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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX I

to the Commission Implementing Decision on the Special Measure in favour of Palestine[1] for 2026-2027 – Part II

Action Document for Support to Socio-Economic Recovery and Stabilisation for Palestine

MULTIANNUAL MEASURE
This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation, and a measure in the sense of Article 23(4) of NDICI-Global Europe Regulation

1. SYNOPSIS

1.1. Action Summary Table

1. Title **OPSYS** **Basic Act**	Support to Socio-Economic Recovery and Stabilisation for Palestine Special Measure in favour of Palestine for 2026-2027 OPSYS business reference: ACT-63522 SUMMA fund reservation number: JAG.SUM.2468709 & JAG.SUM.2470765 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
2. Economic and Investment Plan (EIP)	No
EIP Flagship	No
3. Team Europe Initiative	Yes
4. Beneficiar(y)/(ies) of the action	The action shall be carried out in Palestine.
5. Programming document	NA – Special measure
6. Link with relevant MIP(s) objectives/expected results	NA – Special measure
PRIORITY AREAS AND SECTOR INFORMATION	
7. Priority Area(s), sectors	Special Measure – not linked to relevant programming document
8. Sustainable Development Goals (SDGs)	Main SDG: SDG 1 – No poverty Other significant SDGs: SDG 2 – Zero hunger SDG 5 – Gender equality SDG 6 – Clean water and sanitation SDG 7 – Affordable and clean energy

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

<table>
<tr><td></td><td colspan="4">SDG 8 – Decent work and economic growth
SDG 9 – Industry, innovation and infrastructures
SDG 10 – Reduced inequalities
SDG 12 – Responsible consumption and production
SDG 11 – Make cities and human settlements inclusive, safe, resilient & sustainable
SDG 13 – Climate action and production
SDG 15 – Life on land
SDG 16 – Peace, justice and strong institutions</td></tr>
<tr><td>9. DAC code(s)</td><td colspan="4">Under Specific Objective 1
140 – Water and Sanitation (28%)
231 – Energy policy (2%)
232 – Energy generation, renewable sources (12%)
Under Specific Objective 2
250 – Business policy and administration (3%)
250 – Business development services (8%)
321 – Industry (6%)
220 – Information and communication technology (11%)
Under Specific Objective 3
311 – Agriculture (19%)
410 – General Environment Protection (2%)
Under Specific Objective 4
150 – Government Civil Society (4%)
160 – Other social infrastructure and services (3%)
430 – Other multisector aid (1%)</td></tr>
<tr><td>10. Main Delivery Channel</td><td colspan="4">10000 – Public Sector Institution
12000 – Recipient Government
20000 – Non-Governmental Organisations (NGOs) and Civil Society</td></tr>
<tr><td>11. Targets</td><td colspan="4">☐ Migration
☒ Climate
☒ Social inclusion and Human Development
☒ Gender
☐ Biodiversity
☒ Human Rights, Democracy and Governance</td></tr>
<tr><td rowspan="3">12. Markers
(from DAC form)</td><td>General policy objective</td><td>Not targeted</td><td>Significant objective</td><td>Principal objective</td></tr>
<tr><td>Participation development/good governance</td><td>☐</td><td>☒</td><td>☐</td></tr>
<tr><td>Aid to environment</td><td>☐</td><td>☒</td><td>☐</td></tr>
</table>

	Gender equality and women's and girl's empowerment	☐	☒	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction	☐	☒	☐
	Inclusion of persons with Disabilities	☒	☐	☐
	Nutrition	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate mitigation	☐	☒	☐
	Climate change adaptation	☐	☒	☐
13. Internal markers and Tags	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	EIP	☒	☐	☐
	EIP Flagship	YES ☐	NO ☒	
	Tags	YES	NO	
	Transport	☐	☒	
	Energy	☒	☐	
	Environnement, Climate Resilience	☒	☐	
	Digital	☒	☐	
	Economic development (incl. private sector, trade and macroeconomic support)	☒	☐	
	Human development (incl. human capital and youth)	☒	☐	
	health resilience	☐	☒	
	Migration and mobility	☐	☒	
	Agriculture, food security and rural development	☒	☐	
	Rule of law, governance and public administration reform	☒	☐	

