only to the West Bank. In the Gaza Strip, Hamas has been enacting laws by convening a PLC through a proxy system. Though President Abbas announced both legislative and Presidential elections for 2020, there is still uncertainty on whether or not they will take place, the President having conditioned the issuance of a Presidential decree leading to elections to the explicit acceptance by the Israeli authorities of normal vote possibility in East Jerusalem.

Palestine is home to 4.9 million people, of which 2.95 million live in the West Bank (including East Jerusalem) and the remaining 1.96 million live in the Gaza Strip (2017 census - Palestinian Central Bureau of Statistics). Two out of five Palestinians living in Palestine are refugees. According to the Palestinian Statistics Bureau (PCBS), 38,4% of the population is under 14 years old and almost 67% of the population is younger than 30, while around 4% is over 65 years old. The society is characterised by a stark and risky generational gap, which is exacerbated by the lack of proportional participation and representation of youth and women in governance and policy-making.

Palestinian economic development and political relations with Israel are strictly linked. Palestine runs under the framework of a customs and monetary union with Israel. It has no control over its own borders, it does not collect its own taxes and suffers from restrictions and controls on the movement of its people, goods and resources (land, water, etc.). The PA has therefore limited control over the majority of its revenues and suffers from substantial revenue losses under the current revenue sharing arrangements. Israel's intermittent withholding of clearance revenues hampers the predictability and service delivery by the PA and has had serious consequences, including delays in paying salaries of civil servants. The blockade in the Gaza Strip continues to hinder recovery and increases investment costs. Within the West Bank, the restrictions on movement and access, the patchy control of land by the PA and reduced access to Area C have led to the development of insular economies and increased poverty.

Given the severe development constraints of the Palestinian context, Palestine's revenue is still aid dependent, with a level of net ODA representing 13% of the GDP in 2018, still much reduced compare to a pick of 36% in 2009, with a clear downward trend.

Political and security uncertainties weigh heavily on the growth prospects in Palestine. Given the current economic structures, the budget/direct financial support to the PA has been the crucial driver of recent economic growth, essential service delivery and reform efforts. It has directly increased gross disposable

¹ This designation shall not be construed as recognition of a State of Palestine and is without prejudice to individual positions of the Member States on this issue.

income in the Palestinian economy through salary and other recurrent spending, but investment remains particularly low.

According to the poverty survey carried out by the Palestinian Central Bureau of Statistics (PCBS) in 2017, the poverty rates trend worsened in Gaza to 53% compared to 38.9% in 2011 and improved in the West Bank reaching 13.9% compared to 17.6% in 2011. Deep poverty increased in Gaza from 21.1% in 2011 to 33.7% in 2017 and decreased in the West Bank from 7.6% in 2011 to 5.8% in 2017. In terms of Human Development Index, Palestine is ranked 119 out of 189 countries in 2018, which put the country in the medium human development category.

Overall, the unemployment rate in Palestine rose between 2016 and 2017 from 26.9% to 28.4%. 23.2% of males are unemployed and women are doubly affected reaching 44.7% unemployment. The economic situation in Gaza remains especially difficult, leading to higher unemployment (West Bank: 18.7%; Gaza: 44.4%) and decreasing number of employment opportunities. Youth bears the brunt of this situation. The unemployment rate among youth (18-29 years) in Palestine reached 45% (36% among males and 70% among females) in 2018, compared with 37% in 2008 (36% among males and 43% among females).

The Palestinian Authority National Policy Agenda 2017-2022 Putting Citizens First (NPA –under revision in 2020) contains three pillars describing the strategic direction of the government: path to independence; government reform; and sustainable development. On the basis of key national priorities, sector policies have been defined to improve the quality of life of the Palestinian people, while continuing efforts to attain Statehood. The European Joint Strategy in Support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State (EJS) is a joint response to the NPA with the overall objective 'to protect the viability of the two state solution with an independent, democratic, contiguous and viable Palestinian State, living side by side in peace and security with the State of Israel.'

The PA managed to reduce its budget deficit to less than 7% of GDP in 2018 with the financing gap projected to exceed USD 1 billion in 2019, but reassessed at USD 1.4 billion following the COVID-19 crisis. Given the large financing gap, the PA has resorted to accumulation of arrears and borrowing from domestic banks and the Arab financial institutions. In 2019, the largest part of the PA budget was allocated to social sectors with a share of 57.5%, including education, social protection, and health. However, in the same year more than 20% of the budget was spent on the security sector. In February 2019, Israel decided to withhold part of the transfers to the PA on grounds of stopping payments made by the PA to Palestinians detained in Israeli prisons in Palestine, the so-called martyrs and their families. The PA's decision to refuse all the transfers until Israel reversed its decision considerably decreased budget revenue by 66% over several months in 2019, until the PA accepted the reduced revenues in August.

Longer term reforms, which are key for the Palestinian economy and the PA's sustainability over time, still need to be addressed. The PA's public sector wage bill (44% of total expenditures in 2019) is oversized. Recurrent spending needs further prioritization and optimization, and the pension system remains unsustainable. The PA also needs to develop contingency plans to mitigate the high fiscal risks.

In the public administration sector, the Cabinet approved the National Strategic Plan of Civil Service 2017–2022 with the following priorities: i) strengthening the legislative framework of civil service; ii) modernising the Human Resource Management (HRM) policies and procedures; iii) developing the civil service Human Resources; and iv) improving the IT systems related to HRM through a commitment to improving and building its civil service registry, to be unified under a single electronic system.

The Public Financial Management (PFM) strategy 2017–2022 prepared by the Ministry of Finance (MoF) in 2016, under revision in 2020, was endorsed by Cabinet in July 2017 and is set to provide the PA with a framework for reforms contributing to improved transparency and sustainability of public expenditures and efficiency in the provision of essential public services. A Public Expenditure and Financial Accountability assessment has been carried out in 2018-19 and disseminated in January 2020, paving the way for future reforms and partner's support.

In the social protection sector, multi-dimensional poverty reduction and service delivery are placed at the core of the Social Development Sector Strategy 2017-2022, proposing a comprehensive social development approach ensuring that the right to social protection for the most vulnerable is respected and protected, in particular women, children, the elderly and persons with disabilities, underpinning a Rights-Based Approach. Some 108,000 families (among which 70% in Gaza) receive cash assistance through the PA Cash Transfer Programme (the monthly allowance amounts between ILS 250 to ILS 600 paid on a quarterly basis), for which the PA relies on donor funding (40% on average) to ensure regular payments. This number is increasing in 2020 reflecting the impact of the COVID-19 crisis.

As regards medical referrals, the Ministry of Health (MoH) has embarked on a process of reform to rationalise the referral system and contain costs, resulting in the development of National Price Reference to harmonize contractual services and signing new and updated Memoranda of Understanding (MoU) between MoH and non-MoH health facilities, including East Jerusalem Hospitals (EJHs) and health facilities in neighbouring countries, such as, Jordan, Egypt and Turkey. Moreover, new referral guidelines and protocols have been adopted and an e-referral system has been launched in the course of 2018, which will further improve traceability and clarify responsibilities, whereby also strengthening quality assurance mechanisms along with the complaints' system. The escalated PA financial crisis coupled with the US cutting of funds to East Jerusalem hospitals (EJHs) amounting to US\$ 50 million since 2018, have resulted in accumulation of debt to EJH, has led to a severe cash-flow crisis for the hospitals causing interruption in the provision of life-saving treatment to patients from the West Bank and Gaza. Following the February 2019 decision by the Government of Israel (GoI) to deduct ILS 500 million (approximately EUR 123 million) from clearance revenues and subsequent decision by the PA to refuse all the transfers until the GoI reversed its decision, the PA has initiated austerity measures, including the PA's decision to stop referring medical cases to Israeli hospitals due to the high cost of these referrals. This temporary measure put additional pressure on the EJHs, which are already operating beyond their capacity and resulted in an increased accumulation of PA arrears to EJHs.

To date, the EJHs are still the only Palestinian non-profit medical institutes to provide tertiary care and specialist surgery in a number of branches including oncology, paediatrics, cardiology, haematology, ophthalmology, among others. Referrals to EJH are therefore necessary for specialised treatments hardly available in PA facilities and to ensure right to quality health care by the entire Palestinian population.

The fact that Palestine has not yet attained 'statehood' continues to require specific temporary support measures to contribute to maintaining the viability of the two-state solution. These cover: (i) support to the budget of the PA, through PEGASE programmes of Direct Financial Support programmes (PEGASE DFS), and (ii) support to UNRWA, with the objective to sustain the delivery of basic services to the refugee population.

Since its launch in 2008, the EU, EU Member States and other donors have channelled over EUR 2.7 billion through PEGASE to support the recurrent expenditure of the PA, with systematic, predictable and - until 2017 - unconditional contributions to the payment of PA civil servant's salaries and pensions (Civil Servants and Pensioners "CSP" programme), social allowances to poor and vulnerable Palestinians families (Cash Transfer Programme "CTP" programme) and unpaid bills for medical referrals to East Jerusalem Hospitals ("EJH" programme). This contributed to State building as well as to social cohesion, economic and security stabilisation. PEGASE is particularly appreciated by the PA for its flexibility and its catalytic nature in attracting funds from other donors without multiplying transaction costs.

Since 2018, part of the disbursements under CSP – EUR 20 million out of EUR 85 million annually – have been conditioned to the achievement of reform related objectives jointly selected between the EU and the PA in the sector of PFM, namely addressing budget transparency, public procurement transparency, and effectiveness of the control process and, from 2019, in the water sector.

PEGASE benefits from a set-up of advanced monitoring, control and audit measures known as Safeguards system. It serves the purpose of ensuring that funds are disbursed with full transparency and accountability

and in compliance with the relevant agreements between the EU and the PA. Ex-ante audits, ex-post audit, annual financial verifications and IT services are separately contracted to support the implementation of PEGASE DFS programmes – such as sustaining regular maintenance of the IT system including hardware and system software, network infrastructure and developed software (user interfaces, databases, reporting and notification services) as well as third party software integration, such as the use of the software for screening of potentially eligible beneficiaries against international sanctions' lists and other ad-hoc lists. This IT system is referred to as the "PEGASE DFS database".

Following recommendations of the 2013 European Court of Auditors performance audit and the July 2014 external evaluation of the EU cooperation with Palestine, the EU and the PA designed a Results Oriented Framework (ROF) to shift PEGASE DFS towards a 'results-oriented approach' aiming to guide/formalise a more structured, coherent results-oriented policy dialogue, with stronger monitoring and evaluation of PA's achievements in key areas. Since 2015, the PEGASE mechanism has been complemented by a Result Oriented Framework (ROF) in key sectors such as macro-economy, public finance management and public administration reforms as well as social sectors (education, health, social protection). A series of reforms and related indicators and targets to monitor progress – related to the PEGASE sectors - were jointly agreed with the PA counterparts for the period 2015-2016. Regular policy dialogue meetings were held between EUREP and Lead European Development Partners on one side and Prime Minister Office (PMO), MoF and other PA institutions on the other side. Since 2017, this pilot ROF was rolled out to other sectors in the framework of the European Joint Strategy 2017-2022 (EJS), prepared with the other European partners, in support to the PA National Policy Agenda and related sector strategies' priorities. The coordination among European development partners and partnership with PA counterparts is organised through regular technical and annual high level policy dialogue meetings. This complements the Local Aid Coordination Structure (LACS) led by the PMO with all Development Partners and ensures one European Voice to be relayed at the overall coordination level.

From 2017, the PEGASE pilot ROF was replaced by a ROF to monitor the implementation of the European Joint Strategy (EJS) in support of Palestine 2017-2020 - Towards a democratic and accountable Palestinian State. The new ROF covers 13 sectors and 3 cross-cutting themes and is used to inform policy dialogue with the PA institutions by monitoring progress towards planned joint development results, sectors changes, and reform processes.

PEGASE DFS has been coupled with complementary capacity building measures to develop capacities in related sectors and promote reforms in selected areas, e.g. improvement of Public Financial Management, social protection systems and services, public administration and good governance in the public sector. The underlying logic of this component is to improve the capacities of the counterparts benefiting from the direct financial support in order to maximise impact. It will focus on institution capacity building and better effectiveness in reforms implementation.

'Budget Support Programme' (BSP) has been replaced by 'PEGASE Direct Financial Support' – 'PEGASE DFS' – all along the ToRs. Although PEGASE DFS has similarities with standard BSP as it contributes to recurrent expenditures of the Palestinian Authorities (therefore the use of the BSP evaluation ToRs template), it is however targeted and subject to ex-ante, ex-post and annual audits and is not contractually managed by BSP procedures and requirements, without referring to standard eligibility criteria.

1.2 The PEGASE DFS to be evaluated²

Titles of the Actions to be evaluated	<ul style="list-style-type: none"> • PEGASE: Direct Financial Support to Recurrent Expenditures of the Palestinian Authority 2018 • PEGASE: Direct Financial Support to Recurrent Expenditures of the Palestinian Authority 2019
Budgets of the Actions to be evaluated	<ul style="list-style-type: none"> • 2018: EUR 155,050,000 + EUR 30,768,764.12 (contribution by other donors) • 2019: EUR 154,450,000 + EUR 27,876,775.17 (contribution by other donors)
CRIS numbers of the Actions to be evaluated	<ul style="list-style-type: none"> • ENI/2018/40179 • ENI/2019/41164
Dates of the Actions to be evaluated	<ul style="list-style-type: none"> • January to December 2018 • January to December 2019

The same intervention logic underpins both Actions. See logframe in Annex VI.

The overall objective of both Actions is to build effective and accountable institutions ready for statehood and enable inclusive social development (leaving no-one behind). The specific objective is improved public services responding to citizens' needs, including those of marginalised groups.

By ensuring systematic and predictable contributions to the Palestinian Authority's recurrent expenditures through the PEGASE DFS mechanism, the EU is making a key contribution towards underpinning the financial sustainability of the PA itself and of many Palestinian institutions and private sector actors that financially depend on it. In doing so - within a context of diminishing budget support from donors, as repeatedly pointed at by the IMF and WB reports - the EU significantly contributes to maintaining the viability of the two-State solution and the PA's state-building activities, notably in terms of social service delivery, notably contributing to 4% of all payment of wages, salaries and pensions, 1/3 of cash transfers to vulnerable families and 15% of the costs of East Jerusalem Hospitals.. The Direct Financial Support mechanism also contributes to social cohesion and economic and security stabilisation of Palestine and helps the PA to implement policy reforms in public finance management and public administration, as well as in the social development sector. The institution building and capacity development component strives to ensure progress in implementation of the policy reform agenda, necessary to reach statehood and enable inclusive social development (leaving no-one behind).

The Expected Results are:

- Result 1.** Selected institutions deliver efficient and needs based services. **NOT PART OF THE EVALUATION**
- Result 2.** Timely and regular payment of salaries and pensions are made by the PA.
- Result 3.** Timely and regular payments of social allowances are made by the PA.
- Result 4.** People in need of medical referrals have access to East Jerusalem Hospitals.

- Result 2 - Civil Servants and Pensioners (CSP) - (EUR 85 million for 2018, EUR 85 million for 2019):

The annual allocations of EUR 85 million are disbursed according to a timetable agreed upon with the PA and taking into consideration the results of the incentive tranche indicators. There normally are about 4-5 payments per year to contribute to the salaries and pensions of around 55,000 PA civil servants and

² The term 'Action' is used throughout the report as a synonym of 'project and programme'.

pensioners (about half of the total). The number of beneficiaries may change as a result of the Global Assessment of the soundness, reliability and completeness of the payroll system, or in case the eligibility criteria are modified, or in light of relevant political developments. In case inconsistencies are found, or in case of doubts, the reference population of eligible beneficiaries can decrease to up to 30 percent.

This activity aims to support the Palestinian Authority to maintain the functioning of the administration effectively under its control and thus deliver to the Palestinian population essential public services, including in the health, social protection, education and justice sectors. About two thirds of beneficiaries work in the health and education sectors as teachers, nurses and doctors. 15 percent of the CSP contributions target pensioners.

Since 2017, Gaza is no longer eligible for the CSP component.

A mechanism of incentives/conditionalities has been introduced in 2018, solely for the CSP component (EUR 20 million yearly). The mechanism aims to underpin the reform process within the PA by creating incentives for greater ownership of reforms.

This evolution responds to several objectives:

- increasing the leverage of policy dialogue with respect to key areas of reforms, initially linked to the PFM, and extended to water in 2019;
- ensuring rigour and promptness on the way the reforms need to be conducted;
- helping the Ministry of Finance to fulfil its role and exert pressure on other PA institutions to deliver on the reform agenda;
- at the same time, keeping a sufficient level of predictability on the funds to be disbursed, without jeopardising the macroeconomic balances, and allowing for some flexibility and adjustment, especially in the initial phase of the new mechanism.

Though this evolution led the programme closer to a typical state building budget support operation, though certain characteristics remain quite specific, considering that:

- PEGASE is not subject to the typical eligibility criteria in terms of macroeconomic equilibria, PFM reforms, strategies;
- PEGASE remains a very much targeted type of 'budget support' – or rather support to the budget, Direct Financial support, the incentive based part being limited to the CSP component, with a high level of ex-ante and ex-post controls;
- Until 2019, EUREP did not have to prepare the risk assessment framework as required for standard budget support operations;
- The disbursements notes remain rather confined in scope and do not elaborate on macroeconomic policies and PFM reforms.

So far, performance by the PA has yielded mixed results against indicators set for 2018, with some improvement for indicators set for 2019 in spite of a difficult environment. In 2019, EUR 14 million out of the EUR 20 million allocated to the 2018 conditionalities tranche was disbursed. In 2020 a decision has been taken to disburse the outstanding €6 million from the 2018 tranche and 10 out of €20 million of the 2019 tranche, the remaining part being subject to a further assessment of two indicators for which a new deadline for implementation was granted. Several slippages took place with regard to delays of some reforms, with certain targets not entirely or timely fulfilled.

- Result 3 – Cash Transfer Programme (CTP) - (EUR 50 million for 2018, EUR 50 million for 2019):

PEGASE will contribute to quarterly CTP payments to an average of 70,000 families (80% of which in Gaza). The number of beneficiaries may change as a result of the Global Assessment of the soundness and reliability of the CTP database, in case the eligibility criteria are modified, or in light of relevant political developments. For 2018, out of EUR 50 million, EUR 10 million will be earmarked for Gaza, following the discontinuation of CSP in Gaza as of January 2017 and reallocation of funds to CTP and productive

investment interventions. This activity aims to ensure the continued assistance to Palestinian families living in extreme poverty, who are dependent on additional financial aid from the Palestinian Authority. It also reinforces the reform of the social protection system and the social cohesion among Palestinians. In 2019, out of the EUR 50 million, EUR 10 million will be earmarked for the CTP Gaza waiting list.

- Result 4 – East Jerusalem Hospitals (EJHs) - (EUR 13 million for 2018, EUR 13 million for 2019):

EJHs serve as the main centres for specialized care within the Palestinian health system. Patients needing services and procedures that are not available in the West Bank and Gaza – such as specialist oncology, renal care and cardiac surgeries – are referred by the Palestinian Ministry of Health for treatment in the East Jerusalem Hospitals Network facilities.

The hospitals also serve as leading teaching and training institutions, and in crisis situations are the main providers of emergency services. The six EJHs are the largest remaining Palestinian-run institutions in East Jerusalem.

In 2018, the total number of medical referrals outside MoH has reached a total of 109,818, of which 40% are referred to EJHs. 28% of total referrals were for patients from Gaza Strip, while 72% were from West Bank. With regards to referrals for Gaza patients, even when granted a referral from MoH, access for patients from Gaza remains very difficult, as permits from Israeli authorities are increasingly being denied.

The financial difficulties of the Palestinian Authority have resulted in a situation where numerous hospital bills underwritten by the Ministry of Health for referrals to the EJH, and validated by the Ministry of Finance, remain unpaid, generating arrears despite ongoing reforms. This activity aims to ensure access to quality health services to the entire Palestinian population by covering part of the arrears for referrals.

- Safeguarding measures: audit, verification, monitoring, evaluation, screening and IT support of PEGASE DFS programmes (EUR 1.05 million for 2018, EUR 1.25 million for 2019).

High standards of control are achieved through audit, verification, control, monitoring, evaluation, screening and IT systems governing all PEGASE DFS programmes mentioned above. These systems are implemented under the continuous overview of independent auditors and/or contractors. Ex-ante verifications for PEGASE eligible beneficiaries and/or invoices are performed before every disbursement on the basis of eligibility criteria defined by the EU. Ex-post activities include confirming that the funds have been duly disbursed to the eligible beneficiaries. Moreover, to ensure verification of each recipient of funds, and in order to avert any risk of misuse of funds, all PEGASE beneficiaries are encoded in the PEGASE IT system and screened against international sanctions lists and other ad-hoc lists through specialised software.

Results-based monitoring and reporting for policy dialogue (EUR 0.7 million in 2020/2021)

PEGASE DFS can be used as leverage for policy reforms and policy dialogue under the EJS Results Oriented Framework (ROF) 2018-2020. In order to support European Development Partners (EDPs) capacity to have a stronger evidence-based analysis for policy dialogue with the PA and better decision-making (planning and programming), some technical assistance will be mobilised to assist in policy analysis, ROF monitoring and reporting. This will feed into evaluation and learning processes and EDPs-PA mutual accountability commitments.

- Visibility of PEGASE DFS programmes (Indicative allocation: EUR 0.3 million for 2019). Visibility and outreach activities related to the PEGASE DFS mechanism will be organised, notably with respect to the CTP programme.

1.3 Stakeholders of the PEGASE DFS

Result 2 – Civil Servants and Pensioners: Main stakeholders are the Ministry of Finance, the General Personal Council and the Pension Authority. Together they are responsible for the salaries and pensions of the Palestinian Authority staff, including the payroll, financial controls and audits. MoF is also the line

ministry in charge of implementing the Public Financial Management (PFM) strategy. To date, this component targets nearly 55,000 civil servants and pensioners of which a significant majority works in the education and health sectors. The Palestinian Water Authority (PWA) became a stakeholder in 2019, with the introduction of water sector related conditionalities.

Result 3 – Cash Transfer Programme: Main stakeholders are the Ministry of Social Development (MoSD) which manages the Palestinian Authority's cash transfer programme and the Ministry of Finance. Despite scarce financial resources, the MoSD is a dynamic institution following through any required steps from policy development to implementation. The EU has provided technical assistance to the MoSD since 2010 to strengthen its capacities of improving and monitoring social services and developing evidence-based strategy and policy planning. Further support is essential to bring greater quality in the services provided. This component targets some 110,000 vulnerable families or some equivalent of 660,000 people considering an average of 6 members per family (40,132 families in the West Bank i.e. 28% and 71,728 families the Gaza Strip i.e. 72%). As of September 2017, the CTP targeted 555,221 individuals affected by deep poverty, 25,735 elderly and 32,465 PwDs, it also included 41% female-headed families.

Result 4 – East Jerusalem Hospitals: Main stakeholders are the Ministry of Health (MoH) and East Jerusalem Hospitals. The EJs are non-governmental and non-profit organisations that provide specialised health care services to Palestinian patients in the West Bank, Gaza Strip and East Jerusalem. The hospitals are legally independent from the Palestinian Authority to which they are linked exclusively through contractual agreements. There are six health institutions in East Jerusalem: Augusta Victoria Hospital, Makassed Hospital, St Joseph Hospital, St John's Eye Hospital, Palestinian Red Crescent Maternity Hospital and Princess Basma Rehabilitation Centre. These Hospitals played a leading role in the development of the overall Palestinian health care system and the training of health care workers and specialists.

EJH are licensed by the Israeli authority and are accredited by the Joint Commission International (JCI) for quality of services and safety of patients. EJH are the only health facilities in the Palestinian territories that provide specialty services like radiation therapy, paediatric haemodialysis, complicated eye surgeries, complicated thoracic surgeries, neuro-surgery, paediatric neurosurgery, advanced orthopaedic surgeries, maternity and risky pregnancies.

1.4 Other available information

Evaluation report of PEGASE Direct Financial Support and Results-Oriented Framework 2014-2015: https://eeas.europa.eu/delegations/palestine-occupied-palestinian-territory-west-bank-and-gaza-strip/18500/evaluation-report-pegase-direct-financial-support-and-results-oriented-framework-2014-2015_en

Evaluation of 2016/2017 PEGASE Direct Financial Support to the Palestinian Authority:

https://eeas.europa.eu/delegations/palestine-occupied-palestinian-territory-west-bank-and-gaza-strip/55765/evaluation-20162017-pegase-direct-financial-support-palestinian-authority_en

The evaluation will take stock of existing reviews, evaluations and data. This includes the studies mentioned above and any other information that the evaluators might discover during the process of the evaluation. A comprehensive list of the already existing evaluations and studies shall be part of the inception report.

