

034495/EU XXIII.GP  
Eingelangt am 07/04/08

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 03.04.2008  
SEC(2008) 400

**COMMISSION STAFF WORKING DOCUMENT**

**Accompanying the  
Communication from the Commission to the Council and the European Parliament**

**‘Implementation of the European Neighbourhood Policy in 2007’**

**Progress Report the occupied Palestinian territory**

{COM(2008) 164 final}  
{SEC(2008) 391}  
{SEC(2008) 392}  
{SEC(2008) 393}  
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## 1. BACKGROUND

The Palestinian Authority (PA) and the European Community first established contractual relations in 1997 when the EC and the PLO on behalf of the Palestinian Authority (PA) signed the Interim Association Agreement on Trade and Cooperation. The Euro-Mediterranean Partnership inaugurated at the 1995 Barcelona conference established a policy with ambitious and long-term objectives. On this basis, the EU-PA Action Plan was adopted in May 2005, for a period of three to five years. It was inspired by the Palestinian Reform Programme at that time, which aimed at building the institutions of an independent, democratic and viable Palestinian state. In particular, it supported reforms in the area of democracy and good governance, economic development and trade. Some encouraging steps towards reform were realised in 2005 and early 2006. A first progress report was adopted in December 2006.

The overall security and political context stalled progress in the implementation of the Action Plan during 2006 and the first half of 2007. This changed after the EU resumed normal relations with the Palestinian Authority in June 2007 and re-established political dialogue. An EU-PA foreign ministers troika meeting took place in September 2007. A meeting between the European Commission and the PA to discuss the re-launch of the Action Plan was held in Ramallah in November 2007 with a view to convening the Joint Committee in the first half of 2008 and to formally re-launch the implementation of the Action Plan.

The present document reports on overall progress made on the implementation of the EU-PA Action Plan and it is not a general review of the political and economic situation in the Palestinian territory (oPt). While it should normally have covered progress between 1 November 2006 and 31 December 2007, in view of the developments referred to above it reports on implementation starting in July 2007 although developments outside this period are also considered when deemed relevant. Since this date, efforts by the PA government in the security sector, fiscal redress, and governance have been noticeable. The PA Government also set out its reform and development agenda and vision of the future Palestinian state in the Palestinian reform and development plan 2008-2010.

Any consideration of the bilateral EU-PA relations in the context of the ENP Action Plan must take into account the continuing Israeli occupation under which the PA operates, the lack of control by the PA Government of the Gaza Strip, where Hamas enforces its own rule, the restricted access and movement between Gaza and the West Bank and within the West Bank, and the overall political developments in the Middle East, in particular the Annapolis process launched in November 2007.

In view of the very short period covered by the present report (July-December 2007), no overall assessment of progress in Action Plan implementation is provided here.

## 2. POLITICAL DIALOGUE AND REFORM

### *Development of enhanced political dialogue and cooperation*

*Objectives in this area include strengthening cooperation on: foreign and security policy issues, combating terrorism, non-proliferation of weapons of mass destruction and illegal arms trade.*

The PA government under Prime Minister Fayyad addressed weaknesses arising in the implementation of objectives covered by the EU – Palestinian Authority Action Plan. The PA government undertook major efforts to stabilize the situation and set out its vision of the future Palestinian state by producing a comprehensive but realistic plan and budget for state-

building - the Palestinian reform and development plan 2008-2010. Donors pledged € 5.25 billion in support of the Palestinian people and the implementation of the plan at the Paris donors' conference in December 2007. The European Commission co-chaired this conference and pledged € 440 million, the largest amount of financial support of any donor to the Palestinians for 2008.

The Palestinian Reform and Development Plan (PRDP) process of consensus-driven reforms and ministry ownership is a key step forward, and represents a break from past budgeting and planning practices. The plan was presented in December 2007 at the Paris Donors Conference and welcomed by all donors. It was supported by the International Monetary Fund and the World Bank, which deemed it "ambitious but achievable".