	Other	☐		☒
	Digitalization	☐	☒	☐
	Tags digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES ☒ ☒ ☒ ☒ ☒		NO ☐ ☐ ☐ ☐ ☐
	Connectivity	☐	☒	☐
	Tags digital connectivity energy transport health education and research	YES ☒ ☒ ☐ ☐ ☐		NO ☐ ☐ ☒ ☒ ☒
	Migration	☒	☐	☐
	Reduction of Inequalities	☐	☒	☐
	COVID-19	☒	☐	☐
BUDGET INFORMATION				
14. Amounts concerned	Budget line (article, item): 14.020110 Southern Neighbourhood Total estimated cost: EUR 132 000 000 Total amount of EU budget contribution EUR 132 000 000 The contribution is for EUR 62 000 000 from the EU general budget for 2026 and for EUR 70 000 000 for 2027, subject to the availability of appropriations following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths. The action contributes to the Team Europe Initiative (TEI) on Water Resources Management – Wastewater and Reuse in Palestine and Sustainable growth, jobs and resilience, supporting objectives, related to entrepreneurship, economic resilience and digital development. Participating EU Member States to the TEI are: Austria, France, Germany, Spain and the Netherlands. The action contributes to the TEI "Sustainable Growth, Jobs and Resilience". Participating EU Member States and European Development Finance Institutions (EDFIs) to the TEI are: Austria, Belgium, Germany, Italy, the Netherland, and Sweden. Furthermore, the International Financial Institutions such as European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Société de PROmotion et de PARticipation pour la Coopération économique **(**PROPARCO),			

	Kreditanstalt für Wiederaufbau (KfW) and Financierings-Maatschappij voor Ontwikkelingslanden (FMO) are formally part of the TEI. The commitment of the EU's contribution to these actions may be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. If the TEI and/or these contributions do not materialise, the EU action may continue outside a TEI framework.
MANAGEMENT AND IMPLEMENTATION	
15. Implementation modalities (management mode and delivery methods)	**Direct management** through: - Grants - Direct Financial Support (PEGASE) - Procurement **Indirect management** with the entities to be selected in accordance with the criteria set out in section 4.3.4

1.2. Summary of the Action

As part of the second pillar of the EU Multiannual and Comprehensive Programme for Palestine's Recovery and Resilience (2025–2027) [2], the **overall objective** of this action is to improve the socio-economic recovery for the people in Palestine at a time of crisis.

This will be done through **four specific objectives (outcomes):**

1. Improved equitable, affordable, and climate-resilient access to safe Water, Sanitation, and Hygiene (WASH) and energy services for the population in Palestine and the efficient management of such services by the relevant institutions;
2. Increased targeted Micro, Small and Medium Enterprises' (MSMEs) resilience and competitiveness along with job creation in Palestine and increased participation of targeted MSMEs in global value chains;
3. Enhanced resilience, productivity and market integration of Palestinian farmers;
4. Increased responsiveness, effectiveness and efficiency of local government in the provision of public services and government functions, and improved framework for the protection of Housing & Land Property (HLP) rights.

The focus is primarily placed on support to the West Bank, but this action can also include early recovery activities in Gaza as conditions allow, building in the flexibility to pilot and scale up support in key sectors as the context evolves. This action aligns with the Palestinian National Development Plan, the Palestinian Authority (PA) Reform Programme (May 2024), and 'Build Palestine Strategic Framework Document' (September 2024). The action aims to advance the reform agenda of the PA in the identified sectors, where improved service delivery will be accompanied by dedicated policy dialogue.

1.3. Beneficiary of the action

The action shall be carried out in Palestine, included in the list of Official Development Aid recipients.

2. RATIONALE

2.1. Context

The situation in Palestine continues to be extremely fragile. The West Bank and East Jerusalem experience escalating violence, including large-scale Israeli military operations, settler attacks, and restrictions on movement, displacing tens of thousands and disrupting access to essential services like healthcare and education. Meanwhile, aid delivery is repeatedly obstructed, both by Israeli legislation and actions banning UNRWA, targeting international NGOs, and by ongoing hostilities and access constraints. The PA has faced economic hardship due to Israel's withholding of clearance revenues, funds that accounted for more than 60% of the PA's financial resources. This is further exacerbated by other measures which further destabilise the

[2] https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1055

Palestinian banking sector, including threats to sever correspondent banking relations with Israeli banks. Socio-economic conditions have deteriorated sharply following the conflict and the suspension of Palestinian workers' access to jobs in Israel.

In Gaza, more than two years of conflict have led to widespread displacement, extensive damage to social, physical, and productive infrastructure, and plunged the Strip into a deep humanitarian crisis, with more than 71,000 Palestinian fatalities, 70% of whom were women and children, and over 171,000 injured, approximately more than 25,000 left with permanent disabilities.