2 DESCRIPTION OF THE EVALUATION ASSIGNMENT

Type of evaluation	Bi-annual (programme on-going since 2008) as foreseen in Commission Decision 40-179
Coverage	PEGASE Direct Financial Support to Recurrent Expenditures of the PA 2018-2019 and related Memorandum of Understanding signed with

	Member States for their financial contribution to PEGASE (see complete list below). Focus on results 2, 3 and 4.
Geographic scope	Occupied Palestinian Territories
Period to be evaluated	January 2018 – December 2019

Country	Component	Amount (EUR)	Date
Netherlands	CSP	1,500,000	25/11/2019
UK	CSP	23,376,775.17	17/04/2019
UK	CSP	22,593,764.12	03/07/2018
Austria	CTP	2,000,000	10/12/2019
Spain	CTP	1,000,000	06/11/2019
Ireland	CTP	275,000	05/12/2018
Finland	CTP	1,600,000	16/10/2018
Austria	CTP	1,400,000	03/06/2018
Spain	CTP	1,000,000	09/11/2018
Finland	EJH	900,000	16/10/2018
Italy	EJH	3,000,000	09/10/2018

2.1 Objectives of the evaluation

Systematic and timely evaluation of its programmes and activities is an established priority³ of the European Commission⁴. The focus of evaluations is on the assessment of achievements, the **quality** and the **results**⁵ of programmes in the context of an evolving cooperation policy with an increasing emphasis on **result-oriented approaches and the contribution towards the implementation of the Sustainable Development Goals**.⁶

From this perspective, evaluations should **look for evidence of why, whether or how these results are linked to the EU intervention** and seek to **identify the factors driving or hindering progress**.

The main objectives of this evaluation are to provide the relevant services of the European Union, the interested stakeholders with:

³ COM(2013) 686 final "Strengthening the foundations of Smart Regulation – improving evaluation" - http://ec.europa.eu/smart-regulation/docs/com_2013_686_en.pdf; EU Financial regulation (art 27); Regulation (EC) No 1905/2006; Regulation (EC) No 1889/2006; Regulation (EC) No 1638/2005; Regulation (EC) No 1717/2006; Council Regulation (EC) No 215/2008

⁴ SEC (2007)213 "Responding to Strategic Needs: Reinforcing the use of evaluation", http://ec.europa.eu/smart-regulation/evaluation/docs/eval_comm_sec_2007_213_en.pdf; SWD (2015)111 "Better Regulation Guidelines", http://ec.europa.eu/smart-regulation/guidelines/docs/swd_br_guidelines_en.pdf; COM(2017) 651 final "Completing the Better Regulation Agenda: Better solutions for better results", https://ec.europa.eu/info/sites/info/files/completing-the-better-regulation-agenda-better-solutions-for-better-results_en.pdf

⁵ Reference is made to the entire results chain, covering outputs, outcomes and s. Cfr. Regulation (EU) No 236/2014 "Laying down common rules and procedures for the implementation of the Union's instruments for financing external action" - https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/financial_assistance/ipa/2014/236-2014_cir.pdf.

⁶ The New European Consensus on Development 'Our World, Our Dignity, Our Future', Official Journal 30th of June 2017. <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C:2017:210:TOC>

- an overall independent assessment of the past performance of the PEGASE Direct Financial Support to Recurrent Expenditures of the PA 2018-2019, paying particular attention to its results measured against its expected objectives, and having regard to the related transactions costs; and the reasons underpinning such results;
- key lessons learned, conclusions and related recommendations in order to improve current and future PEGASE DFS.

In particular, this evaluation aims at:

1. assessing to what extent the PEGASE DFS has achieved its expected results, notably through contributing to the implementation of the partner government's sector strategies (Public Finance Management Sector Strategy 2017-2022, Social Sector Development strategy 2017-2022, National Health Strategy 2017-2022) by providing opportunities for the improvement of national policy processes and policy implementation.
2. The evaluation should also specifically analyse how the PEGASE DFS has contributed (or not) to the main outcomes of the Public Financial Management (PFM) systems, including fiscal discipline, the allocative efficiency of the Government and provisions of public funds for the (basic) service delivery in sectors targeted by PEGASE DF.;
3. paying attention to other aid modalities (basket/common funds, projects), in order to assess the complementarity and synergy (or discrepancy) of these modalities with PEGASE DFS;
4. assessing the effects of the DFS on the M&E systems in the sectors supported by the programme. DFS should aim to strengthen the monitoring systems in the sectors it supports, in alignment with the existing national level monitoring and evaluation systems and contribute to the improved availability and credibility of data. Availability of the robust progress reports by the government, providing results information against targets set under the strategy, and the use of these reports to facilitate informed policy dialogue between the different stakeholders (CSOs, private sector, Parliament, donors) and evidence-based decision making is one indicator of the capacity of the government in the area of M&E.
5. assessing the efficiency of the programme, notably having regard to the transaction costs associated to its implementation, but also the fiduciary and political benefits associated to the control system put in place.

The evaluation will take stock of what has been achieved with the main purpose to allow for lessons learnt and recommendations to inform on:

- the conditions under which DFS has an effect (or not) and the possible intensity and nature (positive or negative) of such effect in the PEGASE related sector areas in Palestine;
- the design and implementation of future direct financial support operations in Palestine;
- improvements to be set up by the European Union to maximize the impact of budget support/direct financial support in Palestine, while keeping efficiency;
- constraints in government policies, institutional structures and administrative arrangements in Palestine which might impede the effectiveness of Budget Support/ direct financial support on spending actions and targeted public policies and reforms.

This evaluation is taking place at this particular moment because of the commitment to evaluate PEGASE DFS every two years and to provide recommendations for the next multi-annual PEGASE Commission Decision (2021-2023).

The main users of this evaluation will be the partner country and its institutions (MoF, MoSD, MoH) involved in the implementation of the Intervention to be evaluated, the European Commission and other contributing European Development Partners.

2.2 Requested services

2.2.1 Scope of the evaluation

The analysis to be conducted by the evaluators will focus on:

- The matching of the needs of national partners.
- The materialisation of the expected results and their facilitating and contrasting factors.
- The policy dialogue leverage under the European Joint Strategy and related Result Oriented Framework identified common priorities and reforms.
- The governing mechanisms of the PEGASE DFS.
- The synergies with complementary measures and intervention of other partners.
- The existing control mechanisms in place.
- The contribution to SDGs (SDG 16.6.1, SDG 1.1, SDG 1.4.1).

2.2.2 Evaluation criteria

The evaluation will assess the programme using five standard DAC evaluation criteria, namely: relevance, coherence, effectiveness, efficiency and sustainability. Impact is not covered by this evaluation. In addition, the evaluation will assess one EU specific evaluation criterion, which is:

- the EU added value (the extent to which the Action brings additional benefits to what would have resulted from Member States' interventions only).

The definition of the 6 DAC + 1 EU evaluation criteria is contained for reference in the Annex VII.

The evaluation team shall furthermore consider whether gender, environment and climate change were mainstreamed; the relevant SDGs and their interlinkages were identified; the principle of Leave No-One Behind and the rights-based approach methodology was followed in the identification/formulation documents and the extent to which they have been reflected in the implementation of the PEGASE DFS, its governance and monitoring.

The contribution of PEGASE DFS to the image of and awareness on the EU in the country should also be taken into account; in particular, the evaluation should ascertain whether the programme has a communication plan and if it contributes to enhance the capacity of the government to communicate to their stakeholders and the final beneficiaries about the reforms implemented with the support of the EU.

2.2.3 Issues to be addressed

The Issues to be addressed as formulated below are indicative. Based on the latter and following initial consultations and document analysis, the evaluation team will i) reconstruct the Intervention Logic (IL) of the PEGASE DFS, including the identification of the expected effects at the different levels; and ii) propose preliminary Evaluation Questions (EQs), taking into account the IL and the indicative list of key issues presented below.

These EQs will then be discussed with the Evaluation Manager⁷. The team will then propose in the Inception Report a complete and finalised set of Evaluation Questions with indication of specific Judgement Criteria and Indicators, as well as the relevant data collection sources and tools.

Once agreed through the approval of the Inception Report, the Evaluation Questions will become contractually binding.

Key issues to be addressed by the evaluation include:

⁷ The Evaluation Manager is the staff of the Contracting Authority managing the evaluation contract. In most cases this person will be the Operational manager of the Action under evaluation.

- Extent to which PEGASE DFS has responded and continues to respond to the PA policy priorities and reforms, considering changing circumstances since 2018. In assessing relevance, the evaluation team will also assess whether the Theory of Change remains valid overtime or whether it should be adjusted to enhance responsiveness to changes in circumstance.
- Extent to which PEGASE DFS is coherent with the European Joint Strategy and its Result Oriented Framework. The evaluation team will also have to assess the extent to which PEGASE and the adoption of the ROF enable EDPs to work better together.
- Extent to which PEGASE and the ROF have led to an improved structure and content of results-oriented policy dialogue between EDPs and the PA.
- Extent to which this has fostered improvements in the implementation process of reforms and mechanisms to monitor the implementation of the related sector reforms (including due attention to cross-cutting issues). In particular, the evaluation team will assess whether the inclusion of the incentive based mechanism for the CSP strengthened the leverage of EDPs to promote reforms in relevant sectors and will identify lessons learned (if any).
- Extent to which PEGASE DFS is consistent with other (non-European) Development Partners' relevant interventions, including mainstreaming themes and is aligned to Effective Development Cooperation principles and Rights Based Approach.
- Extent to which the DFS provided under PEGASE contributed to an increased size and share of external funding subject to the government's budgetary process and to an improved predictability of aid flows, thus increasing the discretionary budget of the PA and the amount of flows directed towards 'improved public services responding to citizens' needs, including those of marginalised groups' (see logframe).
- What are the transaction costs and quality of day-to-day management of PEGASE DFS (for each component, i.e. CSP, CTP and EJs), including governing mechanisms of the Intervention and quality of information management and reporting. The team will also analyse the extent to which the transaction costs associated with the management of PEGASE have contributed to reduce transaction costs of external assistance by contributing to greater harmonisation, alignment and assurance.
- Extent to which there have been positive changes in the expected outcomes of the national strategies supported through PEGASE in terms of improved public services responding to citizens' needs, including those of marginalised groups as well as progress recorded with reference to the Sustainable Development Goals.
- Extent to which the Intervention brings additional benefits to what would have resulted from Member States' interventions only in the partner country.

2.3 Evaluation methodology

It is expected that this evaluation is based on the standard methodology for the evaluation of budget support⁸.

This methodological approach, which is explained in detail in section 2.3.1, has been thought for the undertaking of Budget Support *Strategic* evaluations. Budget Support *Strategic* evaluations are usually joint evaluations with other development partners and cover all the budget support operations that have been (or are being) implemented in a country during a relatively long period of time (usually around 10 years).

This evaluation not being a Strategic one, it is not expected to provide information on the contribution of the PEGASE DFS to development outcomes or impacts. This means that the evaluators will carry out Step 1 of the analysis and part of Step 2. Regarding Step 2, the evaluators are asked to provide information

⁸ See OECD/DAC (2012), *Evaluating Budget Support. Methodological Approach*, Paris. <http://www.oecd.org/dac/evaluation/dcdndep/Methodological%20approach%20BS%20evaluations%20Sept%202012%20with%20cover%20thi.pdf>

on the changes at outcome level (and at impact level, if possible) achieved by the partner country's policies supported by the PEGASE DFS but not to undertake the thorough (including quantitative) analysis that would be needed to find out how much different variables contribute to the achievement of these outcomes. Indeed, the OECD-DAC methodology foresees as one of the analyses of Step 2 'the identification of the factors that have contributed to determine the key changes (or absence of changes) at impact and outcome level'. In this evaluation, the identification of such factors contributing to changes is not to be undertaken.

It is expected that the evaluators collect data related to the evolution during **2018-2019** of the outcome and impact indicators supported by PEGASE DFS. It is also expected that the evaluators present the evolution of the design and monitoring framework indicators between 2018-2019 in a consolidated table. Moreover, the evaluation should review evolution of the policy dialogue, and the use of PEGASE as a leverage for reforms.

2.3.1 The standard OECD/DAC methodological approach for the evaluation of Budget Support

This methodology combines a comprehensive evaluation framework articulated in five levels of analysis as follows:

- Level 1: *Budget Support inputs*: funding, policy dialogue, disbursement conditions, complementary support measures⁹.
- Level 2: *Direct outputs of Budget Support*: the country opportunities that are expected to improve as a direct consequence of the deployment of budget support inputs, e.g.: the new fiscal space created by the transfer of funds; increased predictability of funds, reduced transaction costs, a more aligned and coordinated policy dialogue and capacity strengthening activities conducive to reforms; improved monitoring of reforms; the products or services delivered by the complementary support measures.
- Level 3: *Induced outputs*: expected improvements in the partner's legal and regulatory framework, public policies, public sector spending and public sector delivery, i.e., reform steps expected to be achieved by the public institutions (and/or other stakeholders) supported by budget support, as a consequence of their appropriation and implementation of the new opportunities provided (the direct outputs). These induced outputs should facilitate the achievement of outcomes. Some examples are an increase in the number and quality of schools, the improvement of the institutional and legislative framework on prevention and repression of corruption, improved PFM systems, improved business environment (e.g. related legal, regulatory and institutional frameworks, and new services). The focus is on institutional improvements and not on their use by the final beneficiaries, which is part of the outcomes.
- Level 4: *Outcomes*: positive changes in the behaviour of the targeted beneficiaries – services users, economic and institutional actors – to the changes in policies, organisational management and service delivery (for example in the education sector these could be improvements in enrolment, dropout, repetition and completion rates), which are supposed to open the way towards the longer term impacts (for example in the education sector, learning achievements and literacy rates). Other examples of outcomes include increased business confidence and private sector investment, or an improvement in corruption perception. In certain cases, outcomes can also include behavioural changes at the organisational level constituting a response by institutional

⁹This will typically include one or more of the following: i) capacity development measures aimed at strengthening the capacity of the public institutions to coordinate, implement, monitor, evaluate and communicate the public policy in question; ii) capacity development measures aimed at strengthening the capacity of civil society to contribute to the implementation and monitoring of public policies; iii) monitoring, evaluation and supervision TA of the EU-funded action; and iv) support for the design and implementation of a visibility and communication strategy

actors (for example in the public administration reform area these could be the increase in prosecution of cases of corruption, that would open the way toward longer-term impacts, such as the decrease of corruption perception).

Level 5: *Impact*: the expected longer term and intermediate changes leading to the achievement of the country's strategic goals to which budget support is expected to contribute: enhanced sustainable and inclusive growth, reduced income and non-income poverty, empowerment and social inclusion of disadvantaged groups (including women), environmental protection and other impact areas, depending on the specific partnership framework, such as improvements in democracy, human rights, peace, and stabilisation.

In addition, the approach discerns three 'steps' in the evaluation. This 'three step approach' recognises the different roles of donors and government in Budget Support processes, as well as the indirect impact on poverty alleviation (ie. through government policies):

- The *first step* foresees an assessment of the inputs provided by Budget Support and their effect on the relationship between external assistance and the partner country's budget and policy processes (direct outputs) as well as the induced changes in the financing and institutional framework for public spending, public policy, policy management and service delivery (induced outputs).
- The *second step* aims at an assessment of the outcomes (beneficiaries' responses) and impacts (e.g. sustainable growth, poverty reduction, improved governance, etc.) which are achieved through the government policy(ies) supported by the Budget Support programme being evaluated.

2.4 Phases of the evaluation and required outputs

The evaluation process will be carried out in five phases:

- Inception
- Desk
- Field
- Synthesis
- Dissemination

The outputs/products of each phase are to be submitted at the end of the corresponding phases as specified in the synoptic table in section 2.3.1.

2.4.1 Synoptic table

The following table presents an overview of the key activities to be conducted within each phase and lists the outputs/products to be produced by the team as well as the key meetings with the Contracting Authority and the Reference Group. The main content of each output/product is described in Chapter 4.

Phases of the evaluation	Key activities	Outputs and meetings
<u>Inception Phase</u>	<ul style="list-style-type: none"> Initial document/data collection Background analysis Inception interviews via remote conference calls Stakeholder analysis Consultation strategy Reconstruction (or as necessary, construction) of the Intervention Logic, and / or description of the Theory of Change (based upon available documentation and interviews) Methodological design of the evaluation (Evaluation Questions with judgement criteria, indicators and methods of data collection and analysis) and evaluation matrix 	<ul style="list-style-type: none"> <i>Kick-off meeting with the Contracting Authority and the Reference Group via remote conference and in the field (if travel restrictions linked to COVID-19 are lifted)</i> Draft IL and draft EQs presentation to the evaluation manager/Reference Group Inception report Slide presentation of the Inception Report
<u>Desk Phase</u>	<ul style="list-style-type: none"> In-depth document analysis (focused on the Evaluation Questions) Interviews via remote conference calls Preliminary answers to EQs Identification of information gaps and of hypotheses to be tested in the field phase Methodological design of the Field Phase 	<ul style="list-style-type: none"> Desk note <i>Meeting with Reference Group via remote conference with a Slide presentation of key findings of the desk phase</i>
<u>Field Phase</u>	<ul style="list-style-type: none"> Gathering of primary evidence with the use of most appropriate techniques. Data collection and analysis 	<ul style="list-style-type: none"> <i>Initial meetings at country level with reference group with a Slide presentation of key findings from the documentary review, including hypotheses to be tested and information gaps to be filled.</i> <i>Debriefing with the Reference Group with a Slide Presentation of key findings of the field phase</i>

Phases of the evaluation	Key activities	Outputs and meetings
<u>Synthesis phase</u>	<ul style="list-style-type: none"> Final analysis of findings (with focus on the Evaluation Questions) Formulation of the overall assessment, conclusions and recommendations Reporting 	<ul style="list-style-type: none"> Draft Final Report Executive Summary according to the standard template published in the EVAL module Final Report <ul style="list-style-type: none"> Meeting with Reference Group via remote conference with a Slide Presentation
<u>Dissemination phase</u>	<ul style="list-style-type: none"> Organisation of the final presentation seminar in Ramallah with around 50 participants 	<ul style="list-style-type: none"> Final presentation seminar (Executive summary in English and Arabic, 4 page flyer and powerpoint presentation)

2.4.2 Inception Phase

This phase aims at structuring the evaluation and clarifying the key issues to be addressed.

The phase will start with initial background study, to be conducted by the evaluators from home. It will then continue with a kick-off mission in country (if travel restrictions linked to COVID-19 are lifted (5 working days from the 3 experts should be foreseen – if not, a series of kick off sessions via teleconference will be organised) between the Reference Group and the evaluators. The kick-off aims at reaching a clear and shared understanding of the scope of the evaluation, its limitations and feasibility. It also serves to clarify expectations regarding evaluation outputs, the methodology to be used and, where necessary, to pass on additional or latest relevant information.

In the Inception phase, the relevant documents will be reviewed (see annex II).

Further to a first desk review of the political, institutional and/or technical/cooperation framework of EU support to Palestine, the evaluation team, in consultation with the Evaluation Manager, will reconstruct or as necessary construct, the Intervention Logic of the PEGASE DFS to be evaluated, in line with the 5 levels of the Budget support framework (inputs, direct outputs, induced outputs, outcomes, impact).

Furthermore, based on the Intervention Logic, the evaluators will develop a narrative explanation of the logic of the PEGASE DFS that describes how change is expected to happen within the PEGASE DFS, all along its results chain, i.e. Theory of Change. This explanation includes an assessment of the evidence underpinning this logic (especially between direct and induced outputs and outcomes, and between outcomes and impact), and articulates the assumptions that must hold for the PEGASE DFS to work, as well as identification of the factors most likely to inhibit the change from happening.

The draft IL and draft EQs will be presented to the evaluation manager/Reference Group prior to their finalisation. Based on the Intervention Logic and the Theory of Change the evaluators will finalise i) the Evaluation Questions with the definition of judgement criteria and indicators, the selection of data collection tools and sources, ii) the evaluation methodology, and iii) the planning of the following phases.

The methodological approach will be represented in an Evaluation Design Matrix¹⁰, which will be included in the Inception Report. The **methodology of the evaluation should be gender sensitive, contemplate the**

¹⁰ The Evaluation Matrix is a tool to structure the evaluation analysis (by defining judgement criteria and indicators for each evaluation question). It helps also to consider the most appropriate and feasible data collection method for each of the questions,

use of sex- and age-disaggregated data and demonstrate how PEGASE DFSs have contributed to progress on gender equality.

The limitations faced or to be faced during the evaluation exercise will be discussed and mitigation measures described in the Inception Report. Finally, the work plan for the overall evaluation process will be presented and agreed in this phase; this work plan shall be in line with that proposed in the present ToR. Any modifications shall be justified and agreed with the Evaluation Manager.

On the basis of the information collected, the evaluation team should prepare an **Inception Report**; its content is described in Chapter 4.

The evaluation team will present the **Inception Report** to the Reference Group via a remote conference.

2.4.3 Desk Phase

This phase is when the document analysis takes place. The analysis should include a brief synthesis of the existing literature relevant to the PEGASE DFS.

The analysis of the relevant documents shall be systematic and reflect the methodology developed and approved during the Inception Phase.

Selected phone interviews with the programme management, the relevant EU services in Brussels (DG NEAR B1) and in Jerusalem and key partners in Jerusalem and Ramallah may be conducted during this phase to support the analysis of secondary sources.

The activities to be conducted during this phase should allow for the provision of preliminary responses to each evaluation question, stating the information already gathered and its limitations. Where relevant, the evidence underpinning the preliminary responses will be summarised in annex. They will also identify the issues still to be covered and the preliminary hypotheses to be tested.

During this phase the evaluation team shall fine-tune the evaluation tools to be used during the Field Phase and describe the preparatory steps already taken and those to be taken for its organisation, including the list of people to be interviewed, dates and itinerary of visits, and attribution of tasks within the team.

At the end of the desk phase a **Desk note** and **Slide Presentation** will be prepared; its content is described in Chapter 4.

A presentation by the evaluation team to the Reference Group will take place via video conference.

2.4.4 Field Phase

The Field Phase starts after approval of the Desk Note by the Evaluation Manager.

The Field Phase aims at validating / changing the preliminary answers formulated during the Desk phase and further completing information through primary research.

If any significant deviation from the agreed work plan or schedule is perceived as creating a risk for the quality of the evaluation or not respecting the end of the validity of the specific contract, these elements are to be immediately discussed with the Evaluation Manager and, regarding the validity of the contract, corrective measures undertaken.

In the first days of the field phase, the evaluation team shall hold a briefing meeting with the programme management and the reference group.

During the field phase, the evaluation team shall ensure adequate contact and consultation with, and involvement of the different stakeholders; with the relevant government authorities and agencies. Throughout the mission the evaluation team will use the most reliable and appropriate sources of information, respect the rights of individuals to provide information in confidence, and be sensitive to the beliefs and customs of local social and cultural environments.

At the end of the field phase, the evaluation team will summarise its work, analyse the reliability and coverage of data collection, and present preliminary findings in a meeting with the programme management and the Reference Group.

At the end of the Field Phase, a **Slide Presentation** will be prepared; its content is described in Chapter 4.

2.4.5 Synthesis Phase

This phase is devoted to the preparation by the contractor of **two distinct documents**: the **Executive Summary** and the **Final Report**, whose structures are described in the Annex III; it entails the analysis of the data collected during the desk and field phases to answer the Evaluation Questions and preparation of the overall assessment, conclusions and recommendations of the evaluation.

The evaluation team will present, in a single Report with Annexes, their findings, conclusions and recommendations in accordance with the structure in Annex III; a separate Executive Summary will be produced as well, following the compulsory format given in the EVAL module (see Annex III). Evidence supporting the findings presented in the main report should be provided in annex. Evidence is to be provided following the structure of the evaluation matrix, outlining the main sources of information and key evidence collected to underpin the main findings.

The evaluation team will make sure that:

- Their assessments are objective and balanced, statements are accurate and evidence-based, and recommendations realistic and clearly targeted.
- When drafting the report, they will acknowledge clearly where changes in the desired direction are known to be already taking place.
- The wording, inclusive of the abbreviations used, takes into account the audience as identified in art. 2.1 above.

The evaluation team will deliver and present the **Draft Final Report** to the Reference Group to discuss the draft findings, conclusions and recommendations.

The Evaluation Manager consolidates the comments expressed by the Reference Group members and sends them to the evaluation team for the report revision, together with a first version of the Quality Assessment Grid (QAG) assessing the quality of the Draft Final Report. The content of the QAG will be discussed with the evaluation team to verify if further improvements are required, and the evaluation team will be invited to comment on the conclusions formulated in the QAG (through the EVAL Module).

The evaluation team will then finalise the **Final Report** and the **Executive Summary** by addressing the relevant comments. While potential quality issues, factual errors or methodological problems should be corrected, comments linked to diverging judgements may be either accepted or rejected. In the latter instance, the evaluation team must explain the reasons in writing. After approval of the final report, the QAG will be updated and sent to the evaluators via EVAL Module.