Security conditions remained unstable during 2007. Palestinian factions continued attacks against Israeli military and civilians launching rockets from Gaza. Israel continued incursions into Palestinian cities, targeted killings and arrests. In 2007 the fatalities resulting from conflict-related incidents were 377 Palestinians (compared to 643 in 2006) and 13 Israelis (compared to 27 in 2006).

Following the establishment of the PA government under PM Fayyad, progress was made in terms of security sector reform in the West Bank, including a new decree banning Palestinian militias, and ensuing seizures of illegal weapons. Efforts at law and order in the main West Bank cities have been strengthened, with an initial deployment of Palestinian security forces in Nablus where tangible results were observed. Progress was also made towards the creation of a streamlined, better organized security service. The PRDP identifies security as a top priority.

Repeated Israeli closures and incursions into the occupied Palestinian territory weakened however the position of the security agencies, despite resumed coordination between Israel and the PA in the field of security. The PA security forces arrested several Hamas members in the West Bank. Israeli-Palestinian cooperation in the area of amnesties brought limited results: although the PA handed to the Israeli side several lists of Palestinians willing to disarm, it appears that it has received no assurances from the Israeli side that those individuals would not be exposed to targeting killings.

The **illegal** smuggling including of **arms** remains a problem in Gaza, although it has to be taken into account that the PA now has no effective control of Gaza. There interfactional violence has decreased, since Hamas took over the control of security in the Gaza Strip, although sporadic violent incidents occurred.

### ***Democracy and rule of law***

*Objectives in this area include: establishment of an independent, impartial and fully functioning judiciary, organisation of transparent general and local elections, constitutional and legislative reform, and public administration and civil service reform.*

Palestinian **democracy** was threatened by violent events in June 2007 resulting in a political divide between the deposed government in Gaza and the newly established and internationally backed government in Ramallah. The government of Prime Minister Fayyad could never receive Parliamentary backing, since the Palestinian Legislative Council has fractured along factional lines, while 48 PLC members remain in Israeli custody. Ruling by his decree powers, President Abbas published in September 2007 a new electoral law for both parliamentary and legislative elections, switching from a current "mixed" to a purely proportional system and introducing requirement that all political parties recognize the Palestinian Liberation Organization as the sole legitimate representative of the Palestinian people.

The Central Election Commission, to which the EC remains the main donor, has undertaken steps to update and improve the accuracy of the voter register. However, the new electoral law does not provide the legal basis for the continuous registration of voters recommended by all key election observation missions to date. More importantly, it allows the president to replace election commissioners at will, provisions which may endanger the commission's independence.

The PA Government of Prime Minister Fayyad made progress, after a period of inter-factional violence in mid-year, in the rule of law. Some progress was registered in the establishment of an independent, impartial and fully functioning **judiciary**, although the judicial system faces a continuing case backlog accompanied by a lack of judges. Some new judges and prosecutors have been appointed recently. There is no comprehensive strategy for judicial reform but the PRDP includes a programme aiming at building an effective justice sector with clear division of responsibilities and separation of powers. The functioning of the judiciary system has regressed in Gaza, e.g. through establishment by Hamas of a parallel prosecution system. No progress was made towards unification of the legal codes of the West Bank and Gaza Strip; on the contrary, since the Hamas takeover of the Gaza Strip there has been a significant divergence in legal approaches between the two areas. The situation has serious repercussions for the civilian population. Without a properly functioning judiciary and police, law enforcement deteriorates rapidly.

A limited number of activities have been undertaken with donor support to improve the conditions for judicial training. The conditions for training will be improved with the opening of the Judicial Training Institute. The EC programme "Empowering the Palestinian Judiciary" continued to respond to the priorities for the judiciary reform process by training judges and court administrators.

The civil police is receiving increasing international attention, in particular from the EU.