In this context, this action contributes to a longer-term effort to preserve a future Palestinian state, contributing to the development of a stable and independent economy. It does so by focusing on four areas of work: 1) ensuring water and energy self-sufficiency; 2)empowering the private sector as an engine for growth; 3) supporting the rural livelihoods and resilience through agriculture sector and; 4) strengthening local governance.

The action seeks to support key reforms under Pillar III of the EU-Palestine Reform Matrix, in particular, business registry, licensing portal, digitalization reforms, risk management and competition law. Moreover, it supports the implementation of other reforms under Pillar II (Governance, Rule of Law, Democracy & Freedom of Expression) and Pillar IV (Basic services - Digital).

The action also considers the risks to Palestinian livelihoods related to environmental degradation and climate change, while ensuring that recovery and stabilisation efforts do not result in significant adverse impacts on the environment.

2.2. Problem analysis

Palestine's Natural Resources under Pressure – Water and Energy (Specific Objective 1)

In Palestine, nearly five million people are affected by a severe water and sanitation crisis, driven by the conflict in Gaza, movement restrictions and structural constraints in the West Bank. Damage to infrastructure, energy shortages, and large-scale displacement have critically disrupted essential Water, Sanitation, and Hygiene (WASH) services, with Gaza facing near-total system collapse and acute public health risks.

As a result, untreated wastewater is creating immediate and severe public health risks, including increased exposure to waterborne diseases. Contaminated water resources threaten food security, accelerate the degradation of already stressed groundwater aquifers, and place additional pressure on fragile ecosystems. However, the disruption of WASH services undermines livelihoods and communities. Weak coordination among sector institutions and fragmented governance frameworks undermine effective water and energy management. Financial instability - exacerbated by mounting debts to Mekorot (the Israeli Water Company) and deductions from Palestinian clearance revenues - continue to constrain sector development.

In the West Bank, almost 90% of the electricity is imported from Israel. Palestinian renewable energy accounts for only 5% of electricity supply. Infrastructure is old and damaged at large. Challenges are further exacerbated by the net-lending mechanism and the deduction of outstanding payments by Israel, including electricity bills, from clearance revenues. Promoting renewable energy, enhancing energy efficiency, rehabilitating, developing and upgrading infrastructure are critical pillars for reducing Palestine's dependence on imported electricity and provide fiscal relief. By investing in renewable sources, Palestine could potentially generate clean and local energy and would further enable reliable distribution of locally generated power. Together, these efforts can pave the way towards greater energy sovereignty, and environmental sustainability in accordance with Government strategies such as the Palestinian Energy and Natural Resources Authority (PENRA)'s Strategic Plan 2025-2027 as well as the National Renewable Energy Plan in Palestine 2025-2030, and PENRA Gaza Recovery and Reconstruction Plan.

The Palestinian Economy in Crisis (Specific Objective 2)

While Palestine's overall economic outlook has shown modest improvement, the situation remains extremely dire. Israeli military operations, the closure of key crossings and internal movement restrictions, severely constrained the private sector. These measures undermined productivity, particularly for micro, small, and medium-sized enterprises (MSMEs). The financial sector is also under significant stress due to threats to correspondent banking relations, restrictions on shekel conversion, and the PA high debt exposure to commercial banks. As a result, MSMEs face reduced access to finance, making technical and financial support

a pressing priority. The labour market reflects these economic struggles, and the economy still lacks the capacity to absorb all unemployed workers. More specifically, the unemployment remains very high, disproportionately affecting young people and women: in the West Bank, 56% in 2025 for women aged 15-24, and 37%[3] for men in the same age range.

Palestine also faces challenges in pursuing trade facilitation, which in turns constraints private sector development. The 2025 UN Global Survey on Digital and Sustainable Trade Facilitation[4] revealed low implementation of digital and sustainable trade practices. While some progress has been made in paperless trade, challenges persist, including inadequate legal frameworks for electronic transactions, insufficient support for SMEs and women in trade, and gaps in cross-border digitalisation.

Rural Livelihoods and Resilience (Specific Objective 3)

Livelihoods and food security in the West Bank and Gaza Strip are under growing strain. The Food and Agriculture Organisation recent data in the West Bank show widespread income collapse, increasing food insecurity, and repeated exposure to conflict-related and economic shocks. Agricultural livelihoods are particularly affected by climate change, insecurity, and high input costs sharply reducing crop yields and livestock productivity, accelerating the erosion of household resilience[5]. While the existing assistance programmes provide essential support, their outreach capacity remains limited and covers only a small share of farming households. Agri-cooperatives and agri-SMEs face additional constraints that undermine their viability, including limited access to finance, weak technical and processing capacity, fragmented markets, and restrictions on movement and trade, all of which hinder investment, value addition, and competitiveness.