2.4.6 Dissemination phase

Once approved, the final report will be presented using a Slide Presentation to a wider range of stakeholders during a ½ seminar organised in Jerusalem. The Slide presentation is to be shared and agreed with the Evaluation Manager at least one week ahead of the seminar. The Team Leader will make the presentation in Ramallah.

The dissemination phase will be an occasion for disseminating the results of the analysis to a wider number of stakeholders including PA institutions, international and local Development Partners and civil society organisations – around 50 participants.

The Executive Summary in English and Arabic will be distributed (70 copies) and be presented at this occasion. In addition, a 4 page flyer (data and findings presented through use of infographics and pictures) will be produced and 100 copies printed.

2.5 Specific Contract Organisation and Methodology (Technical offer)

The invited Framework Contractors will submit their specific Contract Organisation and Methodology by using the standard SIEA template B-VII-d-i and its annexes 1 and 2 (B-VII-d-ii).

The evaluation methodology proposed to undertake the assignment will be described in the Chapter 3 (Strategy and timetable of work) of the template B-VII-d-i and is to be consistent with what described in the chapter 2.3 of these Terms of Reference. Contractors will describe how their proposed methodology will address the cross-cutting issues mentioned in these Terms of Reference and notably gender equality and the empowerment of women. This will include (if applicable) the communication PEGASE DFS messages, materials and management structures.

2.6 Management and Steering of the evaluation

2.6.1 At the EU and Partner's Country level

The evaluation is managed by the Evaluation Manager; the progress of the evaluation will be followed closely with the assistance of a Reference Group (RG) consisting of members of EU Services (NEAR B1 and EUREP), European Development Partners, mostly the ones who contributed to PEGASE in 2018-2019 and who intervened in the sectors (Finland, Ireland, Spain, The Netherlands, UK, Denmark, France), the Ministry of Finance, the Ministry of Social Development, the Ministry of Health, the Prime Minister Office, the High Council, the Cabinet secretariat, the World Bank, the IMF, the OQ and representatives of the civil society organisations (to be identified).

It is the responsibility of the Evaluation Manager:

- To ensure that the evaluation is supported by and accompanied by the partner country's government and that key stakeholders are involved in the budget support evaluation;
- To launch and manage the evaluation contract;
- To verify that the evaluation team proposed covers all fields of expertise required by the ToR;
- To ensure the communication with the RG and with the most relevant stakeholders to approve all the deliverables.

The main functions of the RG are:

- To define and validate the Evaluation Questions.
- To facilitate contacts between the evaluation team and the EU services and external stakeholders.
- To ensure that the evaluation team has access to and has consulted all relevant information sources and documents related to the PEGASE DFS.
- To discuss and comment on notes and reports delivered by the evaluation team. Comments by individual group members are compiled into a single document by the Evaluation Manager and subsequently transmitted to the evaluation team.
- To assist in feedback on the findings, conclusions, lessons and recommendations from the evaluation.
- To support the development of a proper follow-up PEGASE DFS plan after completion of the evaluation.

2.6.2 At the Contractor level

Further to the Requirements set in the art. 6 of the Global Terms of Reference and in the Global Organisation and Methodology, respectively annexes II and III of the Framework contract SIEA 2018, the

contractor is responsible for the quality of: the process; the evaluation design; the inputs and the outputs of the evaluation. In particular, it will:

- Support the Team Leader in its role, mainly from a team management perspective. In this regard, the contractor should make sure that, for each evaluation phase, specific tasks and outputs for each team member are clearly defined and understood.
- Provide backstopping and quality control of the evaluation team's work throughout the assignment.
- Ensure that the evaluators are adequately resourced to perform all required tasks within the time framework of the contract.

2.7 Language of the Specific contract

The language of the specific contract is to be English.

3 LOGISTICS AND TIMING

Please refer to Part B of the Terms of Reference.

3.1 Planning, including the period for notification for placement of the staff¹¹

As part of the technical offer, the framework contractor must fill in the timetable in the Annex IV (to be finalised in the Inception Report). The 'Indicative dates' are not to be formulated as fixed dates but rather as days (or weeks, or months) from the beginning of the assignment (to be referenced as '0').

Sufficient forward planning is to be taken into account in order to ensure the active participation and consultation with government representatives, national / local or other stakeholders.

4 REQUIREMENTS

Please refer to Part B of the Terms of Reference.

5 REPORTS

5.1 Use of the EVAL module by the evaluators

It is strongly recommended that the **submission of deliverables** by the selected contractor **will be performed through their uploading in the EVAL Module**, an evaluation process management tool and repository of the European Commission. The selected contractor will receive access to online and offline guidance in order to operate with the module during the related Specific contract validity.

5.2 Comments on the outputs/products

For each report, the Evaluation Manager will send to the Contractor consolidated comments received from the Reference Group or the approval of the report within 21 calendar days. The revised reports addressing the comments shall be submitted within 14 calendar days from the date of receipt of the comments. The evaluation team should provide a separate document explaining how and where comments have been integrated or the reason for not integrating certain comments, if this is the case.

5.3 Assessment of the quality of the Final Report and of the Executive Summary

The quality of the draft versions of the Final Report and of the Executive Summary will be assessed by the Evaluation Manager using the online Quality Assessment Grid (QAG) in the EVAL Module (text provided in

¹¹ As per art 16.4 a) of the General Conditions of the Framework Contract SIEA

Annex V). The Contractor is given – through the EVAL module - the possibility to comment on the assessments formulated by the Evaluation Manager. The QAG will then be reviewed following the submission of the final version of the Final Report and of the Executive Summary.

The compilation of the QAG will support/inform the compilation by the Evaluation Manager of the FWC SIEA's Specific Contract Performance Evaluation.

5.4 Language

All reports shall be submitted in English.

The Executive Summary of the final report shall be furthermore translated into Arabic.

5.5 Number of report copies

Apart from their submission via the EVAL Module, the approved version of the Final Report will be also provided in max 10 paper copies and in electronic version at no extra cost.

The 70 copies of the Executive Summary in English and in Arabic and 100 copies of the Flyer will be printed for the Dissemination workshop.

5.6 Formatting of reports

All reports will be produced using Font Arial or Times New Roman minimum letter size 11 and 12 respectively, single spacing, double sided. They will be sent in Word and PDF formats.

6 MONITORING AND EVALUATION

6.1 Content of reporting

The outputs must match quality standards. The text of the reports should be illustrated, as appropriate, with maps, graphs and tables; a map of the area(s) of Intervention is required (to be attached as Annex).

6.2 Comments on the outputs

For each report, the Evaluation Manager will send to the Contractor consolidated comments received from the Reference Group or the approval of the report within 21 calendar days. The revised reports addressing the comments shall be submitted within 14 calendar days from the date of receipt of the comments. The evaluation team should provide a separate document explaining how and where comments have been integrated or the reason for not integrating certain comments, if this is the case.

6.3 Assessment of the quality of the Final Report and of the Executive Summary

The quality of the draft versions of the Final Report and of the Executive Summary will be assessed by the Evaluation Manager using the online Quality Assessment Grid (QAG) in the EVAL Module (text provided in Annex V). The Contractor is given – through the EVAL module - the possibility to comment on the assessments formulated by the Evaluation Manager. The QAG will then be reviewed following the submission of the final version of the Final Report and of the Executive Summary.

The compilation of the QAG will support/inform the compilation by the Evaluation Manager of the FWC SIEA's Specific Contract Performance Evaluation.

7 PRACTICAL INFORMATION

Please address any request for clarification and other communication to the following address(es): delegation-west-bank-gaza-cris-fwc-offers@eeas.europa.eu

ANNEXES

ANNEX I: SPECIFIC TECHNICAL EVALUATION CRITERIA

SPECIFIC TECHNICAL EVALUATION CRITERIA

Request for Services n. SIEA-2018-711

FWC SIEA 2018 - LOT 5 – Budget Support

EuropeAid/138778/DH/SER/multi

1. TECHNICAL EVALUATION CRITERIA

The Contracting Authority selects the offer with the best value for money using an 80/20 weighting between technical quality and price¹².

Technical quality is evaluated on the basis of the following grid:

Criteria	Maximum
Total score for Organisation and Methodology	40
<ul style="list-style-type: none"> Understanding of ToR and the aim of the services to be provided 	5
<ul style="list-style-type: none"> Overall methodological approach, quality control approach, appropriate mix of tools and estimate of difficulties and challenges 	20
<ul style="list-style-type: none"> Technical added value, backstopping and role of the involved members of the consortium 	5
<ul style="list-style-type: none"> Organisation of tasks including timetable 	10
Score for the expertise of the proposed team	60
OVERALL TOTAL SCORE	100

2. TECHNICAL THRESHOLD

Any offer falling short of the technical threshold of 75 out of 100 points, is automatically rejected.

3. INTERVIEWS DURING THE EVALUATION OF THE OFFERS

During the evaluation process of the offers received the Contracting Authority reserves the right to interview by phone one or several members of the proposed evaluation teams.

Phone interviews will be tentatively carried out end of October/beginning of November.

¹² For more details about the 80/20 rule, please see the PRAG, chapter 3.3.10.5 - https://ec.europa.eu/europeaid/funding/about-funding-and-procedures/procedures-and-practical-guide-prag_en



ANNEX II: INFORMATION THAT WILL BE PROVIDED TO THE EVALUATION TEAM

- Legal texts and political commitments pertaining to the PEGASE DFS to be evaluated
- National Priority Agenda 2017-2022 and relevant sector strategies
- European Joint Strategy in Support to Palestine 2017-2020
- Relevant national / sector policies and plans from National and Local partners and other donors
- PEGASE DFS past evaluation reports
- PEGASE DFS financing agreement and addenda
- PEGASE audit reports
- PEGASE disbursement notes
- Other PEGASE notes and PowerPoint
- ROF reports
- Relevant documentation from National/Local partners and other donors
- Guidance for Gender sensitive evaluations
- Calendar and minutes of policy dialogue meetings
- Any other relevant document

Note: The evaluation team has to identify and obtain any other document worth analysing, through independent research and during interviews with relevant informed parties and stakeholders of the PEGASE DFS.

ANNEX III: STRUCTURE OF THE FINAL REPORT AND OF THE EXECUTIVE SUMMARY

The contractor will deliver – preferably through their uploading in the EVAL Module - two distinct documents: the Final Report and the Executive Summary. They must be consistent, concise and clear and free of linguistic errors both in the original version and in their translation – if foreseen.

The Final Report should not be longer than the number of pages indicated in Chapter 6. Additional information on the overall context of the PEGASE DFS, description of methodology and analysis of findings should be reported in an Annex to the main text.

The presentation must be properly spaced and the use of clear graphs, tables and short paragraphs is strongly recommended.

The cover page of the Final Report shall carry the following text:

"This evaluation is supported and guided by the European Commission and presented by [name of consulting firm]. The report does not necessarily reflect the views and opinions of the European Commission".

Executive Summary

A short, tightly-drafted, to-the-point and free-standing Executive Summary. It should focus on the key purpose or issues of the evaluation, outline the main analytical points, and clearly indicate the main conclusions, lessons to be learned and specific recommendations. It is to be prepared by using the specific format foreseen in the EVAL Module.

The main sections of the evaluation report shall be as follows:

1. Introduction

A description of the PEGASE DFS, of the relevant country/region/sector background and of the evaluation, providing the reader with sufficient methodological explanations to gauge the credibility of the conclusions and to acknowledge limitations or weaknesses, where relevant.

2. Answered questions / Findings

A chapter presenting the answers to the Evaluation Questions, supported by evidence and reasoning.

3. Overall assessment (optional)

A chapter synthesising all answers to Evaluation Questions into an overall assessment of the PEGASE DFS. The detailed structure of the overall assessment should be refined during the evaluation process. The relevant chapter has to articulate all the findings, conclusions and lessons in a way that reflects their importance and facilitates the reading. The structure should not follow the Evaluation Questions, the logical framework or the evaluation criteria.

4. Conclusions and Recommendations

4.3 Lessons learnt

Lessons learnt generalise findings and translate past experience into relevant knowledge that should support decision making, improve performance and promote the achievement of better results. Ideally, they should support the work of both the relevant European and partner institutions.

4.1 Conclusions

This chapter contains the conclusions of the evaluation, organised per evaluation criterion.

In order to allow better communication of the evaluation messages that are addressed to the Commission, a table organising the conclusions by order of importance can be presented, or a paragraph or sub-chapter emphasizing the 3 or 4 major conclusions organised by order of importance, while avoiding being repetitive.

4.2 Recommendations

They are intended to improve or reform the PEGASE DFS in the framework of the cycle under way, or to prepare the design of a new PEGASE DFS for the next cycle.

Recommendations must be clustered and prioritised, and carefully targeted to the appropriate audiences at all levels, especially within the Commission structure.

5. Annexes to the report

The report should include the following annexes:

- The Terms of Reference of the evaluation
- The names of the evaluators (CVs can be shown, but summarised and limited to one page per person)
- Detailed evaluation methodology including: options taken, difficulties encountered and limitations; detail of tools and analyses.
- Evaluation Matrix
- Intervention logic / Logical Framework matrices (planned/real and improved/updated)
- Relevant geographic map where the PEGASE DFS took place
- List of persons/organisations consulted
- Literature and documentation consulted
- Other technical annexes (e.g. statistical analyses, tables of contents and figures, matrix of evidence, databases) as relevant
- Detailed answer to the Evaluation Questions, judgement criteria and indicators

ANNEX IV: PLANNING SCHEDULE

This annex must be included by Framework Contractors in their Specific Contract Organisation and Methodology and forms an integral part of it. Framework Contractors can add as many rows and columns as needed.

The phases of the evaluation shall reflect those indicated in the present Terms of Reference.

		Indicative Duration in working days ¹³		
Activity	Location	Team Leader	Evaluator ...	Indicative Dates
Inception phase: total days				
•				
•				
Desk phase: total days				
•				
•				
Field phase: total days				
•				
•				
Synthesis phase: total days				
•				
•				
Dissemination phase: total days				
•				
•				
TOTAL working days (maximum)				

¹³ Add one column per each evaluator

ANNEX V: QUALITY ASSESSMENT GRID

The quality of the Final Report will be assessed by the Evaluation Manager (since the submission of the draft Report and Executive Summary) using the following quality assessment grid, which is included in the **EVAL Module**; the grid will be shared with the evaluation team, which will have the possibility to include their comments.

PEGASE DFS (Project/Programme) evaluation – Quality Assessment Grid Final Report			
Evaluation data			
Evaluation title			
Evaluation managed by		Type of evaluation	
CRIS ref. of the evaluation contract		EVAL ref.	
Evaluation budget			
EUD/Unit in charge			
Evaluation dates	Start:	End:	
Date of draft final report			Date of Response of the Services
Comments			
Project data			
Main project evaluated			
CRIS # of evaluated project[s]			
DAC Sector			
Contractor's details			
Evaluation Team Leader			Evaluation Contractor
Evaluation expert[s]			

Legend: scores and their meaning

Very satisfactory: criterion entirely fulfilled in a clear and appropriate way
Satisfactory: criterion fulfilled

Unsatisfactory: criterion partly fulfilled
Very unsatisfactory: criterion mostly not fulfilled or absent

The evaluation report is assessed as follows		
1. Clarity of the report		
This criterion analyses the extent to which both the Executive Summary and the Final Report:		
<ul style="list-style-type: none"> Are easily readable, understandable and accessible to the relevant target readers Highlight the key messages The length of the various chapters and annexes of the Report are well balanced Contain relevant graphs, tables and charts facilitating understanding Contain a list of acronyms (only the Report) Avoid unnecessary duplications Have been language checked for unclear formulations, misspelling and grammar errors The Executive Summary is an appropriate summary of the full report and is a free-standing document 		
Strengths	Weaknesses	Score
Contractor's comments	Contractor's comments	
2. Reliability of data and robustness of evidence		
This criterion analyses the extent to which:		
<ul style="list-style-type: none"> Data/evidence was gathered as defined in the methodology The report considers, when relevant, evidence from EU and/or other partners' relevant studies, monitoring reports and/or evaluations The report contains a clear description of the limitations of the evidence, the risks of bias and the mitigating measures 		
Strengths	Weaknesses	Score
Contractor's comments	Contractor's comments	
3. Validity of Findings		
This criterion analyses the extent to which:		
<ul style="list-style-type: none"> Findings derive from the evidence gathered Findings address all selected evaluation criteria Findings result from an appropriate triangulation of different, clearly identified sources 		

<ul style="list-style-type: none"> When assessing the effect of the EU intervention, the findings describe and explain the most relevant cause-effect links between outputs, outcomes and impacts The analysis of evidence is comprehensive and takes into consideration contextual and external factors 		
Strengths	Weaknesses	Score
Contractor's comments	Contractor's comments	
4. Validity of conclusions This criterion analyses the extent to which: <ul style="list-style-type: none"> Conclusions are logically linked to the findings, and go beyond them to provide a comprehensive analysis Conclusions appropriately address the selected evaluation criteria and all the evaluation questions, including the relevant cross-cutting dimensions Conclusions take into consideration the various stakeholder groups of the evaluation Conclusions are coherent and balanced (i.e. they present a credible picture of both strengths and weaknesses), and are free of personal or partisan considerations (If relevant) whether the report indicates when there are not sufficient findings to conclude on specific issues 		
		i
Strengths	Weaknesses	Score
Contractor's comments	Contractor's comments	
5. Usefulness of recommendations This criterion analyses the extent to which the recommendations: <ul style="list-style-type: none"> Are clearly linked to and derive from the conclusions Are concrete, achievable and realistic Are targeted to specific addressees Are clustered (if relevant), prioritised, and possibly time-bound (If relevant) provide advice for the PEGASE DFS's exit strategy, post-PEGASE DFS sustainability or for adjusting PEGASE DFS's design or plans 		
		i
Strengths	Weaknesses	Score
Contractor's comments	Contractor's comments	

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6. Appropriateness of lessons learnt analysis (if requested by the ToR or included by the evaluators) This criterion is to be assessed only when requested by the ToR or included by evaluators and is not to be scored. It analyses the extent to which: <ul style="list-style-type: none"> Lessons are identified When relevant, they are generalised in terms of wider relevance for the institution 		
		i
Strengths	Weaknesses	Score
Contractor's comments	Contractor's comments	
Final comments on the overall quality of the report		Overall score

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ANNEX VI: LOGICAL FRAMEWORK MATRIX (LOGFRAME) OF THE EVALUATED PEGASE DFS

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: impact	O.O.: Build effective and accountable institutions ready for statehood and enable inclusive social development (leaving no-one behind).	<ol style="list-style-type: none"> 1. Proportion of total government spending on essential services (education, health and social protection)[SDG 16.6.1] 2. Proportion of government recurrent and capital spending to sectors that disproportionately benefit women, the poor and vulnerable groups [SDG 1.b.1] 3. Proportion of population living in households with access to basic services [SDG 1.4.1] 4. Average Voice and Accountability score** 	<ol style="list-style-type: none"> 1. 41% (2016) 2. Recurrent: 11.14%; Capital: 0.14% (2016) 3. Data collected, analysed and shared by PCBS by mid-2018 4. 16.26 (2016) 	<ol style="list-style-type: none"> 1. Maintaining the baseline throughout 2018-20 2. Recurrent: 11.14%; Capital: 0.42% (2020) 3. Targets to be set by mid-2018 4. 17.89 (2020) 	<ol style="list-style-type: none"> 1. MoFP Annual Report; SDG Reports 2. MoFP Annual Report 3. PCBS Report (multi-dimensional poverty assessment) 4. Worldwide Governance Index 	

<p>Specific objective: Outcome</p>	<p>S.O.: Improved public services responding to citizens' needs, including those of marginalised groups.</p>	<p>1.1 Percentage of out of pocket spending per household, as % of total health spending</p> <p>2.1 % of households living in extreme poverty covered by social protection systems, disaggregated by gender and age</p> <p>3.1 Citizen degree of satisfaction of public service</p> <p>4.1 % of patients actually referred out of those in need (average of 102,000 per year – source UNCT common country analysis)</p> <p>5.1 Number and actual cost of medical referrals to Israeli hospitals from West Bank and Gaza (disaggregated by cause) *</p>	<p>1.1. 45.5% (2013)</p> <p>2.1 to be determined after PCBS poverty assessment 2018</p> <p>3.1 Data to be shared by the Cabinet by end 2018</p> <p>4.1. 90.12% (91927 patients referred in 2016)</p> <p>5.1 13,119 referrals; 233.9 M NIS (2016)</p>	<p>1.1 decreased to 20% by 2020</p> <p>2.1 to be determined after PCBS poverty assessment 2018</p> <p>3.1 Targets to be set by end 2018</p> <p>4.1 Maintaining the baseline throughout 2018-20</p> <p>5.1 20% reduction</p>	<p>1.1 National Health Accounts</p> <p>2.1 PCBS CTP report, database</p> <p>3.1 Cabinet reports</p> <p>4.1 MoH annual report</p> <p>5.1 MoH annual report</p>	<p>The Government of Israel respects its Oslo/Paris agreements' commitments, notably in terms of transfer of clearance revenues, and does not impose further restrictions under the occupation</p>
<p>Outputs</p>	<p>Output 1: Selected Institutions deliver efficient and needs</p>	<p>1.1.1 Improved social services for marginalised groups (PwD, children, women, elderly).</p>	<p>1.1.1 Data collected, analysed and shared by</p>	<p>1.1.1 TBC</p>	<p>1.1.1 PCBS/MoSD reports/database</p>	<p>Human resources and technical capacity to</p>

based services.	<p>1.1.2 Private Sector Social Security Corporation (PSSSC) in place and functioning</p> <p>1.2.1 GPC: Number and type of bylaws prepared, endorsed and implemented</p> <p>1.2.2 Number of Human resources trained on the new legislation</p> <p>1.2.3 Number and type of Areas of Human Resource Management (HRM) improved according to excellence standards</p>	<p>PCBS by mid-2018</p> <p>1.1.2 Board of Directors in place, General Manager hired, investment strategy developed</p> <p>1.2.1 Developing the Secondary legislation, based on the new Civil Service Law</p> <p>1.2.2 No comprehensive training was provided on new legislation</p> <p>1.2.3.1 A 2017 Cabinet Decision for restructuring Public Institutions</p>	<p>1.1.2 A fully functional and effective IT System is in place; A Voluntary Complementary Old-Age Pension Scheme is implemented ;The Department of employment injury benefit and occupational diseases benefit, the Department of maternity benefit and the Department of old age, disability and survivors' pension are operationalised</p> <p>1.2.1 Modernised Secondary legislation. (2017-2022)</p> <p>1.2.2 Head of Legal & HRM Units at ministries and other public agencies trained</p>	<p>1.1.2 ILO reports, PSSSC records</p> <p>1.2.1 Official Gazette GPC, PM reports</p> <p>1.2.2 GPC, PM reports</p> <p>1.2.3 GPC reports, PM reports</p>	<p>implement reforms are available</p> <p>Approval and signature of the new civil service law</p> <p>Progress in the Palestinian internal reconciliation process</p>
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			<p>organisational structures. 57 Institutions will be restructured. 18 institutions were restructures within the past 7 years</p> <p>1.2.3.2.2 Lack of unified HRM system due to geographic fragmentation in the West Bank and Gaza Strip</p>	<p>(currently 75 institutions)</p> <p>1.2.3.1.1 Drafting the Standards and policies for developing the CS Public institutions' organisational structures (2018-2019)</p> <p>1.2.3.1.2 Restructuring the civil service sector public institutions (2019-2022)</p> <p>1.2.3.2 Unified Human Resources Management system</p>		
Outputs	<p>Output 2: Timely and regular payment of salaries and pensions are made by the PA in the West Bank.</p>	<p>2.1.1 Number of payments made over the year by the PA</p> <p>2.1.2 Regular global assessment of the payroll done</p>	<p>2.1.1. 12 (2016, including PEGASE DFS contribution)</p> <p>2.1.2 0 (zero)</p> <p>2.1.3. 0 (zero)</p>	<p>2.1.1. 12 payments</p> <p>2.1.2 approved and launched every 18 months</p>	<p>2.1.1 Ministry of Finance and Planning (MoFP) Statements; beneficiaries bank statements</p> <p>2.1.2 Auditors' statements</p>	

		2.1.3. Ex-ante and ex-post control carried out			2.1.3. launched and approved prior and subsequent to every PEGASE contribution	2.1.3. Auditors' statements
Outputs	Output 3: Timely and regular payments of social allowances are made by the PA.	3.1.1. Social allowances paid every quarter 3.1.2. Cash transfer Programme database updated regularly (recertification) 3.1.3. Ex-ante and ex-post control carried out	3.1.1. 4 payments year 3.1.2. 11,713 (out of the annual target of 21,000) households re-certified in 2017 3.1.3. 0 (zero)	4	3.1.1. 4 payments a year 3.1.2. Annual target 21,000 3.1.3. launched and approved prior and subsequent to every PEGASE contribution	3.1.1. MoSD report, PEGASE report, MoFP data 3.1.2. Audit reports, EU payment report 3.1.3. Auditors' statements
Outputs	Output 4: People in need of medical referrals have access to East Jerusalem Hospitals.	4.1.1. Reimbursement of referral costs are made to the 6 EJH 4.1.2. Status of Outside Medical Referrals reform	4.1.1. % of financial exposure of the 6 EJH vis-a-vis Ministry of Health/MoFP : about EUR 30 million from the previous year (2017) 4.1.2. MoUs between MoH and outside service providers: 7 including all		4.1.1. reduced exposure by 30% 4.1.2. MoUs: 10, including all 6 EJHs; unified drugs national price list, by 2020	4.1.1. MoH Statements; Hospitals records 4.1.2. MoH Service Providers Unit report



			EJHs as of September 2017; lack of unified drugs national price list			
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ANNEX VII: THE EVALUATION CRITERIA

The definition and the number of the DAC evaluation criteria has changed following the release (10 December 2019) of the document “Evaluation Criteria: Adapted Definitions and Principles for Use” (DCD/DAC(2019)58/FINAL).