The EU Police Mission in the occupied Palestinian territory (EUPOL COPPS) re-engaged with the Palestinian civil police after June 2007, focusing its efforts on support to the officers from the West Bank (Gaza being beyond reach during this period). The work of EUPOL COPPS contributes to building a modern, professional police force, and to strengthening law and order. In October 2007 EUPOL COPPS convened the first joint seminar of Israeli and Palestinian police officers aiming at discussing accident prevention and building mutual confidence. The mission acts in close cooperation with EC institution building efforts, for example in area of the judiciary, rule of law etc. All of this work forms an important contribution to help the Palestinians meet their Roadmap obligations in the area of security. In December 2007, after repeated calls from the EU, Israel started to accredit the mission, which will allow it to carry out its work.

During the first part of 2007 the European Union Border Assistance Mission at Rafah (EUBAM Rafah) enabled the operation of this crossing between Gaza and Egypt, albeit under a restricted opening regime. Its work was supported by EC institution building activities (customs training, infrastructure, equipment etc). After June 2007, following the violent events in Gaza, EUBAM Rafah has remained on standby. The EU has made clear it stands ready to redeploy the mission as soon as conditions allow.

In November 2007, the work covered by both of these missions (statebuilding work linked to security, customs and border control capacities) was highlighted in the EU Action Strategy for the MEPP, presented by Commissioner Ferrero Waldner and HR Solana to EU Ministers in view of the Annapolis meeting.

No progress can be reported on the acceleration of constitutional reform.

Following a period of institutional decay, the PA undertook efforts to implement **public administration and civil service reform**. Since the government of Prime Minister Fayyad was established, PA ministries in Ramallah resumed their activities. The PA administration in Gaza has been partly paralysed by the Hamas takeover of control there, although education and health services have continued. The government initiated a review of the payroll to remove those who were added since the end of 2005 (some 31 000 of the 170 000 civil and security personnel on the payroll were removed subject to further review of their status).

### ***Human Rights and fundamental freedoms***

*Objectives in this area include: strengthening legal guarantees for freedom of speech, freedom of the press, freedom of assembly and association, ensuring the respect of human rights and basic civil rights, and fostering a culture of non-violence, tolerance and mutual understanding.*

**Human rights** in the occupied Palestinian territory suffered further setbacks, in particular as regards the right to life and personal security and the right to personal freedom and safety (especially relating to arrest, detention, search procedures, and torture and ill-treatment during interrogation). Both Palestinian and Israeli authorities are responsible for human rights violations. In the West Bank, a number of journalists suffered intimidation. The PA closed over 100 charity groups in September 2007, and announced further closures of charitable committees in the future, because they are suspected of providing funding to the Hamas movement.

As concerns Gaza, the human rights situation deteriorated, in particular with regards to torture and freedom of expression. The situation of Palestinian journalists dramatically worsened in 2007, notably in the Gaza Strip following the Hamas takeover.

The Ministry of Women's Affairs is working on the implementation of the national strategy to promote **women's** rights and gender equality in all fields of society. Women continue to suffer from the negative impact of the conflict, increased poverty and movement restrictions that further limit access to health services and education. Approximately 11 % of households which are living on less than € 1.5 a day are female-headed households. The overall situation contributed also to increased family and societal violence – with a raise in cases of “honour” crimes in the West Bank and the Gaza Strip. Those convicted in such cases receive, on average, disproportionate sentences of no more than six months imprisonment.

Women's participation in economic life remains low, with over 80 % of women in the West Bank and 90 % in Gaza outside the formal labour force. The participation of women in PA political life has increased, in particular as regards female membership to the Palestinian Legislative Council (from 6 % to 12.9 %). On the other hand, female representation at local government level is below 1 %.