Local Governance & Housing, Land and Property Rights (Specific Objective 4)

While the context deteriorates, local government is expected to deliver services as per Palestinian Local Governance Law and deliver against new needs. This situation highlights the gap between growing municipal responsibilities and limited capacities and underscores the need for investments and support to local government. The most recent local elections in April 2026 also represent a valuable democratic renewal process for Palestinians across the occupied territory.

In the context of housing, land and property, the conflict in Gaza has resulted in widespread destruction of housing stock and mass displacement. The situation is further complicated by the loss of housing and land records, fragmented legal frameworks, and lack of documentation, which hinder property rights protection, create tenure insecurity, and fuel disputes over land use and inheritance. Vulnerable groups, especially women, face additional barriers to reclaiming property and accessing assistance. Housing, Land, and Property (HLP) rights of the population should underpin all recovery and reconstruction efforts. A clear governance framework to address HLP rights will be essential, with immediate priority on locally led alternative dispute resolution mechanisms.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

Palestine's Natural Resources under Pressure – Water and Energy (Specific Objective 1)

The Palestinian Water Authority is the principal institutional stakeholder, responsible for sector policy, reform dialogue, and oversight of infrastructure investments. In Gaza, water supply and wastewater management are under the responsibility of the Coastal Municipalities Water Utility. In the field of energy, the Palestinian Energy and Natural Resources Authority (PENRA) is the key stakeholder, whilst the Palestine Electricity Transmission Ltd. (PETL) is the national electricity transmission company of Palestine. The Palestine Electricity Regulatory Council is the independent regulatory authority responsible for overseeing and regulating the electricity sector in Palestine. In addition, there are five Distribution Electricity Companies in the West Bank and one in Gaza.

[3] PCBS data - https://www.pcbs.gov.ps/media/c3fjp1dl/book2737.pdf
[4] https://www.untfsurvey.org/economy?id=PSE&year=2025
[5] According to the Palestinian Ministry of Agriculture, direct damage has amounted to EUR 100 million, within the West Bank, since October 2023 due to Israeli occupation practices, including settler violence.

The Palestinian Economy in Crisis (Specific Objective 2)

The Ministry of Industry oversees the national industrial strategy and the development of the industrial sector. The Ministry of Labour oversees the Palestinian labour policies. It also follows the development of upskilling programmes through public Technical and Vocational Education and Training (TVET) centres. The Ministry of National Economy (MoNE) leads the economic policies and regulations in Palestine. The Ministry of Telecommunications and Digital Economy is the primary government body in Palestine responsible for regulating, developing and fostering the Information and Communication Technology (ICT) sector and digital transformation initiatives.

The Palestinian Monetary Authority (PMA), equivalent to a Central Bank in an independent country, is responsible for the formulation and implementation of monetary and banking policies to maintain price stability and low inflation, foster financial stability and safeguard the banking sector and promote sustainable growth of the national economy. The PMA supervises the 13 Palestinian and foreign banks and 8 Micro Finance Institutions (MFIs) operating in the West Bank and Gaza Strip.

The Palestine Trade Centre is the national export promotion agency established by MoNE, with a national mandate to lead the development of exports for sustainable economic growth.

Local financial institutions: commercial banks, micro-credit institutions, and credit guarantee foundations.

Micro, Small and Medium Enterprises (MSMEs) represent 96% of the Palestinian private sector, the majority in the informal economy. They will be final beneficiaries.

Private sector: Business support organisations (e.g. Federation of Chambers of Commerce, Palestinian Federation of Industries, Palestinian Information Technology Association of Companies, Shippers Council,).

Rural Livelihoods and Resilience (Specific Objective 3)

The Ministry of Agriculture (MoA) leads national agricultural policy and planning.

The Environment Quality Authority is the central PA for all environmental issues.

Local Governance & Housing, Land and property rights (Specific Objective 4)

The Ministry of Local Government (MoLG) is the main policy making and legislative body responsible for local governance and the delivery of the Local Government Sector Strategy in Palestine.

Municipal Development and Lending Fund (MDLF), for local governance and Area C.