The evaluators will ensure that their analysis will respect the new definitions of these criteria and their explanatory notes. Reference and guidance documents are being developed and can be found here: <https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

Unless otherwise specified in the chapter 2.2.1, the evaluation will assess the Action using five of the six standard DAC evaluation criteria and the EU added value, which is a specific EU evaluation criterion. Their definitions are reported below:

DAC CRITERIA

- **Relevance:** the “extent to which the intervention objectives and design respond to beneficiaries’, global, country, and partner/institution needs, policies, and priorities, and continue to do so if circumstances change.”
- **Coherence:** the “compatibility of the intervention with other interventions in a country, sector or institution.”
- **Effectiveness:** the “extent to which the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups.”
- **Efficiency:** the “extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way.”
- **Sustainability:** the “extent to which the net benefits of the intervention continue or are likely to continue.”

EU-SPECIFIC CRITERION

- **EU added value:** the extent to which the Action brings additional benefits to what would have resulted from Member States’ interventions only in the partner country. It directly stems from the principle of subsidiarity defined in the Article 5 of the Treaty on European Union (<https://www.europarl.europa.eu/factsheets/en/sheet/7/the-principle-of-subsidiarity>).

TERMS OF REFERENCE – PART B

BACKGROUND INFORMATION

1. Benefitting Zone

Palestine

2. Contracting authority

The European Union, represented by the European Commission, B-1049 Brussels, Belgium.

3. Contract language

English

LOCATION AND DURATION

4. Location

- Normal place of posting of the specific assignment: Palestine (Jerusalem/Ramallah)
- Mission(s) outside the normal place of posting and duration(s): Possible day visit in other location of the West Bank if necessary and remote interview with Gaza, as required.

5. Start date and period of implementation

The indicative start date is 17/01/2021 and the period of implementation of the contract will be 240 days from this date (indicative end date: 14/09/2021).

REQUIREMENTS

6. Expertise

The minimum requirements covered by the team of experts as a whole are detailed below:

- Qualifications and skills required for the team: - Knowledge of Project cycle management and in particular evaluation. - Experience in policy reform processes. - Experience in development cooperation coordination and policy dialogue, including Result Oriented Frameworks.
- General professional experience of the team: - At least 10 years of experience in Budget Support Programmes, Public Finance Management and macro-economic development;
- Specific professional experience of the team: - Social protection and health sector, including national cash transfer programme and health referral systems. - Knowledge and experience of the Rights Based Approach. - Experience in gender policy analysis.
- Language skills of the team: - English: proficient for all (level C1 for the team leader); - Arabic: at least one member shall possess a proficient level.

Requested number of days per category:

Expert category	Minimum requirement concerning the category	Number of working days	Additional information
Cat. I (>12 years of experience)	<p>- Education equivalent to a Master's Degree. In its absence, a Bachelor's degree or an equivalent level with an additional 3 years' experience required over the minimum 12 years will be accepted. - At least three references within the last 6 years as Team Leader for multi-disciplinary Evaluation Teams;</p> <p>- Strong experience of budget support modalities and budget support evaluation techniques, including experience in the application of the methodological approach for Budget Support evaluations developed within the OECD/ DAC framework.</p>	43	- 12 years' experience in the fields of Economics, Development Studies or other relevant sector.
Cat. II (>6 years of experience)	<p>- Education equivalent to a Master's Degree. In its absence, a Bachelor's degree or an equivalent level with an additional 3 years' experience required over the minimum 6 years will be accepted. - 6 years' experience in the fields of Economics, Development Studies, Public</p>	63	

Expert category	Minimum requirement concerning the category	Number of working days	Additional information
	Administration or other relevant sector.		

7. Incidental expenditure

No incidental expenditure provided for in this contract.

8. Lump sums

No lump sums provided for in this contract.

9. Expenditure verification

No expenditure verification report is required.

REPORTS

10. Reports and deliverables requirements

Title	Content	Language	Submission timing or deadline
field phase presentation	<ul style="list-style-type: none"> • Activities conducted during the field phase • Difficulties encountered during the field phase and mitigation measures adopted • Key preliminary findings (combining desk and field ones) 	English	Within 10 Week(s) after the project start
Draft inception report	<ul style="list-style-type: none"> • Intervention logic • Stakeholder map • Methodology for the evaluation, incl.: <ul style="list-style-type: none"> o Evaluation Matrix: Evaluation Questions, with judgement criteria and indicators, and data analysis and collection methods o Consultation strategy o Field visit approach • Analysis of risks related to the evaluation methodology 	English	Within 2 Week(s) after the project start

Title	Content	Language	Submission timing or deadline
	and mitigation measures • Work plan		
Inception report	<ul style="list-style-type: none"> • Intervention logic • Stakeholder map • Methodology for the evaluation, incl.: <ul style="list-style-type: none"> o Evaluation Matrix: Evaluation Questions, with judgement criteria and indicators, and data analysis and collection methods o Consultation strategy o Field visit approach • Analysis of risks related to the evaluation methodology and mitigation measures • Work plan Revised taking comments into account. 	English	Within 5 Week(s) after the project start
Desk report	<ul style="list-style-type: none"> • Preliminary answers to each Evaluation Question, with indication of the limitations of the available information <ul style="list-style-type: none"> • Data gaps to be addressed, issues still to be covered and hypotheses to be tested during the field visit • Update of the field visit approach if relevant • Update of the work plan of the following phases if relevant 	English	Within 8 Week(s) after the project start
Draft final report	1. Draft final report: Cf. detailed structure of Final report in Annex III - 50 pages 2. Stand alone executive summary (In addition to the EVAL online template for Executive	English	Within 12 Week(s) after the project start

Title	Content	Language	Submission timing or deadline
	Summary): A short, tightly-drafted, to-the-point and free-standing Executive Summary. It should focus on the key purpose or issues of the evaluation, outline the main analytical points, and clearly indicate the main conclusions, lessons to be learned and specific recommendations.		
Final report	Same specifications as of the Draft Final Report, incorporating any comments received from the concerned parties on the draft report that have been accepted	English	Within 18 Week(s) after the project start
Dissemination flyer	Data and findings presented through use of infographics and pictures will be produced and 100 copies printed.	English	Within 20 Week(s) after the project start

ANNEX 2: FINDINGS AT JUDGEMENT CRITERIA LEVEL PER EVALUATION QUESTION

EQ1. To what extent was the design of PEGASE DFS relevant to the policy priorities of the PA and EDPs considering the changing circumstances during 2018-2019?

JC 1.1: The Intervention Logic-Theory of Change and the results chain of the PEGASE was sound and relevant in light of clearly identified assumptions and risks and were adapted to changes in circumstances and lessons learned during 2018-19

The PEGASE Action Document¹⁹ included a logframe for 2018-2020 but a comprehensive Theory of Change was not developed for the programme and was based only on a problem analysis and description of its IL. Therefore, the ToC was not explicitly used as a tool by EUREP and PA stakeholders to guide policy dialogue. Later, the ToC was further elaborated and refined as part of the 2021 PEGASE programme²⁰ including a multi-annual reform agenda for key sectors. A revised ToC has also been developed as part of this PEGASE Biennial Evaluation's Inception Report and the diagrammatic ToC, constructed from the reconstructed IL will be presented and explained within this Evaluation's Final Report (I.1.1.1.).

The IL as described within the 2018-2020 Financing Agreement (FA)²¹ remains intact, although some assumptions underpinning the logframe have not remained applicable and a number of risks continue. An accompanying assumption: *'The Government of Israel respects its Oslo/Paris agreements' commitments, notably in terms of transfer of clearance revenues, and does not impose further restrictions under the occupation* was seriously undermined by the GoI in 2019 with the introduction of legislation to withhold PA tax revenues equivalent to the sum given by the PA to prisoners and their families in the previous year, and resulted in deductions from CR of approximately \$140 million in 2019²². Consequently, the PA decided to reject any such revenue altogether and the standoff continued until November 2019, and whilst it was resolved temporarily by the PA accepting reduced CR, the risk remains (I.1.1.2., I.1.1.3.).

Only two evaluations related to PEGASE were undertaken during 2018-2020, their findings reflected lessons learned and the implementation of their recommendations has commenced. Firstly, the Mid Term Review (MTR) of the EJS²³ which was delivered in mid-2020, and an assessment of MoSD's M&E systems and capacity. The MTR's recommendations comprised: some medium-term recommendations in relation to support to the Two State Solution (2-SS); process-based recommendations focusing on strengthening the triple nexus, which EUREP has commenced addressing through policy dialogue between the development and humanitarian actors in 2020; improved support and guidelines to strengthen the following sectors: SP, governance, justice, security and civil society in their support to gender and social inclusion; and strengthening the capacities of CoG to coordinate Joint Programming. Secondly, an M&E assessment of MoSD's systems and capacity, which contributed to a ToR for M&E support to the MoSD, planned to commence in January 2021 with a duration of 18 months²⁴ (I.1.1.4.).

Incentives-Based tranche indicators are relevant to PNPA and sectoral priorities and reflect the fundamental nature of the reforms required within the early stages of the reform processes. Evolution has been seen in the Incentives-Based tranche with the inclusion of the Water and

¹⁹ Multi-annual Action Document for "PEGASE: Direct Financial Support to Recurrent Expenditures of the Palestinian Authority 2018, 2019 and 2020", European Commission

²⁰ Annex 1 of the Commission Implementing Decision on the Special Measure for 2021 in favour of Palestine from the general budget of the Union, Action Document for PEGASE Direct Financial Support to Recurrent Expenditures of the Palestinian Authority (PA) 2021; and I.2 PEGASE IL diagram 16 02 2021

²¹ a2. Financing Agreement Special Conditions, European Commission, 14 May 2018

²² UNSCO report to AHLC, April 2019, p. 9

²³ Mid-term Review of European Joint Strategy in support of Palestine 2017-2020, Final Report, EUREP, June 2020

²⁴ ToR, M&E MoSD, EU, 10 July 2020

Energy sectors in 2019 and 2020 respectively; as well as in the increase of scope of PFM reforms to include Public Procurement in 2019:

- PFM reform: Both the 2018 and 2019 objectives and indicators are highly relevant to the weak aspects of the 2019 Public Expenditure and Financial Accountability²⁵ (PEFA) assessment and MoF's PFM Reform Strategy. The reform agenda is explained within the context of detailed long term objectives²⁶.
- Water sector reform and sustainability: Whilst not explicitly linked to objectives of PEGASE, the two indicators for the water sector are considered by PWA to have been the correct priorities to address in 2019.
- Energy sector reform and sustainability: Again, whilst specific objectives have not been set, PENRA considers that the selected indicators are highly relevant.

The Incentives-Based Indicators tend to be process-based (in terms of reports, data, systems, functional roles, and legislative milestones) (I.1.1.5.).

The Council of the EU²⁷ recommended that the establishment of a Development-Humanitarian nexus would strengthen Palestinian resilience to shocks due to vulnerability, fragility and conflict through multi-annual programming by development and humanitarian actors but the current National Cash Transfer Programme (NCTP) is currently not sufficiently shock-responsive to be a scalable mechanism across the Nexus due to a lack of funding. EUREP, DG ECHO, and EDPs have agreed a roadmap 2021-2024 to operationalise the Triple Nexus for greater alignment of humanitarian, development and peacebuilding planning and programming in Palestine in relation to the SP sector, mainly through cash transfers. This was undertaken within the framework of the EJS in support of Palestine 2021-2024 with a focus on three sectors – health, water/water, sanitation, and hygiene (WaSH) and SP. EUREP is also due to undertake a conflict analysis as part of its 2021-2027 programming, including addressing nexus-related issues. At the same time, EUREP funded a 'Strengthening cross-nexus coherence and responsiveness in the Palestinian social protection sector' implemented by ILO/UNICEF/OXFAM that started in July 2021. However, some EPDs involved informed this PEGASE Biennial Evaluation that whilst during Covid-19 PEGASE demonstrated its adaptability as a DFS mechanism for supporting vulnerable groups, others cautioned that PEGASE will not achieve the level of scalability required due to a lack of funds and that the PA would need to prioritise SP spending, which has not been evidenced to date (I.1.1.6.).

JC 1.2: The objectives and expected results of PEGASE respond(ed) to evolving PA priorities and context (economic, political, and institutional context)

The PEGASE objectives, results and indicators have remained stable throughout the evaluation period and continued to be relevant even within a changing economic and political context. During 2018-2019, increased uncertainty about future donor flows and risk of tensions spilling into unrest painted a bleak picture of political reality. The US' recognition of Jerusalem as the capital of Israel and the subsequent withdrawal of funding from the United Nations Relief and Works Agency (UNRWA), one of the main providers of jobs and service delivery in Gaza, resulted in increased levels of anxiety and unrest on the ground²⁸. President Donald Trump withdrew more than US\$200 million in aid to the Palestinians in 2018, including US\$25 million earmarked for EJH. In March 2019, a new Palestinian government was formed headed by Mohammad Shtayyeh. The new government took initial steps to revise its PNPA but its priorities remained applicable to the objectives of PEGASE including

²⁵ West Bank and Gaza Public Expenditure and Financial Accountability (PEFA) Assessment, Final report, MoF-World Bank, 2018

²⁶ TAPS – Appendix 7, N° ENI/2018/040-179 Long Term Objectives, MoFP / EUREP Incentives/Conditionalities System PEGASE CSP, 17 April 2018

²⁷ Operationalising the Humanitarian-Development Nexus - General Secretariat of the Council - Council Conclusions, Council of the EU, 2017

²⁸ Office of the United Nations Special Coordinator for the Middle East Peace Process, 'Report to the Ad Hoc Liaison Committee', 20 March 2018; 27 September 2018

the need for improved service delivery, with a focus on health and education; and reduced reliance on Israel²⁹. However, such plans and the budgets for 2020 and 2021 were superseded by a State of Emergency due to the outbreak of the Covid-19 pandemic, the increasing fiscal crisis and the 11-day war (I.1.2.1.).

The PEGASE indicators in relation to the six relevant sectors have been selected in discussion with the CoG and Line Ministries and Agencies (LMA). An explicit link between PEGASE, and the PNPA, through the ROF and EJS instruments was introduced for the first time in the 2018-2020 and therefore PEGASE addresses fundamental reforms in most of the relevant sectors and its indicators and targets remain applicable at all levels of the logframe. EUREP has made credible efforts to ensure that the PEGASE indicators are coherent in relation to support provided by a range of DPs and avoided duplication and differentiated the support by donors (e.g. PFM reform) (I.1.2.2.).

In 2018 (EUR 157.7 million) and 2019 (EUR 166.6 million) PEGASE funds were broadly disbursed as planned, although some frontloading to CSP took place in 2019 due to the CR-related fiscal crisis. Actual allocations were broadly disbursed according to Plan in terms of schedule and indicative funds originally committed by the EU and EDPs, although some frontloading took place (see EQ 2.1 and Tables 6 and 7) (I.1.2.3., I.1.2.4.).

JC 1.3: The objectives and areas of focus of the PEGASE DFS have been defined - and have evolved – in line with the development goals and results outlined in the EJS and ROF, and other relevant EDP programmes

The EJS and its ROF have informed the focus of the PEGASE 2018 – 2020 programme. PEGASE encompasses three Pillars and four sectors of the EJS and its related ROF (Pillar I, sectors 1.1, 1.2, and Pillar III, sectors 3.2, 3.3). The Overall Objective of PEGASE is to ‘Build effective and accountable institutions ready for statehood and enable inclusive social development (leaving no-one behind)’ and this links with all four PEGASE outcomes through its sectoral indicators. PEGASE reinforces the ROF indicators, which are focused on the outcome level (although many of the ROF’s outcome indicators are actually outputs, for example in relation to SP) and there is compatibility between the outcome level within PEGASE and the ROF. In the Health sector however, some DPs and EJS questioned whether health-related reforms had been sufficiently included within the ROF to monitor MoH’s aim to nationalise the health care (referral) system and promote its efficiency³⁰ (I.1.3.1., I.1.3.2.).

Coherence is also demonstrated in relation to PEGASE’s Result 1: ‘Selected Institutions deliver efficient and needs based services’, particularly in regard to PAR including legislative reform and institutional strengthening contributing to the sector ROF of PAR, Water and SP.

CSP, PFM reforms, Water and Energy Sectors’ reform: are supported by a range of EDPs, as well as the World Bank, who administer Multi Donor Trust Funds that already provide mechanisms for collaboration between EDPs and non-EDPs, although the SP and Health sectors do not currently benefit from joint programming. Whilst the EUREP is the EJS lead for the PFM sector as per its division of labour (DoL), the lack of an active Local Aid Coordination Secretariat (LACS) Fiscal Sector Working Group (SWG) has resulted in informal development partner meetings being held to exchange information on budget support and TA within the sector and this informal approach, without the involvement of the PA, may have hampered the potential for increased synergies. The UK and the World Bank each provide capacity building Technical Assistance (TA) programmes in the PFM sector to the MoF (amongst others) but rather than focusing on synergies, they have taken care to ensure that duplication of support to specific areas of reform in the sector is avoided through an informally agreed TA DoL; although the World Bank and EUREP do collaborate through the EU-funded PFM Reform Trust Fund. The PAR sector is under-funded and under-supported by EDPs with only the UK

²⁹ UNSCO AHLC Report – September 2019

³⁰ ROF 2019 Health Matrix includes an indicator ‘Percentage of persons with governmental health insurance and indicators on number and cost of health referrals inside and outside Palestine’. It also only includes one indicator on policies and legislations i.e. “Legislation on tobacco and nutrition (sugar and trans fats)”.

and Denmark supporting these reforms. The PA is also supported by Sigma and TAIEX. So, whilst there are only a few European collaborations in play already, collaboration between the EDPs has also not been fully maximised in relation to PAR. For PEGASE CTP and SP reforms, there are several DPs (although mainly UN and World Bank) involved in the sector. The EDPs channel their funding through PEGASE CTP but are not involved in the policy reforms apart from EUREP (as Sector Lead for SP under the EJS and deputy chair of LACS SP SWG) and Italy (as Gender Lead). There are no joint programmes (apart from PEGASE EJH) in the Health sector and this has resulted in a fragmented approach that is ripe for collaboration I.1.3.3.).

JC 1.4: Cross-cutting themes (including gender, environment, and climate change), targeting of marginalised groups (People with Disabilities, children, women, elderly) and Rights Based Approach have been adequately mainstreamed/addressed in the design of PEGASE DFS 2018-19

Cross-cutting themes are mainstreamed differently in PEGASE compared with the ROF³¹. Cross-cutting themes and targeting of marginalized groups are inadequately mainstreamed³² or monitored in PEGASE which reduces EDPs abilities to support the PA as Duty Bearer to ensure no one is left behind and the changing needs of Rights Holders are met³³. The insufficient availability, quality, and access to disaggregated data by the PA, including geographical disaggregation (Gaza, East Jerusalem, etc.) constrain PEGASE and ROF monitoring and reporting and weaken EDPs abilities to carry out significant policy dialogue with the PA on these issues³⁴. The deteriorating context in recent years, with data being tied to political issues, has had significant implications on ensuring rights to health and social entitlements by vulnerable groups, especially in Gaza (I.1.4.1.). PEGASE is supporting the development of the M&E system at MoSD³⁵, however, accompanying support measures to the PA via proper gender analysis especially in relation to Health and CTP and improving PA monitoring and reporting of the health referrals, are lacking but still needed (I.1.4.2.). PEGASE support to the PA for ensuring RBA, is evident in availing services (via maintaining civil servants) and access of marginalised groups to their rights to public services, especially SP and EJH components. Nevertheless, accompanying measures to help the PA institutionalise RBA through proper RBA analysis and response mechanisms are lacking. For example, civil society has not been involved in policy making and they, as well as EDPs, have not been able to effectively engage with the PA on important rights issues that could have ensured increased prominence of RBA in PEGASE design and implementation (I.1.4.3.).

EQ2. To what extent have the financial and non-financial inputs of PEGASE DFS and the ROF contributed to the establishment of an improved aid management framework?

JC 2.1: PEGASE DFS is efficiently contributing to filling the fiscal gaps incurred by the PA for salaries & pensions, health referrals and social protection

PEGASE funds remained stable during 2018-2019. PEGASE funds disbursed during 2019 (total: EUR 166.6 million) increased by EUR 8.9 million compared with 2018 (total: EUR 157.7 million); with CSP having received slightly increased funds during 2019, whilst funds to CTP having received slightly decreased funds, and EJH having received a decrease of EUR 3.9 million (Table 5) (I.2.1.2.).

³¹ The PEGASE DFS Action Document marks Gender Equality as a ‘significant objective’ which is also treated as a cross cutting theme in ROF. Youth and Environmental issues as considered cross cutting sectors in ROF but they are not present in PEGASE

³² In PEGASE DFS log frame, the few disaggregated performance and process/output indicators by Gender and marginalised groups primarily concern CTP whereas disaggregation is largely lacking in health referrals and training human resources on new legislations. Disability inclusion disaggregation is also generally lacking in PEGASE (as well as ROF).

³³ European Commission, Applying the Human Rights Based Approach to international partnerships: An updated Toolbox for placing rights-holders at the centre of EU’s Neighbourhood, Development, and International Cooperation. 2021

³⁴ ROF Sector Policy Dialogue Summary and Conclusions, October 14-15

³⁵ Terms of Reference, ToRs of the MoSD M&E system TA support, July 2019

Table 5: (EQ2. JC 2.1) PEGASE DFS 2018 – 19 EU and EDP’s Contributions to PEGASE components (I.2.1.4) (see Tables 6 and 7 for confirmed Actual Disbursements)

CSP	CTP	EJH
<p>2018</p> <ul style="list-style-type: none"> • EU: 85,000,000€ • UK: 22,593,764.12 € <p>2019</p> <ul style="list-style-type: none"> • EU: 85,000,000 € • Netherlands: 1,500,000€ • UK: 23,376,775.17 € 	<p>2018</p> <ul style="list-style-type: none"> • EU: 50,000,000 • Austria: 1,400,000 • Spain: 1,000,000 • Ireland: 275,000 • Finland: 1,600,000 <p>2019</p> <ul style="list-style-type: none"> • EU: 50,000,000 • Austria: 2,000,000 • Spain: 1,000,000 	<p>2018</p> <ul style="list-style-type: none"> • EU: 13,000,000 • Finland 900,000 • Italy 3,000,000 <p>2019</p> <ul style="list-style-type: none"> • EU: 13,000,000
<p>TOTAL 2018: 107,593,764 TOTAL 2019: 109,876,775</p>	<p>TOTAL 2018: 54,275,000 TOTAL 2019: 53,000,000</p>	<p>TOTAL 2018: 16,900,000 TOTAL 2019: 13,000,000</p>
<p>EDPs TOTAL 2018: 178,768,764 EDPs TOTAL 2019: 175,876,775</p>		

Sources: PEGASE DFS 2018-19 Evaluation ToR; PEGASE DFS of the Recurrent Costs of the PA Budget, Implementation Progress, 31 December 2018; PEGASE DFS of the Recurrent Costs of the PA Budget, Implementation Progress, 31 December 2019

Actual payments during both 2018 and 2019 were disbursed broadly according to Plan but delays in CTP disbursement in 2021 raises concerns about dependency of the PA on PEGASE funds. PEGASE funds were disbursed as per the 2018-2019 schedule and funds originally committed (as per MoUs) by EDPs; although some frontloading to CSP took place in 2019, and in 2018 a planned payment for EJH in August was not disbursed until November. MoSD has recently raised concerns about CTP disbursements being delayed in 2021 (Tables 6 and 7) (I.2.1.6.). The MoSD questioned the predictability of the CTP funds - with the 2021 European Commission’s (EC) PEGASE funding Decision not having been taken yet. Further, CTP execution is also reliant on MoF disbursements, with only half a quarterly payment having been disbursed that year due to lack of funds transferred to MoF and the PA’s failure to pay its contribution to CTP.