### ***Financial Accountability and Sound Management of Public Finances***

*Objectives in this area include: establishment of a well-functioning system of financial control, improving the transparency of PA finances, concerted action to tackle corruption within public institutions and to fight against fraud, ensuring transparency of public procurement operations and putting in place a sustainable pension system.*

On the **fiscal** front, since the creation of the government under Prime Minister Fayyad in June 2007, the Ministry of Finance took steps to repair the Public Financial Management System, including reinstating cash controls, resuming the Single Treasury Account, establishment of expenditure tracking and performance management mechanisms and reduction of the wage bill. These measures have increased donors' willingness to resume channelling funds to the

PA. Training for internal and external audit has contributed to building capacity in these departments of the Ministry of Finance. However, due to legislative deficiencies, the proliferation of separate stand-alone accounting systems and a lack of definition of line ministries' responsibilities for managing their own finances including a clear segregation of functions do not facilitate adequate monitoring of budgetary execution by the Ministry of Finance.

The implementation of the law on **external audit** remained slow and the administrative capacity of the Supreme Audit Institution needs to be significantly reinforced.

**Corruption** continues to be seen as a serious problem in occupied Palestinian territory, due to a weak legal framework and lack of enforcement measures.

### 3. ECONOMIC AND SOCIAL REFORM

#### *Macroeconomic framework and functioning market economy*

A further contraction of **economic growth** was expected early in 2007, but a later forecast points to stagnation (zero growth) end-2007 thanks to economic recovery in the West Bank in the second half of 2007. GDP per capita should contract for the fourth consecutive year as a result of rapid population growth (3.3 % per annum), one of the highest rates in the world.

During the last few years, the composition of the Palestinian **economy** has changed. The productive fabric has been progressively eroded, resulting in GDP being increasingly driven by government and private consumption (supported by remittances and foreign aid), while investment has fallen to low levels, eroding therefore the sustainability of the economy. Public investment has nearly ceased and government funds have been used to pay salaries and recurrent costs. Private investment is estimated to have shrunk by 15 % between 2005 and 2006 and there is no evidence of recovery in 2007.

As regards employment and social policy, the strong population growth has translated into an expanding labour force which is facing diminishing working opportunities in a context marked by private sector contraction. As a result, **unemployment** has grown uninterruptedly in the oPt and stands at 23 % of the active labour force (Gaza: 33 %, West Bank: 19 %). The public sector has partially absorbed the labour surplus, which has somewhat mitigated the alarming **poverty** rates (Gaza: 51 %, West Bank: 24 % in 2006) but has put a heavy load on the budget which is confronted with an unsustainable wage bill. Government spending on **social protection** has continued to increase, reaching 65 % of GDP in 2005 (last figure available). Furthermore a social protection strategy is being defined. The 2005 unified **pension** law, aiming at creating a two-pillar system for employees, is not yet fully enacted. However, its provisions risk further eroding the PA's fiscal stability.

**The fiscal situation** of the PA in 2007 remains dramatic. The overall public deficit will reach almost 35 % of GDP end-2007, up from some 13 % of GDP in 2003. The largest expense is the wage bill, which remains at an unsustainable level at 27 % of the GDP despite the government's recent efforts to limit the growth of the public sector. Even taking into account Israel's decision in June 2007 to release withheld clearance revenues, and the recovering domestic tax revenues, the wage bill due now exceeds total government revenues.

International donors are playing a major role in helping the PA to achieve a sound fiscal position. Significant budget support (nearly € 2.66 billion over the period 2008-10) will be needed to cover the current deficit and repay accumulated arrears. However, donors have pledged insufficient amounts of budget support (€ 1.25 billion over 2008-10) at the Paris Donors' Conference (December 2007) meaning that the PA could still face a financing gap

(over € 200 million in 2008). Despite the aid pledges, the Palestinian economy will continue to contract unless Israel eases its blockade of the Gaza Strip and removes crucial internal checkpoints to allow Palestinians to move freely in the West Bank, and facilitates trade with the outside world, including Israel itself. Assuming full disbursement of pledges, the easing of restrictions by Israel, and the implementation of promised reforms by the PA, the Palestinian economy could grow by 5 % a year.