Local Government Units (LGU) as Local Authorities in Palestine include 159 municipalities, 278 village councils (VCs, within the West Bank exclusively) and 73 Joint Service Councils.

The Association of Palestinian Local Authorities serves and supports the LGUs in Palestine.

The Palestinian Land Authority is the main holder of cadastral and land documentation.

Regarding Gaza Governance, UNSC Resolution 2803, adopted on 17 November 2025, endorsed the Comprehensive Plan to End the Gaza Conflict, and welcomed the establishment of a "Board of Peace" (BoP) as a transitional administration with international legal personality that will set the framework, and coordinate funding for the redevelopment of Gaza pursuant to the Comprehensive Plan, and in a manner consistent with relevant international legal principles, until such time as the PA has satisfactorily completed its reform programme, as outlined in various proposals.[6] In the Foreign Affairs Council of 16 March 2026, the EU and its Member States reiterated their support for UNSC Resolution 2803, and the EU is exploring pathways to support the PA, as the transitional entities of the Office of the High Representative and the National Committee for the Administration of Gaza to achieve their objectives.

2.3. Lessons learned

Through its sustained engagement in all of the streams of work put forward, the EU and its Member States have integrated many lessons learned into the action.

Sustaining water and energy investments in Palestine requires addressing key structural constraints. The viability of wastewater reuse depends on robust technical assessments to ensure treated effluent meets irrigation standards, enabling environmental benefits and revenue generation to support operation and maintenance costs. Mobilising financing through EU instruments, European Development Finance Institutions

[6] United Nations (2025). Security Council Resolution 2803: https://digitallibrary.un.org/record/4093207?v=pdf

(EDFIs), private sector, and public–private partnerships is essential to scaling sector development. Operational conditions for early recovery in Gaza necessitate key ameliorations on the dual use systems, as well as sustained, predictable and safe access across Gaza. Renewable energy, particularly solar, holds significant potential for rural and off-grid areas but requires targeted incentives, land access, and improved grid integration. Finally, reducing dependence on imported electricity by investing in local energy generation, transmission infrastructure, and efficiency measures is crucial for enhancing energy security and resilience.

Economic growth is limited by structural weaknesses resulting from years of military occupation. Addressing issues like restricted access to resources and control over the whole Palestinian territories, especially in Area C, could significantly provide support to Palestinian businesses, ease trade restrictions and, eventually, foster the Palestinian economy. Nevertheless, these obstacles require political and longer-term action. A geographical and sector-based approach is to be adopted. The action will target specific MSMEs with tailored grants (and access to finance), based on the needs of the beneficiaries, aiming at supporting their business development as well as upskilling and recruitment of unemployed labour force, which are required by the MSMEs in the relevant geographical areas.

The **Assistance to Agriculture Programme (AAP)**, implemented through the Ministry of Agriculture in the West Bank and Gaza Strip confirms that nationally led framework can effectively support agricultural recovery and long-term resilience. Experience from earlier phases highlighted the limitations of a purely development-oriented response, prompting a shift toward towards a hybrid approach[7] - resilience-building and economic stabilisation. The action builds on the successes of the Multi-Donor Agribusiness Programmes (MAP I and II), implemented from 2024 until end 2026, which introduced innovative models for agribusiness development, including risk-sharing approaches and matching grants that mobilised additional private-sector investment. The evaluation and monitoring reports for MAP II emphasised the need to balance the demand-driven nature of these initiatives, which promote ownership and private-sector engagement, with strategic guidance to prioritise investments in crops and production systems aligned with national policy objectives.

Palestinian Municipalities have shown their ability and willingness to reform and enhance their performance, in line with the PA's reform agenda and MoLG priorities. The EU and development cooperation partners recognise the value of local level government that has been democratically elected, enjoys legitimacy and continues to delivery services at community level. With the evolution of the flagship Municipal Development Programme, regular lessons learned exercised are built in and then integrated into a natural evolution of the programme, notably on the inclusion of youth and gender, on transparency and accountability. The EU will continue working, with partners, promoting a joint and coordinated approach in this sector.

Finally, given the magnitude and complexity of programming in the current context, even more coordination between different stakeholders and complementarities with other actions and regional programmes will be crucial to enhance effectiveness and avoid duplication. This Action incorporates a flexible and pragmatic approach by selecting priority geographical areas and economic sectors, with a high potential for recovery and stabilisation.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and expected Outputs

The **Overall Objective/Impact** of this action is to improve socio-economic recovery for the people of Palestine at a time of crisis.