In terms of the level of quality/completeness of supporting documents provided by the PA for the Incentives-Based tranche, the MoF has submitted progress reports to verify progress made against Incentive-Based indicator targets as required by the EC HQ, although these reports lack detail, and the EU has demonstrated a flexible approach. The MoF submits tabular reports of progress against indicators, although they tend to lack detail about the steps taken and challenges faced, and for 2018 this tabular report was followed by a letter to EUREP explaining the context, progress and challenges³⁶. The EU has demonstrated sensitive consideration of the complex and challenging political and fiscal situation being faced by the PA and its impact on the authority’s ability to affect reform, by carrying forward and waiving indicators for example (I.2.1.5.).

³⁶ 2018 Report on indicators for the PEGASE Incentives/Conditionalities Tranche to EUREP, from MoFP., 28 February 2019

Table 6: (EQ2 JC2.1) 2018 PEGASE DFS Planned and Actual Disbursement timetable

Month	CSP		CTP		EJH		Total Actual (€)
	Planned (€)	Actual (€)	Planned (€)	Actual (€)	Planned (€)	Actual (€)	
January				11,198,670			11,198,670
April			16,400,000				0
May	21,500,000						0
June	20,000,000	35,675,824	15,000,000	14,987,776			50,663,600
August	20,000,000	32,997,880		16,214,281	16,000,000		49,212,161
September			10,000,000				0
November	33,000,000	20,137,628				13,913,935	34,051,563
December			10,000,000	12,584,347			12,584,347
Total	94,500,000	88,811,332	51,400,000	54,985,074	16,000,000	13,913,935	157,710,341

Planned Disbursements: Sources: TAPs - Appendix 4 - PEGASE Direct Financial Support (DFS) 2018 - Tentative Disbursement Schedule (in EURO); Annex 1 - Financial report provided by the reporting Entity 2018

Table 7: (EQ2 JC2.1) 2019 PEGASE DFS Planned and Actual Disbursement timetable

Month	CSP		CTP		EJH		Total Planned (€)	Total Actual (€) (*)
	Planned (€)	Actual (€)	Planned (€)	Actual (€)	Planned (€)	Actual (€)		
May	26,700,000	26,552,070 26,237,698	20,000,000	20,601,384			46,700,000	73,391,152
June	26,700,000						26,700,000	
July			14,900,000	14,547,585			14,900,000	14,547,585
August			20,000,000	19,825,284			20,000,000	19,825,284
September	24,500,000	24,512,172				47,526	24,500,000	24,559,698
November	24,500,000	16,444,590	5,000,000				29,500,000	16,444,590
December		7,982,945	5,000,000	9,918,406			5,000,000	17,901,351
Total	102,40,000	101,729,475	50,000,000	50,345,074	14,900,000	14,595,111	167,300,000	166,669,662

(*) Actual payment amounts vary due to exchange rate

Planned Disbursements: Source: 2019 Appendix 4- PEGASE DFS 2019_TAPs_TENTATIVE payment schedule

Actual Disbursements: Source: PEGASE Direct Financial Support To Recurrent Expenditure Of The Palestinian Authority (Pdf), Final Expenditure Verification Report, Year Ended 31 December 2019, BDO, 13 August 2021

JC 2.2: Frameworks for policy dialogue between the PA and EDPs have been established at overall and sectoral levels and are conducive for sector reform processes.

While there appears to be a general common understanding between the PA and EDPs and interest to foster policy dialogue, the instruments and structures to enable such dialogue have been insufficient and lacked coherence to promote conducive sector reform processes. This is due to an absence of coherent policy dialogue fora with proper governance involving all the concerned public stakeholders in relation to the six sectors directly related to PEGASE. Other contributory factors include a lack of effective leadership and engagement of CoG, failing intra-governmental institutional arrangements between the PA's CoG and LMA in relation to relevant PEGASE sector reform (I.2.2.4.), and lack of clear policy linkages between PEGASE and ROF in some sectors - notably Health, and EDP fragmentation (I.2.2.1., I.2.2.2.).

Policy dialogue tended to be ad-hoc and bi-lateral, although the ROF (particularly in the absence of LACS) and Incentives-Based Indicators did enable targeted policy dialogue . With the exception of SPWW, most LACS SWG did not convene during the period of the evaluation (the Fiscal Working Group for PFM for example has not met since July 2018 and the Health sector working group only starting meeting in late 2019) and when they did meet, they remained as platforms for information-sharing, rather than policy dialogue or enabling decision making³⁷. EUREP observed that policy dialogue, which is an important channel of communication, is often ad-hoc and fragmented in relation to PEGASE (although a PEGASE Steering Committee has been set up recently in 2021). Nevertheless, opportunities for meeting-based dialogue and feedback on PEGASE and associated sector reform are provided to DPs, the PA, and CSOs through the following modes of communication: (a) Formal and informal DP meetings; (b) Technical meetings with the PA and state agencies in relation to the Incentives-Based Indicators, for example; (c) High-level political policy dialogue meetings with the PA; and (d) Consultation meetings with CSOs. EUREP seeks to hold structured dialogue and consult stakeholders in their structure and agendas (I.2.2.1., I.2.2.2.).

ROF was recognised by most stakeholders interviewed for enabling structured discussions on results and indicators amongst partners. In some sectors, (such as Health and SP), ROF and its policy dialogue processes have acted as the main, if not only formal framework for policy dialogue between the PA and EDPs³⁸. Within the ROF, each Sector Lead organises their communications and coordination with the aim of presenting a unified voice to the LACS, PA, etc. However, the ROF is criticised for its lack of active monitoring during implementation and acting as a 'late' reporting framework³⁹. Furthermore, the integration of cross cutting issues in policy dialogue discussions/processes has been challenged by a lack of data and insufficient capacity of ministries to analyse to inform planning and respond effectively, including through the provision of resources to implement reforms⁴⁰ (I.2.2.3., I.2.2.4.). The Incentives-Based Indicators did enable targeted policy dialogue in relation to specific aspects of sector reforms, although bi-laterally, without coordinated policy dialogue meetings involving CoG and LMA stakeholders (PFM/Water/Energy) to discuss the Incentives mechanism per se.

JC 2.3: PEGASE DFS and the ROF have promoted coordination and complementarity between EDPs interventions leading to reductions in transaction costs for both the PA and the EDPs

PEGASE's shift towards a programmatic approach (through the introduction of a multi-annual approach and incentives mechanism) has not been accompanied by adequate monitoring and reporting mechanisms, but EDPs view PEGASE DFS as providing 'added value'. ROF has acted as the main tool for joint monitoring at general and sectoral levels. DPs Interviewed report that the impact of ROF reporting would have benefited from wider dissemination of ROF and PEGASE meeting report outputs particularly at

³⁷ The Health Sector working Group had only carried its first meeting in two years in Sept and again in Dec 2019 (Source MoM Sept 10 2019, HSWG); both meetings are documented but not well structured and there is not a defined work plan, an area that some participants have raised during the Dec HSWG 2019 to enhance coordination and tackle specific issues.

³⁸ ROF is supported by Sector Policy Dialogue on progress under the ROF of the EJS2017-2020. These contain clear objectives, and mechanisms for recording decisions and key issues to be discussed in High-Level Policy Dialogue between EUREP and PMO where progress and challenges on the ROF are discussed

³⁹ EJS Midterm Report and according to interviews with EDPs.

⁴⁰ Integration of cross cutting issues in policy dialogue processes was reportedly hindered by several factors ; i) necessity to include crosscutting indicators and/or disaggregated data in the sector milestones and in the sector matrixes 2) Lack of disaggregated data and analysis, 3) identification of crosscutting dimensions in the sectoral matrixes and 4) Difficulties in mainstreaming during the ROF process/EJS implementation. Source:(annual report EJS ROF, 2018)

the political level (I.2.3.3.). Nevertheless, PEGASE has not presented any significant issues on costs of controls nor witnessed any new fiduciary risks during the period, due to well-established nature of PEGASE DFS⁴¹ (I.2.3.5., I.2.3.6.). As an instrument, PEGASE DFS enables the channelling of donor contributions to the PA in vital sectors without multiple administrative-transaction costs when funding across more than one component, although EUREP has explained that transaction costs are higher in practice since inputs for safeguarding and responding to criticism about funding the PA are not fully factored into the DFS costs (I.2.3.4.). However, for EDPs, reasonable administration charges and safeguarding demonstrate the ‘added value’ of PEGASE – its safeguarding measures reassure the contributing EDPs and target funds to three PEGASE components to support associated sectoral reform. While PEGASE is seen as a viable option to support the PA, many actors raised concerns about the lack of full alignment with sectoral priorities, and the acceptability of the Incentives-Based Tranche in the context of Occupation-related constraints on PA resources, poor progress in sector reforms, and the commitment from the PA to fundamental reforms. EUREP-led discussions on priorities for the 2021 PEGASE programme took place in 2020 with most institutions (namely PMO, MoF, MoSD, MoH, EJH) and in line with their revised relevant sector strategies. Discussions have also taken place with the EJS Sector Leads or active EDPs in the sector in addition to other DPs (World Bank, IMF, UK FCDO, Denmark in the area of PFM; ILO, UNICEF, World Bank, FAO, WFP, and Italy in the area of SP; MoH, World Bank, WHO, Italy, Finland in the area of Health); and some consultations with civil society (AMAN, MAS, PNGO)(I. 2.3.1., I.2.3.2.).

JC 2.4: EDPs and other non-European DPs consider that PEGASE DFS is a trustworthy, reliable system to channel their funds.

Whilst the principle of incentives has been accepted by EDPs, and to some extent by the PA itself, there are mixed views on the effectiveness of the Incentives-Based tranche for accelerating reform. EDPs believe that care needs to be taken to minimise the reputational risk of EDPs by only adopting indicators that reflect the priorities of the PA and are politically acceptable to government. The EC HQ and EUREP consider that the incentives mechanism has been a success and will likely be expanded within the current sectors and possibly to the Education sector; although this is not a view shared by the PA or other DPs (but they do acknowledge that the Incentives mechanism has speeded up reform progress and are not averse to some increase in the coverage of the Incentives-Based tranche to other sectors per sae). Those EDPs and other DPs who do not fund the CSP component lack information about the performance of the incentives’ tranche and consider that the mechanism has deficiencies in practice due to some ‘unmet’ indicators being carried over to the following year with no perceived consequence in terms of loss of funds (and detailed information on the reasons for such EU decisions not having been explained to other DPs who are not involved directly) (I.2.4.1.).

Despite these challenges to PEGASE, support by EDPs has remained stable during 2018-2019. Thirteen MoUs were signed between EUREP and the EDPs during 2018-2019 with eight EDPs having contributed to the PEGASE DFS over the two-year period (Table 8) which is broadly similar to the 2016-2017 period, where 14 MoUs were signed with seven EDPs (the same EDPs as in 2018-2019)⁴² (I.2.4.2.). However, the UK completed its funding to civil servants’ salaries through CSP in 2020 and have confirmed that they will no longer be contributing to PEGASE, but this is not a reflection of their dissatisfaction, but rather that the UK’s international development budget was cut. The 2018 Expenditure Verification Report⁴³ presents a thorough overview of all ex-ante and ex-post verification checks undertaken by the audit (Deloitte) and confirmed that no significant issues were identified. Likewise, in 2019, the Expenditure Verification Report⁴⁴ found no significant issues (I.2.4.3.).

⁴¹ Ex-ante verifications for PEGASE eligible beneficiaries and/or invoices are performed before every disbursement on the basis of eligibility criteria defined by the EU. Ex- post activities include confirming that the funds have been duly disbursed to the eligible beneficiaries. Moreover, to ensure verification of each recipient of funds, and in order to avert any risk of misuse of funds, all PEGASE beneficiaries are encoded in PEGASE IT system and screened against international sanctions lists and other ad-hoc lists through specialised software

⁴² Evaluation of 2016/2017 PEGASE Direct Financial Support to the Palestinian Authority (PEGASE DFS), A.R.S. Progetti, October 2018

⁴³ PEGASE Direct Financial Support to Recurrent Expenditures of the Palestinian Authority (PDFS) – for the year ended December 31, 2018’, Final Expenditure Verification Report, 27 April 2020

⁴⁴ PEGASE Direct Financial Support To Recurrent Expenditure Of The Palestinian Authority (Pdfs), Final Expenditure Verification Report, Year Ended 31 December 2019, BDO, 13 August 2021

Table 8: (EQ2 JC2.4) PEGASE MoUs between EUREP and EDPs

	DPS	MOUs SIGNED 2018	MOUs SIGNED 2019	NOTES
CSP	UK	(GBP)20,000,000/ (EUR) 22,590,000	(GBP) 20,000,000/ (EUR) 23,380,000	
	The Netherlands		(EUR) 1,500,000	This entry may need to be removed from report if The Netherlands requires no publicity and report is to be published
CTP	Finland	(EUR) 1,600,000	(EUR) 900,000	
	Ireland		(EUR) 275,000	
	Austria		(EUR) 2,000,000	
	Spain	(EUR) 2,000,000	(EUR) 1,000,000	3 MoUs
EJH	Finland	(EUR) 900,000		
	Italy	(EUR) 1,000,000	(EUR) 1,000,000	Italy signed one MoU in 2018 covering EUR 1 M. per annum for 3 years: 2017-2019
	Totals	(EUR) 28,090,000	(EUR) 30,550,000	

EQ3. To what extent have the development outcomes supported by PEGASE enabled the Duty Bearer to build effective institutions accountable to their citizens ready for statehood and achieve improved public social services and respond to Rights' Holders (citizens') requirements (including those of marginalised groups (leaving no-one behind)?

JC 3.1: Marginalised groups benefited from PEGASE support to health referrals and social allowances

In 2018-2019, PEGASE support to health referrals and social allowances supported the PA as the Duty Bearer to uphold the delivery of public social services thereby responding to Rights Holders' entitlements and SDG *Leaving No one Behind*. The PA's fiscal crisis that started in 2019 led to an increased reliance on PEGASE to help meet the basic needs of vulnerable groups which was compounded during Covid-19. The main SP system is provided through the national CTP with cash assistance to 108,844 poor and vulnerable families as well as free health insurance, food assistance and school fee waivers. PEGASE contributions accounted for 40-45 percent of CTP in 'normal' times. The contribution percentage has however increased to comprise almost 60 percent due the PA's fiscal crisis and the payment of only three of the four quarterly payments in 2018 and 2019. Considering the deteriorating socio-economic situation and worsening poverty in Gaza, as well as the objective of fostering EU's transformative approach towards UNRWA, an additional EUR 10 million were allocated for cash injection to the poorest families in Gaza targeting an additional 7,811 families who were on the CTP waiting list, most of them with refugee status. The amount was to be distributed over four payments including MoF contribution. Three payments (EUR 8.5 million) were made in 2020 – one payment pending: foreseen in 1st quarter 2022 (I.3.1.1.).

Since the previous reporting period (2016-2017), the percentage of households living in extreme poverty and covered by social allowances improved and the funding contributed to helping meet basic needs. As illustrated in Table 5, around two thirds of the families are from Gaza and their numbers have not changed

whereas in the West Bank they showed a slight reduction consistent with better living conditions during the period. CTP beneficiaries also encompass marginalised groups (I 3.3.3.).

The PA's delivery of health services is supported by PEGASE through CSP and contribution to health referral arrears to EJs. The original indicator in ROF "Percentage of patients actually referred out of those in need (average of 102,000 per year – source UNCT common country analysis)" was a one-time analysis and no recent data indicating access to health services through referrals could be identified by this PEGASE Biennial Evaluation (I.3.1.2). According to data provided by the Referral Department directory, around 85 percent of people in need of medical referral were able to access and receive the service. However, the World Health Organisation⁴⁵ (WHO) highlighted discrepancies in referrals for the West Bank compared to Gaza. Referrals from the West Bank, including East Jerusalem, accounted for 72 percent of total referrals. The Israeli permit regime continues to comprise a significant barrier, especially to the population in Gaza's access to specialised medical services (including children) resulting in negative recovery outcomes⁴⁶ (I.3.1.5.).

JC 3.2: The degree of citizen satisfaction with public services increased during the evaluation period

Echoing the negative trend in the Worldwide Governance Indicator⁴⁷ (I.3.2.1.) the Palestinian population's satisfaction with the public services remained low (I.3.2.3.) and satisfaction with the healthcare system showed a negative trend since 2016 including during the period of the pandemic (I.3.2.2.). Focus Group Discussions (FGDs), regional and local surveys of Rights Holders found a degree of dissatisfaction with the government's services including its most recent handling of the pandemic. FGDs with CTP and EJH referral beneficiaries for this PEGASE Biennial Evaluation, almost unanimously expressed dissatisfaction with public services and the government's performance including dealing with the economic impact of the pandemic. While there is no data to measure Gaza citizen satisfaction with the PA handling of the pandemic, according to a local REFORM⁴⁸ study (that only surveyed the West Bank), less than two-thirds (57%) of citizens surveyed said that they were satisfied with the performance of the Palestinian government headed by Dr. Muhammad Shtayyeh in dealing with the spread of the Corona virus; further, 78 percent were not satisfied with support (material and in kind) provided to poor families during the pandemic (I.3.2.4.). This is consistent with the 2019 Arab Barometer⁴⁹ 2019 findings which revealed that less than half (41.9%) of Palestinians were satisfied with public services. **The Palestinian population's satisfaction with the healthcare system also showed a negative trend - only 38.8 percent were satisfied/completely satisfied in 2019 compared to 50.9 percent in 2016.** In 2018, only around 38.9 percent of the population agreed that *"the government does all it can to provide its citizens with necessary services"*. Furthermore, Palestinians have continued to have little trust in the government (33% total - West Bank: 27%, Gaza: 42%). In the West Bank, trust in government has been witnessing a declining trend. Corruption at state agencies also remained a concern across the country with more than 80 percent stating that there was corruption in government agencies to a large or medium extent (West Bank: 84%, Gaza: 81%).

EQ4. To what extent and through which mechanisms (funds, dialogue, incentive tranche) have PEGASE contributed to improvements in the policy formulation and implementation processes?

JC 4.1: PEGASE DFS has provided an effective vehicle to the PA for the delivery of improved public services

During 2018-2019, PEGASE DFS provided an effective vehicle to the PA to continue to deliver public services, and free up PA funds for the PA to handle the pandemic in 2020 (I.4.1.3.) though not necessarily to improve services in a meaningful (or evidenced) way, especially in relation to the health sector. Most stakeholders still see PEGASE merely as helping keep services afloat (as per the early objective of the original PEGASE mechanism when it was introduced in 2008), rather than a vehicle for reform, with the exception of the Incentives-Based mechanism. However, the challenges encountered in channelling

⁴⁵ WHO Right to health report 2019-2020 is in draft and will be published by end of November 2021

⁴⁶ Ibid

⁴⁷ WGI Government Effectiveness measures perceptions around the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies

⁴⁸ REFORM.ps (NB: Link is broken)

⁴⁹ <https://www.arabbarometer.org/survey-data/data-analysis-tool/> and Arab Barometer "Palestine Report: Public opinion 2019"

EUREP funds in 2021 created missed opportunities to further support much needed services and marginalised groups amidst the pandemic (I.4.1.3., I.4.1.5.). This applies especially to CTP beneficiaries and EJHs and contributed to increased criticism by citizens and civil society over the PA's failure to meet its SP obligations, and relatedly, EJHs are experiencing a significant reduction in their ability to meet health service needs. PEGASE disbursement delays in 2021 (due to delays in the EC's approval of the PEGASE budget and the MoF's delay in disbursement) also led some EDPs to consider other funding mechanisms (although no specific alternate mechanism was named by these stakeholders) to assist Palestinians during Covid-19.

EUREP's leadership and coordination of the SP sector is well recognised by most SP stakeholders interviewed, along with MoSD's recent approach to addressing poverty, but enhanced harmonisation is not apparent. DPs acknowledge EUREP's leadership and coordination of the SP sector. While MoSD's recent undertaking of a multidimensional poverty assessment is looked upon positively to help harmonise targeting and reach impoverished and vulnerable groups through the CTP programme, **SP is still challenged by the lack of fully effective coordination and coherent approaches amongst actors.** Collaboration between MoSD and humanitarian actors remains mostly on technical issues (e.g. use of beneficiary list) and suffers from limited harmonisation of approaches and strategic coordination towards a shared objective which is compounded by lack of regular and structured exchange between humanitarian clusters and LACS SP SWG.

Between 2016 and 2019, the PA steadily increased its expenditure on public services by 10 percent (I.4.1.2.) but has decreased its health expenditure in 2019 to below 2017 levels (I.4.1.1.) Consequently, Civil Society and DPs question the MoH's commitment to investing in the development of the national healthcare system. The proportion of total government spending on essential services increased from 47.4 percent to 50 percent in 2016 and 2017 respectively, and again from 56.3 percent in 2018 to 57 percent in 2019. Conversely, by 2019, total health expenditures to Gross Domestic Product (GDP) dropped to 9.2 percent which is below its level of 9.3 per cent in 2017⁵⁰. EDPs and non EDPs interviewed, questioned the PA's commitment to developing the national healthcare system. This commitment was also questioned in AMAN's 2021 semi-annual budget report including the PA's commitment to decreasing purchasing of health services especially from non-Palestinian providers.

⁵⁰ Final Report - PEGASE CSP - Incentives/Conditionalities-based Tranche, MoF, 2020, As of 31st of December 2020

Table 9: (EQ4 JC 4.2): Performance of 2018 and 2019 PEGASE DFS Incentives-Based tranche indicators

Sector	2018		Met/Not Met/ Partially Met	2019	Sector Objective	2019 Indicators	Met/Not Met/ Partially Met
	Sector Objective	Indicators					
PFM	1. Budget transparency (budget preparation, monitoring and reporting)	1.1./1.2 The First and Second Budget Circulars	Not Met	B.1.1. Budget transparency (budget preparation, monitoring and reporting)	B.1.1.1 - The First and Second Budget Circulars	Met	
		1.2./1.5 Citizens' budget	Met		B. 1.1.2 - An improved Citizens' Budget developed and published	Not Met	
		1.3./1.6 Enacted budget	Met		B. 1.1.3 - Enacted budget	Waived	
		1.4./1.7 In-year reports (monthly reports)	Met				
		1.5./1.8 Year-end report	Assessment carried over into 2019 – eventually Met				
		1/6/1.9 End-of-year report including the financial statements audited by the independent Supreme Audit Institution (i.e. SAACB)	Assessment carried over into 2019– eventually Met				
	2. Payroll control and replacement of the current payroll system with a more modernised and effective system	2.1/3.1 Development of a business plan for the proposal of replacing the Users Interfaces system	Waived				

Sector	2018	Indicators		Met/Not Met/ Partially Met	2019	2019 Indicators		Met/Not Met/ Partially Met
		Sector Objective	Indicators			Sector Objective	2019 Indicators	
			2.2/3.2 Expand the Financial Controller operations to include the whole payroll system	Partially Met				
			2.3/3.3 Regular reconciliation between personnel data and payroll data	Partially Met				
			2.4/3.4 Establish specialised Payroll audit	Partially Met				
					B.1.2. Increase the Public procurement transparency		B. 1.2.1 - Increase transparency in public procurement	Carried over into 2020—eventually Met
							B. 1.2.2 - Developing of functions and procedures of the High Council of Public Procurement Policies.	Met
Water					B.2. Water Sector Reform and Sustainability		B.2.1 - Water Reform: Adoption of the Water Sector "Well Drilling and Abstraction " Bylaw by the Cabinet of Ministers	Carried over into 2020—eventually Met
							B.2.2 - Limiting the Annual Increase of Bulk Water Debt	Met

Sources: Note to the Attention of Mr. Maciej Popowski, Acting Director, NEAR/B, Assessment of Disbursement of the 2018 and 2019 Incentive-Based Tranches - PEGASE Direct Financial Assistance to the Palestinian Authority – CSP Component, EUREP, 31 March 2020

JC 4.2: The incentives mechanism strengthened ownership by the PA to reforms

Overall, the state actors' performance in relation to the Incentives-Based has been satisfactory with the indicators reflecting their own reform priorities, which are at a relatively early stage in the reform process (Table 9). The four specific areas of PFM reform subject to the Incentives-Based mechanism are key priorities for MoF and are incorporated within their PFM Strategy (2017-2022) and their good performance in relation to these indicators demonstrates their commitment to these reforms, although the overall PFM reform agenda is extensive, and progress remains at a fundamental stage in the overall PFM reform process. For 2018, out of ten indicators: 80 percent were Met/Partially Met (5 - Met (of which 2 after re-assessment in 2019), 3 - Partially Met; 1 Not Met, and 1 waived). For 2019, out of eight indicators: 75 percent were Met (6 - Met (of which 2 after re-assessment in 2020); 1 Not Met, and 1 waived). The PA's budget preparations are still a cause for concern, recently adversely impacted by Covid-19 with emergency budgets issued for both 2019 and 2020; although the backlog in the submission and auditing of Annual Financial Statements (AFS) was resolved in 2021. Overall good progress has been made during the period in the activation of the work of the High Council for Public Procurement Policies (HCPPP) with the support of the World Bank; with a procurement portal launched, Standard Bidding Documents (SBD) issued, and extensive training delivered, although such progress reflects an early stage of PFM reforms. The risks due to the lack of integration of the MoF's payroll system with the GPC's personnel database were mitigated during the period through rigorous PEGASE DFS ex-ante and post-auditing. Moreover, the EU funding in 2021 of the introduction of a new payroll system that integrates the MoF and GPC systems is expected to further increase the safeguarding processes (I.4.2.1., I.4.2.2.).