#### 4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The continuing obstacles to trade and economic development are related to the non-implementation of the agreement on movement and access of 2005. The commitments in the agreement related to Gaza have not been met, and in the West Bank the number of obstacles to movement increased from 396 in 2005 to 563 in 2007. This has a negative effect on trade and as a result, the economy has considerably worsened.

The main sectors for oPt exports to the EU are agriculture and textiles. Notwithstanding a slight increase in trade in 2007, mainly due to an increase of EU exports, in real terms trade remains negligible compared to existing trade opportunities. Moreover, the Palestinian trade deficit is widening.

Work towards the adoption of a “dispute settlement mechanism” establishing a more effective and streamlined mechanism specifically applicable to trade in the framework of the agreement is ongoing.

The European Commission expressed its willingness to re-launch, as soon as the political circumstances allow, the discussions in the framework of the trilateral working group on trade established between the European Commission, Israel and the Palestinian Authority with the objective of increasing technical cooperation between Israel and the PA.

The overall trade environment regressed, mainly in view of the increased Israeli closure regime around the Gaza Strip and in the West Bank. Palestinian trade must still go through Israeli controlled borders and transit through Israeli roads and ports.

Regarding **sanitary and phyto-sanitary** issues, the Palestinian Authority enhanced its capacity to respond to animal disease outbreaks such as avian influenza. It participated in workshops under the European Commission’s “Better training for safer food” programme.

Little progress can be reported in the area of **market economy legislative reform**. While a unified procurement law is being prepared, the Palestinian legal framework remains weak, contributing to the uncertainty of the **business environment** that fails to attract sufficient domestic and international investment. International surveys on the ease of doing business rank the oPt very low, which highlights the persistence of major barriers to conduct business. Mounting difficulties in dealing with licenses and trading across borders have contributed to the deterioration in oPt’s ranking compared to last year.

No progress can be reported in the **revitalisation of the private sector**. On the contrary, persistent labour and goods movement restrictions imposed by Israel have resulted in a deterioration of the business environment for the private sector in 2007. The isolation of Gaza has paralyzed most industrial activities in the Strip due to the risks and uncertainties linked to the closing of crossings and the multiplication of transaction costs. Multiple barriers in the West Bank remain to be dismantled and constitute the main shortcoming for economic recovery.



**On enterprise policy**, the Palestinian side agreed to participate, together with other Mediterranean partner countries, in a pilot project aiming at assessing progress achieved in the ten sectors covered by the Euro- Mediterranean Charter for Enterprise. This project is coordinated by the European Commission in cooperation with the OECD, the European Training Foundation and the European Investment Bank.

Considerable progress can be reported in the area of **statistics**. The Palestinian Central Bureau of Statistics (PCBS) rejoined the MEDSTAT II programme after a break and actively participates in the programme activities. The PCBS is working towards the completion of the 2007 Population and Housing census in the Gaza strip. The fieldwork in the West Bank had already been completed. Preliminary data from the 2007 Census is expected in March 2008. The Palestinian Authority together with Jordan, Israel and Egypt launched a common working group to tackle common challenges related to the production of trade statistics (mirror exercises etc.).

## **5. ENERGY, ENVIRONMENT, TRANSPORT, RESEARCH AND DEVELOPMENT**

**Energy** supply remains a key issue for the occupied Palestinian territory, which is to a large extent dependent on imports from Israel. A small quantity of electricity is also imported from Egypt to Gaza. The decrease of energy supplies to the Gaza strip impacts on the socio-economic and humanitarian situation of the territory.

In June 2006 the Nusseirat power plant in Gaza, which benefited from European Commission's support, suffered considerable damage during Israeli strikes. The power station has been functioning at half capacity ever since. In November 2007 Israel limited fuel supplies despite available financing from the European Commission. This resulted in lower electricity production, blackouts, cuts to provision of fresh water, power shortages in hospitals and severe problems with treatment of waste water.