For Water Sector Reform and Sustainability, the sector's incentives have supported the efforts of the EU to apply appropriate pressure to the PWA to undertake the establishment of Bylaws and institutional reforms and whilst the indicators are 'owned', the PWA considers them to be particularly challenging due to their complexity, the number of stakeholders involved, along with the pandemic which has resulted in delays in legislative reform. Whilst there has been advancement, as with PFM reforms, the reforms required are extensive over the medium to long-term, and require the transformation of the PWA, its legislative framework, and institutional development - ultimately leading to the establishment of regional water facilities. The PWA achieved one out of the two indicators introduced in 2019, B.2.2 – 'Limiting the Annual Increase of Bulk Water Debt' was Met, whilst B.2.1 – 'Water Reform: Adoption of the Water Sector "Well Drilling and Abstraction' Bylaw by the Cabinet of Ministers' was Not Met. It was decided to reassess the indicator in 2020 due to the lengthy process involved in approving this secondary legislation, during which time it was 'Met'. In 2020, again, one out of two indicators was achieved: 2.1.(i)- By-law on Unified Tariff Regulation by the Cabinet of Ministers, and (ii) By-law on Establishment of Regional Water Utility Regulation and Licencing by the Cabinet of Ministers, was carried forward into 2021, after the PWA sent an official request to delay the deadline for its full implementation considering the external factors related to the pandemic which had negatively affected the endorsement process for the regulations; and Indicator 2.2. Percentage of Water Loss at Bulk Water Level, which was 'Met'(I.4.2.2., I.4.2.4.).

Energy Sector Reform and Sustainability: PENRA developed its Energy Strategy 2017-2022, which was revised in 2019, and Incentives-Based Indicators were drawn from the strategy agreed for 2020 through a joint effort between PENRA and EUREP (although PENRA noted that the negotiation of the Incentives-Based Indicators took an extended period of time). The sector faces political, financial, and technical challenges and PENRA acknowledges that the objectives of EUREP are to support Palestine's agenda to obtain full resources and the transfer of the energy sector from Israel, although whilst reforms started with attention on technical and commercial topics, political issues impede progress. In 2020, one out of two indicators met: 3.1. 'Improve the private sector participation in supply of renewable energy solutions - Total Renewable Energy capacity installed', was 'Met', and 2.2. 'Losses (technical and non-technical) in the distribution system of the West Bank, Municipalities and DISCOs (Distribution Companies) together (%)' which was 'Not Met', due to the impact of the pandemic - linked to installing electricity smart meters, and associated difficulties for manufacturers in procuring equipment and gaining access to premises. In light of the circumstances, the EU granted the PA an extension until 31 December 2021 to fulfil the indicator (I.4.2.2.).

For 2018, the EU disbursed EUR 6 million in May 2019 as contribution to April 2019 payroll related to the 2018 tranche⁵¹. A further EUR 8 million was disbursed in December 2018 as a contribution to the November 2019 payroll, still from the 2018 tranche. In July 2020, EUR 16 million was disbursed as a contribution to June 2020 payroll as follows: EUR 6 million as balance of the 2018 tranche and EUR 10 million from the 2019 tranche. The balance of EUR 10 million under the 2019 tranche was disbursed in October 2020 for the September 2020 payroll⁵² (I.4.2.3.).

Due to the lack of a multi-stakeholder PEGASE SC during the period, there is a lack of documented evidence about lessons learned. **Lessons identified by state sector stakeholders include: the need to gain senior level (including Ministerial) ownership; multi-stakeholder buy-in; early and timely negotiation of indicators between EUREP and the state actors; more frequent policy dialogue; increased funding; increased visibility of reforms achieved through PEGASE to stakeholders in the sector and the public; and consistent flexibility across EUREP including PEGASE DFS auditors in relation to the assessment of indicator compliance** (senior managers at EUREP were considered by state sector stakeholders to adopt a more flexible approach to indicator compliance than PEGASE programme managers and auditors for example) (I.4.2.5.).

JC 4.3: The linkages between the PEGASE-related reform areas underpinned by the ROF policy dialogue process led to more effective reform results

The lack of progress in adoption of PEGASE related reform areas (outside of the Incentives-Based tranche) indicates poor capacity across the PA and state agencies (PENRA/PWA) to implement reforms. Policy dialogue has also been diluted due to the fragmentation and inconsistency of ROF policy dialogue as well as the reduced voice and participation of CSOs in reform processes (I.4.3.3., I.4.3.4.) that have led to marginal reform results during the period of evaluation. (Reform progress for PFM/Water/Energy has been reported under JC 4.2 above) (Table 9) (I.4.3.1., I.4.3.2.).

PAR: the PA has advanced the implementation of civil service reform and the GPC has worked on the development of selected by-laws together with SIGMA. The Civil Servant Law has been drafted but has been delayed by the Cabinet, due to the financial implications of introducing the new Law. Failure to approve a new Civil Service Law continues to limit options for sector improvements, including much needed Bylaws and updates to Human Resource manuals and systems for PA institutions, as well as training. Approving the new Civil Service Law and developing adequate monitoring arrangements for the PNPA and related sector strategies are crucial to PAR. Work on the reintegration of the public administrations in the West Bank and Gaza has not borne much progress, without which PAR reforms will have only limited impact in Gaza. The EU is aware of these challenges and has commenced the implementation of new TA support, although without an agreed lead for PAR within the PA, progress remains slow (I.4.3.1., I.4.3.2.).

Social Development: The Law on Persons with Disabilities (PWD) was submitted to Cabinet in 2019 and a costing exercise was undertaken by UNICEF but the law is neither promulgated nor implemented yet. The Family Protection Bill was revised under the leadership of MoSD and re-submitted to Cabinet. The Law on protection of elderly is in the drafting stage and should be introduced by the end of 2021. The main constraints for MoSD to roll out its reforms is the lack of adequate budgets driven by weak links between the PNPA, sector strategies and the budgeting process. It should be noted that the Social Security Law implementation by the Social Security Corporation, under the Lead of the Ministry of Labor, was confronted with major protests and demonstrations by workers and employers. Consequently, the Council of Ministers put on hold the enforcement of the Law and established a ministerial committee to re-open the social dialogue with different stakeholders (I.4.3.1., I.4.3.2.).

⁵¹ Note to the Attention of Mr. Michael Köhler, Director, NEAR/B, Disbursement of the 2018 Incentive-Based Tranche - PEGASE Direct Financial Assistance to the Palestinian Authority – CSP Component, EUREP, 6 March 2019

⁵² Note to Tomas Niklasson (reference Ares (2019) 7015164), EUREP, 13 November 2019; Note to the Attention of Mr. Maciej Popowski, Acting Director, NEAR/B, Assessment of Disbursement of the 2018 and 2019 Incentive-Based Tranches - PEGASE Direct Financial Assistance to the Palestinian Authority – CSP Component, EUREP, 31 March 2020

Table 10: (EQ4 JC4.3) Number and type of Laws/by-laws prepared in the relevant sectors, endorsed, and implemented

Sector	ROF 2018-2019 Objectives	ROF 2018 indicators	ROF 2019 indicators	Status
PAR	IO1: Effective and legal framework developed, implemented and monitoring on law enforcement enhanced	IO1.1: Number of regulations (bylaws) for the new civil service law prepared and endorsed that ensure effective and efficient legal framework and monitoring of law enforcement	IO1.1: Number of regulations (bylaws) for the new civil service law prepared and endorsed that ensure effective and efficient legal framework and monitoring of law enforcement	A Civil Servant Law has been drafted but has been delayed by the Cabinet, due to the financial implications of introducing the new Law. A committee was established, and the Civil Service Bill has had two readings. Nevertheless, the GPC has worked on the development of selected Bylaws together with SIGMA
Water	IO1: Developed water and wastewater institutions to reinforce good governance bases within an integrated legal and institutional framework (Water)	IO10.1: Water security bylaws and regulations, including unified tariff and <i>establishment of national water company</i> (Water)	(Different) IO1.1: Water security bylaws and regulations, including unified tariff <i>and licensing Regulation</i> (water); The objectives and indicators for the water sector commenced within the incentives tranche for PEGASE in 2019. Legislative reform indicator: B2.1: Water Reform: Adoption of the Water Sector "Well Drilling and Abstraction" Bylaw by the Cabinet of Ministers; The Palestinian Cabinet of Ministers endorses the "Well Drilling and Abstraction" Bylaw, by 31 December 2019	B.2.1 - The water by-law was not met in 2019 and the timescale for PWA compliance was extended into 2020 by the EU. This indicator was then duly met in 2020. The Bylaw was subject to three readings by the CoM, and subsequent modifications. PWA has to submit to Cabinet the 'Establishment and Licensing of Regional Water Utilities By-law' (Water IO 1.1)-ROF 2019 Annual report Water sector Tariff by-law (Water IO 1.1)- is still pending
Social Protection	IO1: Protective legislations, policies and framework enhanced (SD);	O1 Revised Law for People with Disabilities in place (SP); IO2 Law on protection of elderly in place (SP);	(Same) IO1 Revised Law for People with Disabilities in place (SP); IO2 Law on protection of elderly in place (SP);	IO1: PWD Law introduced but not endorsed nor implemented yet - submitted to Cabinet in 2019. IO2: Law on protection of elderly is in drafting stage, will be introduced by end of 2021 ROF/MOSD: The Family Protection Bill, in particular for the national interventions and services related to GBV, was revised under the leadership of MoSD and re-submitted to Cabinet

Health: MoH continued reforming and strengthening the existing referral system, mainly, updating MoU's with service providers inside and outside Palestine and adopting the e-referral system. MoH began introducing the national price list in the West Bank, but work was stopped due to Covid-19. EUREP is not engaged in the policy dialogue in the health sector through PEGASE, as Italy leads on Health (according to the EJS-ROF DoL) and PEGASE contribution to EJH component and for salaries under CSP was not accompanied by support to reforms in the health sector despite including reform-related indicators in the PEGASE DFS (such as referral costs to Israeli hospitals, MOUs with EJHs to control the costs, etc). The sector is severely underfunded and ROF and its policy dialogue processes which have acted as the main, if not only formal framework for policy dialogue between the PA and DPs, is seen insufficient for conducive and systemic reforms to the healthcare system including referrals. Therefore, PEGASE influence on health referrals reform is very limited and results are patchy (I.4.3.1., I.4.3.2.).

For further information on legislative progress within the PEGASE-related sectors, see Table 10.

JC 4.4: The effects of policy reforms are likely to last after PEGASE

The lack of realisation of policy reforms and progress is largely caused by weak links between the PNPA, sector strategies and the budgeting process, as well as a slow legislative promulgation process linked to the PA's lack of financial capacity to fund existing and new legislative mandates which undermines the sustainability of change within these PEGASE-linked sectors and is of serious concern. Sector strategies and action plans are not rooted in the budgeting process. There is no adequate mechanism whereby ministries can inform CoG of their priorities and needs, and this also affects the capacity of the government to address PAR and PFM reforms. When laws are passed, ministries are not automatically furnished with additional resources to implement the law, leading to inadequate implementation and enforcements⁵³. Despite notable progress towards SP floors and better inclusion and coverage of the elderly and PWD, the new PwD Law has been at draft stages for several years and lacks PA commitment to provide budget for its implementation and enforcement (I.4.4.3., I.4.4.4.). For Health – referrals remain an ongoing major concern in terms of fiscal sustainability.

Despite the national CTP seeking to support the recovery and resilience of vulnerable populations, concerns about its implementation and budget/resources remain in terms of inflating the CTP recipient numbers and respective budget amidst worrying signs that the PA sees it as less of a priority. Serious discussions amongst all stakeholders including EDPs and non-EDPs with the PA and reflections regarding CTP and its future have been insufficient especially pertaining to outcomes from social assistance and its various interventions. Whilst, MoSD introduced Multidimensional poverty assessment (which helps understanding intra-household and individual vulnerabilities, better analysis and improved targeting in MoSD database under the unified social registry - supported by the World Bank) the CTP is not sufficiently shock-responsive, i.e. it has limited ability to expand and contract in times of crisis and in the event of shocks and there is a lack of clarity as to expected outcomes of the social assistance. MoSD and DPs cite insufficient linkages between social assistance with resilience programming, e.g. livelihood, education and economic empowerment. Efforts to shift PWD and elderly as the most vulnerable from the Proxy Means Testing Formula (PMTF) to category allowance have also been hindered by the PA fiscal prices according to interviews with MoSD. Concerns were also voiced by some DPs and CSOs about the PA's intentions to reduce the CTP payments to three instead of four per year - indicating reduced commitment and prioritisation of the issue considering that around two thirds of the CTP recipients are from Gaza. (I.4.4.3., I.4.4.4.).

⁵³ Mid-term Review of the European Joint Strategy in support of Palestine 2017-2020, GDSI, June 2020

Table 11: (EQ4 JC4.4.) Distribution of number and cost of medical referrals outside MOH 2017-2019 (Source: MoH Annual Reports, 2018,2019)

	No. of Referrals	2019
Total Number of medical referrals outside MOH (within and outside Palestine)		104,881
Cost of total referrals outside MoH		924, 048, 880 NIS
Total number of referrals out of Palestine from WB, EJ and GS		11,209 (10.7%)
Cost of referrals out of Palestine (Egypt, Jordan and Turkey as well as hospitals located within the Green Line (Israel))		276, 742,232 NIS
Number of referrals from WB and GS to Israeli hospitals		7,222
Cost of referrals to Israeli hospitals		255,339,716 NIS
Total number of referrals inside Palestine from WB, EJ and GS		93, 672 (89.3%)
Cost of referrals inside Palestine from WB, EJ and GS		647, 342, 648 NIS
Total number of medical referrals from GS to outside MOH		26,165
Cost of medical referrals from GS to outside MOH		
Total number of medical referrals from WB to outside MOH		67,507
Total cost of medical referrals from the WB to outside MOH		
Total Male medical referrals to outside MOH		29,543 (54.2%)
Female referrals to outside MOH		24,965 (45.8%)

	2019
Total number referred to EJH (% of total referred cases outside MOH)	45,990 (43.8%) (Increased)
Cost of referrals to EJH	297,900,000 NIS
Number of WB referral to EJH/ Number of GS referral to EJH	30,545/15,445
Cost of WB referral to EJH	
Cost of WB referrals to EJH	
Average cost of referral to EJH	6,477 NIS

The National Health Sector strategy aims to nationalise the health system but the costs of referrals to Israeli hospitals (also an indicator in PEGASE and the ROF) during the period of evaluation have not been reduced and remain unexplained (I.4.4.1.). The reduction of over half of the number of referrals to Israeli hospitals during the period of evaluation was mainly due to the PA's policy to stop them (18,348 referrals in 2018 down to 7,222 in 2019 - For more information of referral numbers and costs see Table 11. A unified national drug list did not materialise during the period due to Covid-19. (I.4.4.2.) Progress in the e-referral system has reportedly helped inform decision making and cost control but such results have yet to be evidenced for the years 2020 onwards by the World Bank. However, the MoH's Referral Department estimates that costs have been controlled by 85 to 90 percent due to the e-referral system which has unified prices and helped reduce costs: referrals are no longer an open system.

JC 4.5: PEGASE DFS contributes to Effective Development Cooperation principles

The nexus of the EJS, its ROF and the PEGASE ToC/IL has enabled a coherent and coordinated approach to results-based reforms and policy dialogue adhering to Effective Development Cooperation principles, but most stakeholders consider that the 2-SS should be reinstated as the impact objective, and aid harmonisation as well as monitoring of gender and social inclusion are sub-optimal. Both the PEGASE OO (Build effective and accountable institutions ready for statehood and enable inclusive social development (leaving no-one behind)) and Specific Objective (SO) (Improved public services responding to citizens' needs, including those of marginalised groups) of the PEGASE IL are fully aligned with Effective Development Cooperation principles, however, the PA and some DPs wish the EU to reinstate an overarching political objective - the maintenance of the 2-SS, for the programme (as per pre-2016) in recognition of the constraints that the PA faces at both political and technical levels, which affects their ability to realise ambitious reforms. The most pertinent Effective Development Cooperation principles in relation to PEGASE include predictability, results oriented, DoL, mutual accountability, as well as other fundamental principles of a RBA, including gender and social inclusion, and interlinkages with SDGs (I.4.5.1., I.4.5.2.). Whilst the multi-annual nature of the PEGASE DFS increases predictability of aid flows conversely the Incentives-Based mechanism reduces it - striking a balance between providing incentives for reform and predictability of funding. Both EDPs and the PA are cognisant of the DoL provided under the EJS its ROF, however the PA commented that it finds that the DPs still continue to emphasise their own bi-lateral policy dialogue. The fact that there was not a PEGASE SC in place during the 2018-2020 period has also prevented effective, coherent monitoring. In terms of efforts to increase the aid harmonisation, with a focus on social assistance programmes in the West Bank and Gaza, EUREP is supporting the strengthening of coherence between humanitarian and development activities. The EJS reflects the principles of an RBA and PEGASE underpins such an approach in its support to the CTP and EJP. The PEGASE programme is also relevant to the Agenda 2030 and its IL does identify linkages with SDG 16, SDG 16.6.1, SDG 1.b.1, and SDG 1.4.1, and at the sectoral level both the PAR and SD strategies address, inter-alia, gender and PWD (I.4.5.2.). The PEGASE logframe also includes indicators in relation to gender social inclusion, although there are no Incentives-Based indicators that are disaggregated in terms of gender and social inclusion or focus on equalities issues.

EQ5. To what extent have PEGASE visibility and communication activities contributed to an increased awareness by the public to the EDPs support to its expected outcomes and achievements?

JC 5.1: EUREP's PEGASE communications and visibility remained relevant to the changing context of PEGASE and key messages to target audiences were adapted accordingly

There were two companies commissioned by EUREP to facilitate communications about PEGASE: (1) Dancom, the company commissioned to prepare a Visibility Strategy and Communications Plan 2019-2021⁵⁴, and (2) Safad Advertising, a media company based in the OPTs commissioned by EUREP to undertake visibility activities in relation to the CTP⁵⁵.

⁵⁴ (Design of PEGASE Visibility Strategy and Communication Plan 2019-2021, Mission Report, Danicom and Particp GMBH, June 2019)

⁵⁵ Final Report, 2018-2019 outreach campaign for the PEGASE programme in support to the Palestinian Cash Transfer programme (Contract Number: ENI2018/395.961), Submitted to EUREP, Safad (no date)

EUREP acknowledges that visibility and communications about PEGASE need to be increased and improved but is unsure of the approaches to take to maximise impact, although formal feedback loops are not in place. EUREP PEGASE-related programme managers informed the evaluation that they had not been consulted on key messages developed as part of visibility and communications activities, and this may be a missed opportunity to carefully craft and target messages to PA stakeholders, PEGASE beneficiaries, as well as the public (I.5.1.1., I.5.1.2.).

JC 5.2: EUREP's PEGASE communications and visibility actions have raised awareness of PEGASE DFS to beneficiaries, other stakeholders, and the public

EUREP organises a range of communications and visibility activities of modes and channels, that (inter-alia) allow for PEGASE-related bilateral and group discussions with DPs. Whilst meetings are found to be generally useful and informative, however, on balance, EDPs were more critical, informing the evaluation that communications are problematic and tend to focus on outputs rather than achievements, outcomes, and challenges. EDPs are concerned about a lack of information from EUREP. For example, they cite the need for discussions about recent PEGASE disbursements to the PA having been delayed made, which negatively affected their views in relation to communications. Specifically, DPs are aware of the PEGASE DFS press releases issued by EUREP in relation to disbursements, but they are considered to be insufficient, and DPs suggest that they should be supplemented with narrative progress reports about the status of fund releases and the specific reasons for disbursement delays. The PA was less clear about the communications and visibility actions that EUREP has undertaken in relation to PEGASE; although they are aware of sector policy dialogue at the technical and political levels in relation to budget support and TA, as well as the ROF. In general, CoG has a detailed understanding of PEGASE DFS and conversely, LMAs know very little about it, except in relation to the specific window/sector reform with which they are involved - this is primarily due to a lack of policy dialogue amongst DPs and with the PA about the PEGASE DFS mechanism and ways it could be improved. Further, PA stakeholders are fully aware of which DPs fund their sectors. The Iftah dinners, examined in the next section, were aimed at CTP beneficiaries and were the only events aimed at the 'public' and whilst appreciated by them, these dinners are a narrow form of communications-visibility (I.5.2.1).

JC 5.3: EUREP's PEGASE communications and visibility activities were delivered on time and to cost against plan

EUREP considered their commissioning of the Visibility Strategy and Communications Plan to be an unsuccessful engagement as the strategy and plan appeared not to be useful. Danicom did not commence its work on visibility and communications until 2019, with their mission report produced in June 2019 - 18 months into the 2018 - 2020 PEGASE programme (I.5.3.1).

Safad successfully delivered 16 Iftah dinners (8 per annum) during 2018 and 2019, with cultural events and entertainment for 3,000 CTP beneficiaries in 16 different localities across the OPTs. The preparations for such included the development of concepts for outreach activities and production of visibility and promotional materials. The contract was awarded at a fixed price and so was delivered within budget. Whilst feedback loops were not in place, the dinners were oversubscribed. Safad made a few recommendations within their final report, mainly for the logistical improvement of the events, but also noting the need to encourage more women to attend (some did not attend for cultural reasons) and to increase accessibility for PWD (I.5.3.1).

ANNEX 3: EVALUATION MATRIX

EQ 1 To what extent was the design of PEGASE DFS relevant to the policy priorities of the PA and EDPs considering the changing circumstances during 2018-2019?

Evaluation criteria: Relevance, with aspects of Coherence

Key issues: The overall objective of the Palestinian National Policy Agenda (PNPA) *Putting Citizens First* (2017-2022) (the PA's development plan) is - *To protect the viability of the two state solution with an independent, democratic, contiguous and viable Palestinian State, living side by side in peace and security with the State of Israel.* A similar overall objective had been in place for PEGASE until 2017 - *Maintain the viability of the two-state solution by avoiding the fiscal collapse of the PA and sustaining basic living conditions of the whole Palestinian population.* The PEGASE is informed by both the PNPA as well as the European Joint Strategy (EJS) *Towards a democratic and accountable Palestinian State* (2017-2022). It presents the political priority of the EU in support of the 2-SS and the development priorities for the EU as well as European Development Partners (EDPs). It sought alignment with the PNPA, underpinned by pillars in relation to Palestine's aspirations for statehood as well as effective service delivery. In 2018, the overall objective for the PEGASE Logframe 2018-2020 was amended to *Build effective and accountable institutions ready for statehood and enable inclusive social development (leaving no-one behind).* Whilst Impact shall not be adopted as a DAC Evaluation Criteria, the Impact level of the IL-ToC will be explored with stakeholders to ascertain whether it remained valid during 2018-19 or if it requires adjustment. The PNPA has remained in place during the Evaluation period and is the key document to inform the PA's priorities along with sector strategies for PFM and PAR reforms – in relation to CSP, social development – in relation to CTP, and health in relation to EJM. In March 2019, a new government was formed headed by Mohammad Shtayyeh. The new Palestinian government took initial steps to revise its development plan – the (PNPA) (2017–22): during 2019, the Prime Minister's Office (PMO) initiated a Mid Term Review (MTR) of the PNPA and sector strategies, although its findings were produced in 2020 and did not inform the Evaluation period. Meanwhile, the growth of real GDP in the Palestinian territories declined below 1 per cent (0.9%) in 2019 - down from 1.2 percent in 2018, and public revenues dropped in 2019 due to a decline in domestic collections by 8.8 per cent and non-tax collections by 17.4 per cent in 2019, compared to 2018. This sets the context for the assessment of the continued relevance and flexibility of the DFS, and whether the PEGASE design may have supported the duty-bearers to meet the changing needs of its rights' holders - particularly the poor and vulnerable.