At regional level, Euro-Mediterranean energy ministers enhanced cooperation by endorsing a priority action plan for 2008-2013. The plan includes a list of priority interconnection and infrastructure projects of joint interest. The Palestinian Authority participated in the EU-Africa-Middle East ministerial energy conference, which identified a common interest in promoting clean energy technologies and developing a green energy market. A major upgrade of the electricity sector including a programme for rural electrification is ongoing. In this context a loan agreement with the EIB was concluded to build four electricity substations in the West Bank. The construction of an electricity interconnection between Jericho and Jordan was initiated. Further to Hamas' takeover of the Gaza Strip, the construction of an electricity line from Israel to Gaza has been frozen. The development of the Gaza offshore gas resources could very much benefit the economy but cannot be exploited in the current security conditions.

The EC stands ready to revive an EC supported Palestinian-Israeli energy cooperation programme including the establishment of a joint energy office. It is also ready to facilitate the joint Palestinian-Israeli "Solar for peace" initiative launched in 2007, which aims to enhance the use of solar energy to the benefit of both parties. In this context, trilateral exchanges have already been held.

The overall **environment** situation continues to deteriorate. Water resources are being depleted. Israel continues to exploit water resources for settlers and controls access of Palestinians to water in the West Bank, while many Palestinian households are not connected to drinking water supply, nor receive sufficient quantities or good-quality drinking water.

Over-pumping has resulted in serious problems in terms of salination. Less than half of the population is connected to the sewage system and many wastewater treatment plants are not functioning or are inefficient. A lack of appropriate waste collection systems, equipment and landfills results in a proliferation of uncontrolled dumpsites.

Administrative structures and capacities require strengthening, in particular within the Environmental Quality Authority, the Palestinian Water Authority as well as within the municipalities. Environment strategies and legislation also need updating.

PA representatives participate in the Euro-Mediterranean Horizon 2020 Initiative on environmental measures in the Mediterranean area, including the identification of key environment infrastructure issues in the fields of municipal waste, urban waste water and industrial pollution as well as appropriate financing sources and mechanisms. One of the 44 projects identified so far concern the Gaza Strip. Taking into account already ongoing as well as planned activities, links with the Horizon 2020 will be established as appropriate.

PA representatives also participate in activities under the EU Water Initiative.

The Palestinian Authority is an observer to the Convention for the protection of the Marine Environment and the Coastal Region of the Mediterranean (Barcelona Convention).

At sub-regional level, **transport** constitutes a topic of strategic importance in Palestinian-Israeli cooperation, in particular in light of plans to set up a Joint Transport Office (JTO) to promote transport cooperation. Implementation of this initiative has not been launched yet.

Concerning the **information society**, almost all legal telecommunications services in the West Bank and Gaza Strip are provided the PalTel group. Without competitors, PalTel effectively operates as a monopoly, only challenged by Israeli providers. In 2007 a second mobile operator, Wataniya, has been issued a license. However, while Israel has in principle agreed to release frequencies for Wataniya, so far they have not done so. The delay also means that the PA has not yet received the \$355 million sale price. In addition to the lack of frequencies, it is difficult for new operators to enter the market or for existing ones to expand because of Israeli restrictions on importing equipment or establishing required infrastructure in area C of the West Bank. The Ministry of Telecommunications and Information Technologies (MTIT) is in the process of awarding new full operator licenses for data and voice over Internet protocol (VoIP) services. While there are moves to increase competition, MTIT has been slow to build capacity to effectively regulate the market.