The European Joint Strategy in Support of Palestine 2017-2020 – Towards a democratic and accountable Palestinian State (EJS) is a joint response to the PNPA with the overall objective 'to protect the viability of the two state solution with an independent, democratic, contiguous and viable Palestinian State, living side by side in peace and security with the State of Israel. In 2018, the *Results Oriented Framework* (ROF), was launched in its current form to monitor the implementation of the EJS. This was significant to enable the EDPs to work together in partnership with the PA in support of its PNPA's sector priorities. Furthermore, the ROF has evolved over 2018 and 2019. The Pillars of the ROF relevant to this Evaluation and EQ include: Pillar I: Governance Reform, Fiscal Consolidation and Policy Reform (including Sector 1.1. PFM and Macroeconomic Support, and Sector 1.2. Public Administration Reform – Central Government); and Pillar III: Sustainable Service Delivery (including: Sector 3.2: Health, and Sector 3.3: Social Protection). Objectives of the ROF include the promotion of working better together, restating EDP joint commitments to stakeholders, and engaging in mutual accountability. To these ends, each sector identified a Sector Lead from the EDPs who conducted policy dialogue through regular meetings with their PA counterparts, formulated around sector matrices – each with a results chain, indicators, baselines and targets. The mapping of the three PEGASE components against the relevant ROF sector matrices with their accompanying indicators equate as follows: CSP – PFM reform, as well as the Water and Energy sectors - as part of the Incentives Mechanism; CTP – Social Protection (SP) reform; and EJM – Health Referrals' Reform; with PAR being a cross-cutting area of reform.

<p>Rationale:</p> <p>This EQ looks at the design and relevance of the PEGASE DFS over time and at the way in which the design of the programme has changed in response to the evolution of the context within which it took place. The evaluation will also synthesise the use of the PEGASE mechanism to respond to Covid-19 for learning and informing the change. This question aims to analyse the relevance of the PEGASE DFS and complementary support. Its “package” of support, considering two dimensions of relevance:</p> <ul style="list-style-type: none"> • focus of the PEGASE DFS operations with the development goals and strategies of the PA (both overall NPA and sectoral with reference to the specific CTP and EJM components) and the European Joint Strategy and its RoF; • secondly, the extent to which the scale of the operations (overall volume of financial support), the input mix (inclusion of accompanying complementary measures in the form of TA, capacity development or others) and the approach to implementation have been adapted to the specific socio-economic and institutional context, and have evolved in line with changes in that context. This will also include the analysis of indicators selected as triggers as well as the mechanisms adopted for the appreciation and monitoring of the agreed indicators. With regard to the latter, the team will identify differences (e.g. across sectors) in the type of indicators included in the PFM Strategy and Incentive-Based mechanism, thereby distinguishing between process and performance indicators, and highlighting the inclusion of gender specific or gender disaggregated indicators and the mainstreaming of other cross-cutting themes, and alignment with a Rights Based Approach; and finally, the funding and TA support (capacity development programmes and activities) of EDPs both within PEGASE components/sectors and in relation to other programmes involving both EDPs and other DPs (such as the World Bank for example) in the four PEGASE-related sector reform areas, to identify the extent of coherence between PEGASE and these other interventions, with opportunities for increasing coherence and lessons learned identified. 	<p>Step/level</p> <ul style="list-style-type: none"> • Step 1, interaction between context and Level 0 - 1 ‘inputs’ • Step 1: context / Inputs • Step 2, Level 5: Impact: the expected longer term and intermediate changes leading to the achievement of the country’s strategic goals in relation to the design of the ToC
<p>Judgement Criteria</p> <p>JC 1.1: The Intervention Logic-Theory of Change and the results chain of the PEGASE was sound and relevant in light of clearly identified assumptions and risks and were adapted to changes in circumstances and lessons learned during 2018-19</p>	<p>Indicators</p> <ul style="list-style-type: none"> I.1.1.1 Explicit ToC in place and used as a tool in policy dialogue I.1.1.2 Number of changes to objectives/results/indicators from 2016-17 PEGASE Logframe to 2018 – 2020 Logframe I.1.1.3 Number of changes/new ToC risks and assumptions made during the Evaluation period I.1.1.4 Recommendations of PEGASE-related evaluations undertaken during the Evaluation period were addressed during 2018 – 2020 I.1.1.5 Level of relevance/quality of performance indicators (incentive tranche) in view of the expected objectives I.1.1.6 Level of adaptability/scalability in line triple nexus
<p><i>Document review:</i> 2016-17 PEGASE ToC and Logframe; 2018 – 2020 PEGASE ToC and Logframe including risks and assumptions; PEGASE Policy dialogue minutes; RoF sector annual reports, RoF overall annual reports (2018 and 2019); EY PEGASE reports and Global Evaluations; PEGASE/sector Evaluations 2018-19 by EUREP/DPs, EJS mid-term review,</p> <p><i>Interviews with:</i> EUREP; PA: PMO, MoF, MoSD, MoH, PWA, PENRA; DPs; DEVCO; Focus Group: PMO, EUREP & PEGASE DPs EDPs (France, World Bank, Global Water Partnership) and EDPs</p>	<p>Step/Level</p> <ul style="list-style-type: none"> • Step 1, effects of Levels 3 and 4 on 5 Impact will be assessed (but only in relation to ToC) • Step 2, Levels 1 – 5 will be reviewed to identify changes made during the evaluation period

<p>JC 1.2: The objectives and expected results of PEGASE respond(ed) to evolving PA priorities and context (economic, political and institutional context)</p>	<p>I.1.2.1 Number of objectives/results/indicators that have been changed in light of changes in PA priorities, including amendments to the FA. I.1.2.2 Consistency between the PEGASE indicators and the policy targets established within the PNPA and sector policies I.1.2.3 Evolution in the type (and overall financial amounts and disbursement modalities) I.1.2.4 Evidence of changes made during the evaluation period to the different elements of the design of PEGASE DFS reflect changes in the economic, political or institutional context during the period and / or lessons learnt</p>	<ul style="list-style-type: none"> • Step 1, Effects of Level 4 Outcomes on Level 5 Impact • Step 1, Effects of Level 3 Induced Outputs on Level 4 Outcomes
<p><i>Document review:</i> 2018 – 2020 PEGASE ToC and Logframe; PNPA, National Health Sectoral Strategy and Plan, Social Development Strategy and Plan, PEFA, PFM Strategy and Plan; FA; ROF annual reports; Ministry Annual Reports; LACS Working Group minutes; EJS mid-term review <i>Interviews with:</i> EUREP; PA: PMO, MoF, MoSD MoH</p>		
<p>JC 1.3: The objectives and areas of focus of the PEGASE DFS have been defined - and have evolved – in line with the development goals and results outlined in the EJS and ROF, and other relevant EDP programmes</p>	<p>I.1.3.1 Degree of correspondence between the stated objectives and results of the PEGASE DFS and those presented in the EJS and ROF I.1.3.2 Degree of consistency between the indicators retained in the PEGASE DFS logframe with indicators selected for the monitoring of progress in the ROF (relevant ROFs) I.1.3.3 Synergies/Linkages at output and outcome levels between the PEGASE components/relevant sectors and EDPs/non EDPs programmes and identification of possible opportunities for collaboration</p>	<ul style="list-style-type: none"> • Step 2, Analysis of consistency between design of Level 4 Specific Objectives and Level 2 Direct Outputs of the PEGASE logframe and ROF matrices
<p><i>Document review:</i> 2018 – 2020 PEGASE Logframe; EJS; ROF matrices; ROF annual reports; ROF sector policy dialogue meetings' minutes; EJS mid-term review <i>Interviews with:</i> EUREP; PA: PMO, MoF, MoSD, MoH</p>		
<p>JC 1.4: Cross-cutting themes (including gender, environment and climate change), targeting of marginalised groups (People with Disabilities (PwD), children, women, elderly) and Rights Based Approach have been adequately mainstreamed/addressed in the design of PEGASE DFS 2018-19</p>	<p>I.1.4.1 Evidence of inclusion of disaggregated performance indicators (gender and marginalised groups) and process indicators addressing specific cross-cutting themes I.1.4.2 Evidence on the provision of accompanying measures related to gender, marginalised groups (technical assistance, support to undertake gender analysis or related capacity building support) I.1.4.3 Evidence of a Rights Based Approach and methodology used in PEGASE documents and reports</p>	<ul style="list-style-type: none"> • Step 1, examination of Levels 2, 3 and 4 results' chain objectives and indicators within PEGASE logframe
<p><i>Document review:</i> 2018 – 2020 PEGASE Logframe indicators, targets; TA Inception reports & ToC-logframes; PCBS gender and social inclusion, and other cross-cutting data and relevant sector reports <i>Interviews with:</i> EUREP; PMO; PCBS; PEGASE DPs; MoF, MoSD, MoH</p>		

EQ 2

To what extent have the financial and non-financial inputs of PEGASE DFS and the ROF contributed to the establishment of an improved aid management framework?

Evaluation criteria: Efficiency including aspects of Coherence, Sustainability and Added Value

Key issues: The PA has limited control over the majority of its revenues and suffers from substantial revenue losses under the current revenue sharing arrangements with Israel. Israel's intermittent withholding of clearance revenues hampers the predictability and service delivery by the PA and has had serious consequences, including delays in paying salaries of civil servants. The blockade in the Gaza Strip continues to hinder recovery and increases investment costs. Within the West Bank, the restrictions on movement and access, the patchy control of land by the PA and reduced access to Area C have led to the development of insular economies and increased poverty.

Political and security uncertainties weigh heavily on the growth prospects in Palestine. Given the current economic structures, the budget/direct financial support to the PA has been the crucial driver of recent economic growth, essential service delivery and reform efforts. It has directly increased gross disposable income in the Palestinian economy through salary and other recurrent spending, but investment remains particularly low. Given the severe development constraints of the Palestinian context, Palestine's revenue is still aid dependent, with a level of net ODA representing 13 per cent of the GDP in 2018, much reduced compared to 36 per cent in 2009, with a clear downward trend.

PEGASE was established in 2008 – 13 years ago – and since then the EU, EU Member States and other donors have channelled over EUR 2.7 billion through DFS to support the recurrent expenditure of the PA, with systematic, predictable and – until 2017 – unconditional contributions to the payment of CSP, CTP and EIH. As well as supporting the salaries and basic services of the PA, it also contributed to State building as well as to social cohesion, and economic stabilisation. The PEGASE mechanism has been appreciated by the PA for its flexibility and its catalytic nature in attracting funds from other donors with relatively “competitive” transaction costs.

Since 2018, part of the disbursements under CSP – EUR 20 million out of EUR 85 million annually – have been subject to an incentive mechanism for the achievement of reform related objectives jointly selected between the EU and the PA-MoF for the PFM sector.

Over the past decade, the PA and EDPs consider the PEGASE mechanism to continue to be a reliable and flexible mechanism. The system of controls put in place for PEGASE emphasises it is as a safeguarded mechanism. The system is robust, safeguarded by ex-ante audits and controls during the payment process, and ex-post audits. The introduction of the incentive mechanism is also considered to provide an additional layer of confidence in that improved performance in relation to PFM reform is required. This is likely to increase the attractiveness of the modality to EDPs as well as other DPs. However, whilst the PA continues to encourage donors to pay through the PEGASE mechanism, funding reduced in 2019 along with the number of EDPs contributing. According to the World Bank (November 2020) donor aid is projected to be US\$470 million but is still below aid levels received in previous years and will not bridge the large financing gap of about US\$760 million. The growth of real GDP in the Palestinian territories declined below 1 per cent (0.9%) in 2019 – down from 1.2 per cent in 2018. The slowdown was driven by a decline in investment and in public consumption due to the fiscal crisis which resulted from the CR standoff. In 2019, the PA experienced a liquidity shock, with much of the PA's financing gap having been filled through the irregular practice of accumulating expenditure arrears and increased local borrowing. Gross arrears accumulated in 2019 exceeded US\$900 million, with net arrears, after the receipt of CR, amounting to US\$490 million. Public revenues dropped in 2019 due to a decline in domestic collections by 8.8 per cent in 2019 mainly due to the uncertainty created by the fiscal crisis. Non-tax collections also declined by 17.4 per cent due to lower license payments received by the PA and health and equalisation fees transferred by the Gol, when compared to 2018. At the end of 2019, the PA's stock of domestic debt reached US\$1.58 billion. Therefore, clearly, PA can ill-afford to lose PEGASE funds and therefore PEGASE remains a crucial and well-regarded mechanism by the PA. Whilst PEGASE has traditionally been a mechanism for EDPs – EU Member States in particular, to channel their funds, its well-safeguarded, forensic procedures, with relatively low transaction costs, and impeccable track-record means it remains a feasible modality. In 2021, aid into Palestine is anticipated to reduce further, as the global economy contracts, particularly in the wake of the Covid-19 pandemic. It may therefore be opportune for the EU to ‘promote’ PEGASE more actively to other non-European donors as well.

Rationale: This EQ looks at the direct effects that the deployment of the PEGASE DFS, the ROF and complementary support (funds, dialogue, capacity development and reform) has generated in the relationships between the EDPs and the PA and among EDPs, in terms

Step/level

- Step 1: assessment of the inputs provided by Budget Support and their effect on the

<p>of alignment to the PA systems, harmonisation among EDPs, establishment of dialogue frameworks and creation of new opportunities for capacity building and reform.</p> <p>At this level, only the direct effects are considered, i.e. the frameworks established and the opportunities created, while the actual effects due to the operationalization of such inputs will be examined in the following EQs (Step 2, Level 3).</p> <p>PEGASE DFS support provides its financial resources directly to the PA, thus increasing the quantity and share of aid funds under the direct control of the PA. This has a number of implications for aid management, namely: increased predictability of financial flows and increased amount of funds available for expenditure.</p> <p>PEGASE DFS together with the ROF creates and/or promotes general and sectoral instances where dialogue between donors and the PA takes place and establishes performance frameworks coherent with PA priorities and harmonised among EDPs, to assess the results of the supported PA actions.</p> <p>It includes and/or is complemented by a number of accompanying measures, namely capacity building programmes and various TA inputs to strengthen the supported policy processes. This EQ will assess the nature and quality of these effects.</p> <p>Considering the reducing funds and EDPs supporting the PEGASE in recent years, it will be useful to ascertain the reasons why current EDPs continue to fund the PA through PEGASE and whether they anticipate that their contribution may change in future years and/or switch to another modality. An important aspect is to identify what they consider has been achieved as a result of contributing to PEGASE (and also informed by the EJS-ROF results), as opposed providing funding through another modality or alone. The views of other non-European donors will also be solicited in relation to the pros and cons of PEGASE. Since the incentive mechanism was introduced at the start of the Evaluation period, the positive and negative views of EDPs and other DPs on the current incentive mechanism will be sought. This includes their views on the potential expansion of the coverage of the incentive mechanism to other aspects of sector reform, and potential to increase the percentage of PEGASE funds to be subject to incentives; along with views of such in relation to specific sectors (that may be outside of PEGASE-focus currently) and associated reform priorities. The Evaluation requires that the conclusions of the auditing of PEGASE be addressed, although this will be a relatively minor area of focus – due to the robust ongoing nature of the safeguarding measures that have been in place for several years.</p> <p>Finally other options for EDPs support shall be appraised. The likely eligibility and feasibility of the PA to receive EU full Budget Support for Fragile States' modality will be assessed in a preliminary manner (and not in any depth). Apparent key risks will be identified (at a superficial level) in relation to Political risks, Macroeconomic risks, Developmental risks, public finance risks and Corruption/fraud.</p>	<p>relationship between external assistance and the partner country's budget and policy processes.</p> <ul style="list-style-type: none"> Level 1→2: Direct outputs of Budget Support: the country opportunities that are expected to improve as a direct consequence of the deployment of budget support inputs, including: the new fiscal space created by the transfer of funds; increased predictability of funds, reduced transaction costs, a more aligned and coordinated policy dialogue and capacity strengthening activities conducive to reforms; improved monitoring of reforms; the products or services delivered by the complementary support measures. The incorporated added value relates to the Level 1 Inputs into the operations of PEGASE and its safeguarding mechanism including: funds, monitoring, auditing, evaluations, and the donor funds. The effects of these inputs onto Level 2 and Level 3 Direct Outputs and Induced Outputs respectively, are also important to inform the DPs whether they consider their PEGASE funds have provided them with a good Return on Investment (RoI). The EQ2 Efficiency and EQ.3 Effectiveness will also feed into the evidence to address whether the PEGASE offers Value for Money as well as Added Value.
<p>JC 2.1: PEGASE DFS efficiently contributing to filling the fiscal gaps incurred by the PA for salaries & pensions, health referrals and social protection</p>	<p>Step/L/level</p> <p>Step 1: Level 1 → 2</p>
<p>Judgement Criteria</p>	<p>Indicators</p>
<p>I.2.1.1 Changes in the share of financial aid aligned to the PA budgeting process</p> <p>I.2.1.2 Trends on predictability of PEGASE DFS funds (timely and regular payments) and deviations from plans</p> <p>I.2.1.3 Trends of PEGASE DFS as a share of PA public expenditure (overall and for each component – CSP, CTP and EJH)</p> <p>I.2.1.4 Number of EDPs contributing to PEGASE DFS over the period</p> <p>I.2.1.5 Level of quality/completeness of supporting documents provided by the authorities (incentive tranche)</p> <p>I.2.1.6 Improved predictability of aid flows</p>	<p>Step 1: Level 1 → 2</p>

Document review: PEGASE Reports, PEGASE DFS payment schedules and tranche release reports, RoF sector annual reports, RoF overall annual reports (2018 and 2019), MoF Reports, PA AFS, EY PEGASE reports and global assessment, PEFA 2019 - predictability of aid indicator, PA 2018 and 2019 budgets, PA outturn reports.

Interviews with: MoF, EUREP-EDPs/other DPs.

<p>JC 2.2: Frameworks for policy dialogue between the PA and EDPs have been established at overall and sectoral levels and are conducive for sector reform processes</p>	<p>I.2.2.1 Evidence that instruments and structures to foster policy dialogue are in place and functioning (regular meeting schedules, clear objectives and mechanisms for recording decisions) I.2.2.2 Evidence that the two parties (PA and EDPs) share a common understanding and interest to foster policy dialogue at both overall and sectoral levels and deploy appropriate resources at the different levels to feed policy dialogue I.2.2.3 Evidence of cross-cutting themes and approaches (gender, marginalised groups, RBA) being included as part of the policy dialogue processes I.2.2.4 Evidence of cooperation and collaboration between the PA's CoG and MoH and MoSD through intra-governmental institutional arrangements in relation to relevant PEGASE sector reform and missed opportunities</p>	<p>Step 1: Level 1 → 2 and examination effects of level 3 and 4</p>
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Document review: ROF sector progress reports, annual reports; ROF sector meeting agendas, minutes; LACS WG agendas, minutes; PEGASE policy dialogue meetings with PA, agendas, minutes; EDPs/other DPs formal/informal policy dialogue meetings, agendas, minutes; PEGASE DFS fund release schedules; EY reports; EDPs relevant programme documents and reports

Interviews with: EUREP, EDPs, other DPs, PA: PMO, General Secretariat, MoF.; MoH and MoSD.

- PEGASE Focus Group between EUREP PEGASE DFS programme managers, sector reform leads, and Head of Unit and Team Leaders for Near B.1 and NEAR D.5
- PEGASE Focus Group with PA: PMO, General Secretariat, MoF, and the LMs: MoH and MoSD

<p>JC 2.3: PEGASE DFS and the ROF have promoted coordination and complementarity between EDPs interventions leading to reductions in transaction costs for both the PA and the EDPs</p>	<p>I.2.3.1 Evidence that PEGASE and the ROF have favoured an increased ODA coordination by the PA / the establishment of joint coordination mechanisms between PA (including line ministries) and EDPs I.2.3.2 Types of funding modalities within the five sectors used by EDP and other DPs and their pros and cons vis a vis DFS in terms of leveraging policy dialogue with the PA I.2.3.3 Evidence that shared/joint monitoring performance frameworks at general and sectoral level have been adopted to reduce duplication and increase coordination I.2.3.4 Evidence reflecting that transaction costs associated with the management of PEGASE have contributed to reduce transaction costs of external assistance by contributing to greater harmonisation, alignment and assurance I.2.3.5 % of costs of controls (ex-ante, ex-post), global assessment, per window, in relation to amounts transferred I.2.3.6 Evidence that ex-ante and ex-post the control system put in-place well addresses the fiduciary risks</p>	<p>Step 1: Level 1 → 2 and examination effects of level 3 and 4</p>
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Document review: ROF Reports 2018 and 2019, RoF sector annual reports, PEGASE Reports, EY PEGASE reports and global assessment, evaluation reports and statistics, MoF Self-Assessments, Assessment and Performance Reports for the Incentive-Based tranches, EDPs/other DPs reports, AHL/C reports.

Interviews with: EUREP, EDPs and DPs, PMO, MoF, CSOs

<p>JC 2.4: EDPs and other non-European DPs consider that PEGASE DFS is a trustworthy, reliable system to channel their funds</p>	<p>I.2.4.1 EDPs and other DPs positive and negative views on: the current incentive mechanism; potential expansion of the coverage of the incentive mechanism to other aspects of sector reform; potential increase in percentage of PEGASE funds subject to the incentive mechanism; specific sectors (that may be outside of PEGASE focus currently) and associated reform priorities that may be subject to an expanded incentive mechanism. I.2.4.2 Number of MoUs signed with other donors for the 3 components I.2.4.3 Findings of annual PEGASE audits I.2.4.4 Likely eligibility for full Budget Support for Fragile States and associated key risks</p>	<p>Step 1: Level 1 → 2</p>
<p><i>Document review:</i> PEGASE reports including Expenditure Verification Reports; EY PEGASE reports and global assessment; PEGASE DFS payment schedules and actual monthly payment statements; PEGASE Concept Note 2021-2023/4; Assessment of Disbursement of the 2018 and 2019 Incentive-Based Tranches - PEGASE Direct Financial Assistance to the Palestinian Authority – CSP Component; PEGASE CSP - Incentives/Conditionalities-based Tranche 2018-2019; EU BS Guidelines, 2017, 2018 and 2019 annual PEGASE audits.</p> <p><i>Interviews with:</i> EUREP, DG NEAR, EDPs and other non-European DPs, MoF</p> <ul style="list-style-type: none"> ▪ Financial documents: National accounts, budgets, audited reports ▪ Analysis of Budget Support Trends 		

<p>EQ 3</p>	<p>To what extent have the development outcomes supported by PEGASE enabled the Duty Bearer to build effective institutions accountable to their citizens ready for statehood and achieve improved public social services and respond to Rights' Holders (citizens') requirements (including those of marginalised groups (leaving no-one behind)?</p>	
<p>Key issues: The outcome of the PEGASE-DFS programme is the <i>Improved public services responding to citizens' needs, including those of marginalised groups</i>. The outcome is in-line with the PNPA strategy and the relevant sector strategies; the <i>National Health Sectoral Strategy and the Social Development Strategy</i>, it's also in-line with the SDG, hence the assessment will be identifying the change achieved at the outcome level and responding to citizens' needs. This EQ will identify the evolution during 2018-2019 of the outcomes, and the contribution to the PEGASE-related national and sector strategies, as well as to SDGs achievements. The collected data will contribute to an assessment of the effects of the outcomes at impact level. The EQ will also assess whether or not the programme contributed to provisions of public funds for the (basic) service delivery in sectors targeted by PEGASE DFS. The evaluation will also analyse the processes of policy-making and use of data, lessons learned and systems, as well as the effect of policy dialogue on reforms towards achieving the outcome, citizens voice and accountability are also part of the outcome evaluation, referencing various national and regional surveys, while team will be analysing qualitatively the various data and results through interactions with right holders, policy makers and stakeholders. The evaluation will also synthesise the 2020 response to Covid-19 for learning and informing the change. The finding of this EQ will emphasise the evolution of the contribution of PEGASE to improved service delivery.</p>		
<p>Evaluation criteria: Effectiveness (with aspects of measuring the change on citizens' and citizens' satisfaction)</p> <p>Rationale: This EQ looks at the effectiveness of the PEGASE DFS over time in reaching the anticipated outcomes of the programme. This question aims to analyse the outcome of the PEGASE DFS, addressing the main concern of the effectiveness of the adequate support provided for the duty bearer to drive change that would lead to improved public services responding to citizens' needs, including the marginalised, through answering the 2 raised questions by the TOR:</p>		<p>Step/Level: Level 4, Step 2, of the Assessment</p>