With regards to **research and innovation**, in spite of the difficult research system dynamics in which Palestinian researchers operates, their participation in the 6<sup>th</sup> Research Framework Programme is relatively successful and accounting for 15 research project contracts, in which Palestinian research teams are involved. This represents an above-average success rate of 34% given that 62 research proposals included Palestinian teams. Their participation in the first calls of the 7<sup>th</sup> Research Framework Programme is equally relevant, counting a total participation of more than 16 research teams.

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

The Palestinian Authority improved quality and equitable access to **education**. The Ministry of Education and Higher Education is preparing the second five year plan for education for the period 2007-2011 with the objectives of ensuring education for all, improving quality, and establishing efficient financial and administrative systems. The Ministry developed a

comprehensive national strategy on teacher education to strengthen the professional capacity of teachers. In addition, the Ministry implemented the Tertiary Education Project, to which the EU contributes. Tempus was instrumental in supporting Palestinian reforms in the area of higher education and providing a platform for cooperation of Palestinian universities with their European counterparts. Five Palestinian universities participated in the Erasmus Mundus External Cooperation Window programme contributing to an important increase in student and academic mobility. Participation in Erasmus Mundus was also promoted. In the area of **youth**, participation in the Youth in Action and Euro-Med Youth III programmes was also actively promoted.

In the area of **culture**, Palestinian organizations actively participated in the regional Euro-Med Heritage programme in the areas of networking of museums and promotion of common Byzantine and Islamic cultural heritage.

The Palestinian Authority continued to build up its **health** system including regarding hospitals, primary health care, health information, insurance and human resource development. The Palestinian Authority established a National Council for Health and adopted a national health strategic plan 2008-2012. Sustained efforts are needed to ensure quality, access and financial sustainability of health care. The current limitation of energy imports in Gaza impacts on the delivery of health care. As a result, hospitals were obliged to reduce their services. The Palestinian Authority participated in the Euro-Mediterranean workshop on communicable diseases and health systems, which prepares for a Ministerial conference. It also participated in the TAIEX supported seminar “Health in all policies” jointly organised by the European Commission, the WHO and the European Health Observatory. It participated in the “EpiSouth” network for EU, Mediterranean and Balkan countries on communicable diseases. Furthermore, the European Commission invited the Palestinian Authority to the EU Network of competent authorities in health information and knowledge.

## **7. FINANCIAL COOPERATION – 2007 KEY FIGURES FACTS AND FIGURES**

The European Commission is the largest donor for the Palestinians. In 2007, the European Commission provided € 550 million for the Palestinians. The bulk of Community assistance has been provided for emergency assistance through the Temporary International Mechanism. Humanitarian aid in the areas of food aid, emergency job creation, health, psycho-social support, water and sanitation and protection has continued through ECHO. The EC has also increased its contribution to UNRWA’s General Fund to € 66 million, to address the needs of the Palestinian refugees that have been severely hit by the crisis in the oPt. A new scheme to repay private sector arrears due by the PA to the private sector has been established. The EC has continued its support to the judiciary, Central Elections Commission and Palestine Monetary Authority. The ongoing institution building programme has been reinforced by targeted support for the public financial management reform, and for taxation and customs departments of the Ministry of Finance. To underpin the EU policy regarding East Jerusalem, the EC programme focusing on community services for the East Jerusalem inhabitants has been reinforced. A new call for proposals “Partnership for peace” was launched to support direct civil society relationships and cooperation among actors from Israel, the oPt and neighbouring countries. Through the Instrument of Stability, the European Commission supports work of Quartet Representative Tony Blair, and projects with Palestinian civil police through EUPOL COPPS. Substantial contribution was provided to the Rafah border crossing complementing the EU Border Assistance Mission there, currently suspended.

The oPt is also eligible for cooperation activities, financed under the (European Neighbourhood and Partnership Instrument (ENPI) multi-country and regional programmes and the ENPI Cross Border Cooperation component.

The European Commission co-chaired the Paris Donor Conference in December 2007 where it pledged € 440 million, the largest amount of financial support of any donor to the Palestinians for 2008.