<ul style="list-style-type: none"> Extent to which there have been positive changes in the expected outcomes of the national strategies supported through PEGASE in terms of improved public services responding to citizens' needs, including those of marginalised groups as well as progress recorded with reference to the Sustainable Development Goals. The EQ will assess the change reached due to the use of outputs reached based on planned activities and utilized resources they generate The question will analyse change on right holders and will address citizen satisfaction The EQ will measure relevant planned indicators at level 3 Answering the EQ will include the analysis of indicators selected as triggers as well as the processes adopted for the monitoring of the agreed indicators. The team will undertake analysis according to cross cutting issues and will carry the assessment across sectors. Furthermore, the team will carry out quantitative and qualitative analysis of available data to respond to the process and performance indicators, and highlight the inclusion (or lack of) of gender-specific or gender-disaggregated indicators and the mainstreaming of other cross-cutting themes, and their alignment with a Rights Based Approach. 	<p>outcomes (beneficiaries' responses) and impacts</p> <p>Mainly: Level 4: Outcomes: positive changes in the behaviour or status of the targeted beneficiaries – services users, economic and institutional actors – to the changes in policies, organisational management and service delivery</p>
<p>Judgement Criteria</p> <p>Indicators</p> <p>JC 3.1: Marginalised groups benefited from PEGASE support to health referrals and social allowances</p> <p>I.3.1.1 Percentage of beneficiaries as a share of right holders entitled to social protection payments I.3.1.2 Percentage of patients actually referred out of those in need (average of 102,000 per year – source UNCT common country analysis) by marginalised group I.3.1.3 Percentage of households living in extreme poverty covered by social allowances, disaggregated by gender and age I.3.1.4 Proportion of household expenditures on health as a share of total household expenditure or income (overall, and those with large households) I.3.1.5 Percentage of people in need for medical referral were able to access it and receive the service</p>	<p>Step/Level: Level 4, Step 2, Assessment of the outcomes (beneficiaries' responses) and impacts</p>
<p><u>Document review:</u> PA reports, PCBS reports and statistics, AMAN, World Bank, OECD and Arab Barometer reports, citizen reports and budgets, EDPs/DPs evaluation reports, UNCT Country analysis</p> <p><u>Interviews with:</u> EUREP, EDPs and DPs; PA: PMO, MoF, MoSD, MoH, E,JH network rep, CSOs, UNCT</p> <ul style="list-style-type: none"> Online survey for DPs/EDPs Group meeting with the 6 EJ hospitals Focus Group Discussion: Right holders entitled to and received the CTP service Visit to at least one hospital and up to ten individual meeting with patients and families Phone interview with three eligible and could not receive the health referral service (selected randomly) Phone interview with three eligible and could not receive the CTP referral service (selected randomly) Quantitative and qualitative analysis 	
<p>JC 3.2: The degree of citizen satisfaction with public services</p> <p>I.3.2.1 Degree of satisfaction with government performance (AMAN, Arab Barometer) I.3.2.2 Percentage of population's satisfaction with the Healthcare System I.3.2.3 Percentage of citizen satisfaction with public services compared with previous reporting periods (2017-2020) (Opinion Polls, Palestinian Center for Policy & Survey Research)</p>	<p>Step/Level: Level 4, Step 2, Assessment of the</p>

<p>increased during the evaluation period</p>	<p>I.3.2.4 Degree of citizens' satisfaction with the PA during the Covid-19 pandemic (Ibid)</p> <p>outcomes (beneficiaries' responses) and impacts</p> <p><u>Document review:</u> PA reports, PCBS reports and statistics, AMAN, World Bank, OECD and Arab Barometer reports, citizen reports and budgets, EDPs/DPs evaluation reports</p> <p><u>Interviews with:</u> EUREP, EDPs and DPs; PA: PMO, MoF, MoSD, MoH, EJH network rep, CSOs</p> <ul style="list-style-type: none"> ▪ Group meeting with the six EJ hospitals ▪ Focus Group Discussion: Right holders entitled to and received the CTP service, ▪ Visit to at least one hospital and 10 individual meeting with patients and families ▪ Phone interview with three eligible and could not receive the health referral service (selected randomly) ▪ Phone interview with three eligible and could not receive the CTP referral service (selected randomly) ▪ Quantitative and qualitative analysis
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EQ 4

To what extent and through which mechanisms (funds, dialogue, incentive tranche) have PEGASE contributed to improvements in the policy formulation and implementation processes?

Evaluation criteria: Effectiveness with aspects of Sustainability

Key issues: The outcome of the PEGASE-DFS programme is the *Improved public services responding to citizens' needs, including those of marginalised groups*. The outcome is in-line with the PNPA strategy and the relevant sector strategies; the *National Health Sectoral Strategy* and the *Social Development Strategy*, it's also in-line with the SDG, hence the assessment will be identifying the change achieved at the outcome level by PA's policies supported by the PEGASE DFS financial support, reform support and policy dialogue. This EQ will identify the evolution during 2018-2019 of the outcomes, and the contribution to the PEGASE -related national and sector strategies, as well as to SDGs achievements. **This EQ will highlight the effect of the policy dialogue, and the use of PEGASE as a leverage for reforms.** Will test the mechanisms used (PA's policies supported by the PEGASE DFS financial support, reform support and policy dialogue) for achievements of results. The collected data will examine the use of outputs in terms of expected improvements in the partner's legal and regulatory framework, public policies, public sector spending and public sector delivery, i.e., reform steps expected to be achieved by the public institutions (and/or other stakeholders) supported by budget support, as a consequence of their appropriation and implementation of the new opportunities provided (the direct outputs). These induced outputs should facilitate the achievement of outcome, within the context of whether and how the PEGASE continued to align with international development principles and approaches. Hence this question will highlight the effect of the policy dialogue, and the use of PEGASE as a leverage for reforms. The EQ will also assess whether or not the programme would facilitate the PFM systems of the Government and provisions of public funds for the (basic) service delivery in sectors targeted by PEGASE. The evaluation will also analyse the processes of policy-making and use of data, lessons learned and systems, as well as the effect of policy dialogue on reforms towards enhancing accountability are also part of the outcome evaluation, referencing various national and regional surveys. The finding of this EQ will emphasise the evolution of the contribution of PEGASE to the reform.

Considering the PA's fiscal crises contributed to by the stand-off with Gol in relation to CR, the PEGASE DFS support is becoming increasingly significant. There are usually about four-five payments per year to contribute to the salaries and pensions of around 55,000 PA civil servants and pensioners (about half of the total). For CTP PEGASE contributes to quarterly CTP payments to an average of 70,000 families (80% of which are in Gaza). In 2018 and 2019, MoF could only process three out of the four annual payments despite PEGASE co-funding. The CTP budget allocation was not 100% executed. In 2018, the total number of medical referrals outside MoH has reached a total of 109,818, of which 40 per cent are referred to EJHs. 28 per cent of total referrals were for patients from Gaza Strip, while 72 per cent were from West Bank. PEGASE provides a high standard of control through audit, verification, control, monitoring, evaluation, screening and IT systems governing all PEGASE DFS – so DPs are assured of a safeguarded mechanism that is politically acceptable to EU Member States in the most part. PEGASE DFS is programme funding – and not Budget Support, and it has taken the form of a “rolling” programme with EU funding decisions taken every two years through FA with the

PA. Considering that the PA is not able to establish its own self-determination due to Israeli occupation and is also hampered by the absence of a Palestinian Legislative Council (PLC), this has implicitly led to a lack of PEGASE exit planning. In its current form, given the political and economic context, the PA would be unlikely to sustain PEGASE due to a lack of funds, reducing aid, and unresolved CR issues, and consequently-related (in part) to escalating debt and arrears. Therefore, the PA is likely to require ongoing support from the EDPs, and other DPs, but perhaps not necessarily in the form of the current DFS modality.

Rationale: This EQ looks at the effectiveness of the PEGASE DFS over time in reaching the anticipated outcomes of the programme. This question aims to analyse the outcome of the PEGASE DFS, addressing the main concern of the effectiveness of the adequate support provided for the duty bearer to drive change and carry out reforms that would lead to improved public services responding to citizens' needs, including the marginalised, through answering the two raised questions by the TOR:

- The EQ will analyse the different mechanisms (funds, dialogue, incentive tranche) have PEGASE contributed to improvements in the policy formulation and implementation processes and related accountability
- Extent to which the DFS provided under PEGASE contributed to an increased size and share of external funding subject to the government's budgetary process, thus increasing the discretionary budget of the PA and the amount of flows directed towards 'improved public services responding to citizens' needs, including those of marginalised groups'
- Answering the EQ will include the analysis of indicators selected as triggers as well as the processes adopted for the monitoring of the agreed indicators. The team will undertake analysis according to cross cutting issues and will carry the assessment across sectors. Furthermore, the team will carry out quantitative and qualitative analysis of available data to respond to the process and performance indicators, and highlight the inclusion (or lack of) of gender-specific or gender-disaggregated indicators and the mainstreaming of other cross-cutting themes, and their alignment with a Rights Based Approach.

In terms of Sustainability there are three key aspects for investigation by the EQ that consider the short and medium term requirements of the PA sustaining the policy reforms and State building that have been supported by the EDPs (and other DPs) over the past 13 years:

- firstly, the efficiency of planning, implementing, and monitoring of health referrals and the SP payments would need to be improved to enable the PA to move towards less aid-dependency. Therefore a continuing downward trajectory in the costs of medical referrals is crucial, to reduce the arrears of the PA owed to the six EJHs, and to increase the quality and coverage of medical care in other hospitals in the West Bank and Gaza. Health financing is therefore central to health referrals' reforms. Part of the drive to reduce the costs of drugs and medicines. Progress in relation to these reforms will be examined against the health strategy plans to establish the trajectory of change expected in the short to medium term;
- along with service delivery funding support, institutional arrangements for planning, implementing, monitoring and reporting of reforms by the CoG and in LMs also require strengthening through donor-funded TA . The priorities for capacity development support in the three PEGASE DFS components' operations and associated four areas of sector reforms, along with the nature of TA support received shall be examined;
- assessing the role of incentive tranches role in driving the reform in the addressed sectors and other sectors will also be done; and
- examining whether international development principles and approaches are evident through PEGASE DFS support to the PA's contribution to SDGs, integrated within PEGASE's monitoring framework, and the quality of engagement between development and humanitarian partners has been enhanced.

Step/level:
Level 3: Induced outputs: expected improvements in the partner's legal and regulatory framework, public policies, public sector spending and public sector delivery

Judgement Criteria	Indicators
JC 4.1: PEGASE DFS has provided effective vehicle to the PA for the	<p>I.4.1.1 Percentage of Total Current Health Expenditures to Gross Domestic Product (GDP)</p> <p>I.4.1.2 Trend of Proportion of total government spending on essential services (education, health and social protection) -Percentage over time</p>

delivery of improved public services	I.4.1.3 Evidence that PEGASE was used to respond effectively to the PA's Covid-19 emergency I.4.1.4 Evidence of PEGASE DFS being an effective incentive of improved public service I.4.1.5 Capacity of selected disbursement indicators and related policy dialogue in accelerating the reform path	Step/level Level 3: Induced outputs: expected improvements in the partner's legal and regulatory framework, public policies, public sector spending and public sector delivery
<p><u>Document review:</u> PA reports, PCBS reports and statistics, AMAN, World Bank, OECD and Arab Barometer reports, citizen reports and budgets, EDPs/DPs evaluation reports, UNCT Country analysis, RoF sector annual reports, RoF overall annual reports (2018 and 2019); EY PEGASE reports and Global Evaluations.</p> <p><u>Interviews with:</u> EUREP, EDPs and DPs; PA: PMO, MoF, MoSD, MoH, PWA, PENRA, EJH network rep, CSOs, UNCT</p> <ul style="list-style-type: none"> ▪ Online survey for DPs/EDPs ▪ Group meeting with the 6 EJ hospitals ▪ Focus Group Discussion: Right holders entitled to and received the CTP service, ▪ Visit to one hospital and 10 individual meeting with patients and families ▪ Phone interview with 3 eligible and could not receive the health referral service (selected randomly) ▪ Phone interview with 3 eligible and could not receive the CTP referral service (selected randomly) <p>Quantitative and qualitative analysis</p>	<p>I.4.2.1 Progress achieved against targets set for each of the 4 specific areas in the sphere of PFM and indicators for disbursement: (i) budget transparency (budget preparation, monitoring & reporting); (ii) public procurement transparency; (iii) payroll control & system modernisation; and (iv) control process effectiveness</p> <p>I.4.2.2 Number of indicators met under the 2018 and 2019 incentive tranches</p> <p>I.4.2.3 Percentage of funds released against planned tranche allocations for 2018 and 2019</p> <p>I.4.2.4 Progress achieved against the incentive tranches' targets set for Water and Energy sectors' reform and sustainability</p> <p>I.4.2.5 Evidence that lessons learned have been identified, fed into policy dialogue and led to consideration of adjustment of the incentives mechanism and its indicators</p>	<p>4.2: The incentives mechanism strengthened ownership by the PA to reforms</p>
<p><u>Document review:</u> Incentive indicators, audited reports, Incentive assessment reports, communication, monitoring reports, FAs, Budgets, RoF sector annual reports, RoF overall annual reports (2018 and 2019); EY PEGASE reports and Global Evaluations.</p> <p><u>Interviews with:</u> EUREP, EDPs and DPs; PA: PMO, MoF, PWA, PENRA, CSOs, State Audit-SAACB</p> <ul style="list-style-type: none"> • Quantitative analysis • Qualitative analysis 	<p>I.4.3.1 Number of PEGASE -related reforms adopted by the PA, respond to relevant national strategies, underpinned by ROF</p>	<p>JC 4.3: The linkages between the PEGASE-related reform areas</p>

<p>underpinned by the ROF policy dialogue process led to more effective reform results</p>	<p>I.4.3.2 Number and type of Laws/by-laws prepared in the relevant sectors, endorsed and implemented I.4.3.3 Evidence of effective policy mechanism for CSO participation by sector I.4.3.4 Trend of Voice and Accountability of the public (World Bank) I.4.3.5 Assessment of the reform benefits as an outcome of incentive mechanism and the TA support</p>	<p>Step/level: Level 3: Induced outputs: expected improvements in the partner's legal and regulatory framework, public policies, public sector spending and public sector delivery</p>
<p><i>Document review:</i> Health and SD Strategies, ROF annual reports; ROF sector policy dialogue meetings' minutes, MTR of strategies and annual monitoring reports, budgets and financial reports, SDG national reports, EDPs/DPs evaluation reports</p> <p><i>Interviews with:</i> EUREP, EDPs and DPs; PA: PMO, MoF, MoSD, MoH, CSOs</p> <ul style="list-style-type: none"> ▪ Online survey for EDPs ▪ Qualitative analysis 	<p>JC 4.4: The effects of policy reforms are likely to last after PEGASE</p> <p>I.4.4.1 Number and actual cost of medical referrals to Israeli hospitals from West Bank and Gaza (disaggregated by cause) - (reduced by 20% of 13,119- 233.9M ILS in 2017) I.4.4.2 Unified national drug list reduced expenditure I.4.4.3 Review of implementation mechanisms and allocated budgets for funding newly promulgated PwD Law I.4.4.4 Evidence of progress made toward better inclusion and coverage of the elderly and PwD under the social allowance programme (multi-dimensional poverty dimensions etc.)</p>	<p>Step/level: Level 3: Induced outputs: expected improvements in the partner's legal and regulatory framework, public policies, public sector spending and public sector delivery</p>
<p><i>Document review:</i> PA reports, National accounts and financial reports: National accounts, budgets, audited reports, SDG national reports, PCBS reports and statistics, CSOs reports, audited reports, PA internal assessment reports and manuals.</p> <p><i>Interviews with:</i> EUREP, EDPs and DPs; PA: PMO, MoF, MoSD, MoH, EJJ network rep, CSOs</p> <ul style="list-style-type: none"> ▪ Online survey for DPs/EDPs ▪ Qualitative analysis 	<p>JC 4.5: PEGASE DFS contributes to Effective Development Cooperation principles</p> <p>I.4.5.1 Extent to which PEGASE fulfils aid Effective Development Cooperation principles (predictability, results oriented, DoL, mutual accountability etc...) I.4.5.2 Degree to which PEGASE DFS supports PA contribution to SDGs I.4.5.3 Evidence that PEGASE monitoring framework is used for mutual accountability I.4.5.4 Degree of which PEGASE supported the enhanced engagement between development, and humanitarian partners and efforts</p>	<p>Step/level: Level 3: Induced outputs: expected improvements in the partnership framework, that would lead to outcomes.</p>
<p><i>Document review:</i> PEGASE Logframe 2018 – 2020; EU RBA documents; Nairobi Outcome Document - Global Partnership for Effective Development Cooperation; UNWRA reports; AHLC reports, SDG country report, PA and EU monitoring reports</p> <p><i>Interviews with:</i> EUREP, DEVCO, PMO, CSO, ECHO</p>		

EQ 5	To what extent have PEGASE visibility and communication activities contributed to an increased awareness by the public to the EDPs support to its expected outcomes and achievements?	
<p>Evaluation criteria: Relevance, Effectiveness and Efficiency</p> <p>Key issues: The objective of PEGASE Visibility Strategy and Communication Plan (2019 – 2021) is to raise awareness about the EDPs’ long-lasting support to the PA’s budget through the PEGASE programmes and its contribution to the state building process and inclusive social development. Ultimately, the general Palestinian population should have increased awareness about the EU support, expected outcomes and achievements. The Strategy aims to reach this goal via communication with direct and indirect programme beneficiaries, who can act as ambassadors for the programme. While the main target is the Palestinian population, the nature of the PEGASE support, which focuses on concrete projects and citizen groups, also aims to re-package some of the products for European audiences. The strategy planned to concentrate on communication with the direct beneficiaries as well as the end beneficiaries of the PEGASE mechanism with a special focus on students. These groups were expected to spread the knowledge about the EU support to friends, family members, colleagues, neighbours etc., thus influencing a wider segment of the population. The direct beneficiaries are teachers, hospital staff, companies, pensioners, recipients of social welfare, farmers and companies, while end beneficiaries are hospital patients, students, company employees and families of the direct beneficiaries. The strategy was founded on the following main pillars (with specified target audiences, channels, messages and tools): direct communication with direct beneficiaries of the PEGASE support, at the time of disbursements; regular publication of success stories (project outcomes) on social media; systematic use of events and VIP visits for general visibility and media attention; and increased cooperation with selected local journalists and media outlets. The budget for the implementation of the 2019 Communication Plan was EUR101,000, although since much of the communication activities were to be mainstreamed within other EUREP visibility activities, the expenditure would likely have to be in excess of this figure in totality.</p>	<p>Rationale: This cross-cutting EQ looks at the relevance of the design of the PEGASE Visibility Strategy and Communication Plan to assess whether it is content reflects its objectives over time and at the way in its planned specified target audiences, channels, and messages execution remained relevant and were adapted to reflect the changing political context in relation to the IOs, Outcomes and Impact.</p> <p>The effectiveness of the execution of the PEGASE Visibility Strategy and Communication Plan will be assessed in practical terms in relation to:</p> <ul style="list-style-type: none"> • how target audiences were addressed, which channels were considered to be impactful, the relevance and coherence of key messages for each of the three PEGASE components; • whether messages in response to the evolution of the political context were adapted to reflect changing circumstances including political and fiscal instability; and • whether the outputs specified in the Visibility Plan were delivered to schedule during 2019. <p>The outcomes of the extent of awareness of PEGASE both within the PA, amongst the general public, CS, and PEGASE beneficiaries, including ascertaining the effectiveness of the Visibility Strategy and Communication Plans, and lessons learned and areas for improvement (although the assessment of this aspect may be impeded by a lack of data (which could constitute a finding).</p> <p>The budget expenditure on the visibility activities during 2019 will also be examined from an efficiency perspective to establish whether the implementation thereof represented Value for Money.</p>	<p>Step/level:</p> <p>Level 1: Input: the Communication & Visibility Strategy and Plan, contributes to the communication and visibility effects of Level 3 IOs, Level 4: Outcomes in relation to the SO, and ultimately Level 5: Impact – OOs</p>
<p>Judgement Criteria</p> <p>JC 5.1: EUREP’s PEGASE communications and visibility remained relevant to the changing context of PEGASE and key messages to target audiences were adapted accordingly</p>	<p>Indicators</p> <p>I.5.1.1 Evidence of planning and delivery of content, audience targeting and crafting of key messages adapted to reflect changing circumstances in the oPt including political and fiscal instability</p> <p>I.5.1.2 Assessment of whether feedback loops were in place, and extent to which findings from feedback loops and lessons learned were responded to</p>	<p>Step/level:</p> <p>Level 1: Input: reviewing communications and visibility activities</p>

<p><u>Document review:</u> PEGASE Visibility Strategy And Communication Plan 2019-2021 Palestine, Mission Report, June 2019 Danicom And Particip Gmbh., EUREP, 2019 – 2021; ToR, Service Contract, 2018-2019 and Final Report Outreach Campaign for the PEGASE Programme In support to the Palestinian Cash Transfer Programme, Safad Advertising Company; EU Factsheets; EU press releases; PEGASE Implementation report</p> <p>Review of any survey data Review of quality and coverage (distribution) of PEGASE communications channels and mediums and feedback loops <i>Interviews with:</i> EUREP, PMO, MoSD, Safad Advertising Company; interviews with PA stakeholders, and beneficiaries as part of CTP and EJH components</p>	
<p>JC 5.2: EUREP's PEGASE communications and visibility actions have raised awareness of PEGASE DFS to beneficiaries, other stakeholders, and the public</p>	<p>I.5.2.1 Number of stakeholders interviewed during this Evaluation who can name three key visibility/communications' outputs from 2019 and consequent recommendations for improvement I.5.2.2 Number of beneficiaries interviewed for this Evaluation who can name the funders (EDPs) of the component subject to discussions</p> <p>Step/level: Level 3: communications of IOs, Level 4: Outcomes in relation to the SO and Level 5: Impact – OOs to the public</p>
<p><u>Document review:</u> PEGASE Visibility Strategy And Communication Plan 2019-2021 Palestine, Mission Report, June 2019 Danicom And Particip Gmbh, EUREP, 2019 – 2021; ToR, Service Contract, 2018-2019 and Final Report Outreach Campaign for the PEGASE Programme In support to the Palestinian Cash Transfer Programme, Safad Advertising Company; EU Factsheets; EU press releases; PEGASE Implementation report</p> <p>Review of any survey data Review of quality and coverage (distribution) of PEGASE communications channels and mediums and feedback loops <i>Interviews with:</i> EUREP, PMO, MoSD, Safad Advertising Company; interviews with PA stakeholders, and beneficiaries as part of CTP and EJH components</p>	
<p>JC 5.3: EUREP's PEGASE communications and visibility activities were delivered on time and to cost against plan</p>	<p>I.5.3.1 Number of 2019 Communication Plan outputs delivered to schedule and cost</p> <p>Step/level: Level 1: Input: activities and expenditure against plan</p>
<p><u>Document review:</u> PEGASE Visibility Strategy And Communication Plan 2019-2021 Palestine, Mission Report, June 2019 Danicom And Particip Gmbh; PEGASE Visibility Strategy and Communication Plan, EUREP, 2019 – 2021; ToR, Service Contract, 2018-2019 and Final Report Outreach Campaign for the PEGASE Programme In support to the Palestinian Cash Transfer Programme, Safad Advertising Company; EU Factsheets; EU press releases; PEGASE Implementation report <i>Interviews with:</i> EUREP, PMO, MoSD, Safad Advertising Company</p>	

Table 13: Summary of the Data Collection Process for EQs

Judgement criteria information availability	
EQ 1: JC 1.1	2
JC 1.2	3
JC 1.3	2
JC 1.4	3
EQ 2: JC 2.1	2
JC 2.2	3
JC 2.3	2
JC 2.4	3
EQ 3: JC 3.1	2
JC 3.2	3
EQ 4: JC 4.1	3
JC 4.2	3
JC 4.3	3
JC 4.4	3
JC 4.5	3
EQ 5: JC 5.1	2
JC 5.2	3
JC 5.3	3
0 (no evidence), 1 (some evidence), 2 (sufficient evidence), 3 (conclusive evidence)	

ANNEX 4: LIST OF INSTITUTIONS MET

Organisation

EC HQ

EUREP

ECHO Jerusalem

Representative Office of Finland in Ramallah

World Food Program (WFP)

Austrian Development Agency

Spanish Cooperation

Italy, Agency for Cooperation and Development

World Health Organisation (WHO)

World Bank

UK FCDO

Ministry of Social Development (MoSD)

Ministry of Health (MoH)

Ministry of Finance (MoF)

PNGO

AMAN

Augusta Victoria Hospital

St. John Eye Hospital

St. Joseph Hospital

Amira Basma Hospital

Palestinian Red Crescent Society-JRSM

High Council for Public Procurement Policies (HCPPP)

Palestinian Anti-Corruption Commission (PACC)

General Personnel Council (GPS)

Cabinet Secretariat

Palestine Central Bureau of Statistics (PCBS)

Palestine Centre for Human Rights (PCHR)

Palestinian Energy and Natural Resources Authority (PENRA)

Safad

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