The **Specific Objectives**/**Outcomes** of this action are to:

1. Improve the equitable, affordable, and climate-resilient access to safe Water, Sanitation, and Hygiene (WASH) and energy services for the population in Palestine, and the efficient management of such services by the relevant institutions.
2. Increase the resilience, competitiveness, and participation of targeted Micro, Small and Medium Enterprises' (MSMEs) in global value chains, alongside job creation.
3. Enhance the resilience, productivity, and market integration of the Palestinian farmers.

[7] It will strengthen the capacity to support farmers affected by Israeli occupation practices, including settler violence.

4. Increase the responsiveness, effectiveness, and efficiency of local government in the provision of public services and government functions and improve the framework for the protection of Housing & Land Property (HLP) rights.

The **Outputs** to be delivered by this action contributing to the Specific Objectives (Outcomes) are:

Contributing to Outcome 1 "Improved equitable, affordable, and climate-resilient access to safe Water, Sanitation, and Hygiene (WASH) and energy services for the population in Palestine, and the efficient management of such services by the relevant institutions."

1.1. Institutional capacity in the water, sanitation, and energy sectors at national and local levels.

1.2. Wastewater collection, treatment, and reuse infrastructure expanded and rehabilitated.

1.3. WASH services expanded and rehabilitated including integrated Water–Energy Nexus solutions.

1.4. Improved resilient and reliable energy infrastructures.

Contributing to Outcome 2 "Increased resilience, competitiveness, and participation of targeted Micro, Small and Medium Enterprises' (MSMEs) in global value chains, alongside job creation."

2.1. Increased technical, financial and greening capacities of selected MSMEs and Business Support Organisations (BSOs) in terms of sustainable production, access to markets and income generation.

2.2. Strengthened skills of Palestinian workers and enhanced private sector's employability.

2.3. Strengthened private sector on the digitalisation of supply chains, and towards data-driven models.

2.4. Strengthened opportunities for SMEs participation in digital global trade.

2.5. Increased public sector capacity on regulatory reforms and innovative solutions for digital trade.

Contributing to Outcome 3 "Enhanced resilience, productivity, and market integration of the Palestinian farmers."

3.1. Revitalised production capacities of farmers.

3.2. Improved government-led agricultural support for farmers.

3.3. Strengthened private sector opportunities in climate-smart agribusinesses.

Contributing to Outcome 4 "Increased responsiveness, effectiveness, and efficiency of local government in the provision of public services and government functions, and improved framework for the protection of Housing & Land Property (HLP) rights."

4.1. Improved responsive service delivery by Local Governance Units.

4.2. Improved institutional and fiscal management capacity of Local Governance Units, in line with the Palestinian Governance Law.

4.3. Improved accountability measures of Local Governance Units.

4.4. Improved capacities, tools and documentation of HLP actors in early recovery.

The objectives of the action contribute to the general objectives of Team Europe Initiatives[8] and the EU-Palestine Investment Platform.

3.2. Indicative activities

When conditions allow, the below indicative activities can be adapted to address the immediate needs in the WASH and energy sectors in Gaza.

Activities related to Output 1.1 "Institutional capacity in the water, sanitation, and energy sectors at national and local levels"**:**

1.1.1 Support capacity building, policy dialogue, and reforms, including through technical assistance.

1.1.2 Support public-private partnerships, decentralised renewable energy generation and energy-saving technologies and practices, including, through technical assistance.

[8] The TEI on Water Resources Management and the TEI on Sustainable Growth, Jobs and Resilience.

Activities related to Output 1.2 "Wastewater collection, treatment, and reuse infrastructure expanded and rehabilitated"**:**

1.2.1 Construction and upgrading of wastewater collection, treatment and reuse facilities.

1.2.2 Support wastewater management through awareness campaigns and community engagement.

Activities related to Output 1.3 "WASH services expanded and rehabilitated including integrated Water–Energy Nexus solutions":

1.3.1 Construct, rehabilitate, and upgrade WASH infrastructure to meet needs, while integrating energy-efficient systems and renewable solutions to enhance long-term sustainability and resilience.

Activities related to Output 1.4 "Improved resilient and reliable energy infrastructures"**:**

1.4.1 Renewable energy and energy efficiency infrastructure development, upgrade and rehabilitation.

Activities related to Output 2.1 "Increased technical, financial and greening capacities of selected MSMEs and BSOs in terms of sustainable production, access to markets and income generation"**:**

2.1.1 Tailored support to MSMEs, including labour intensive businesses rehabilitation, with a focus, on internal processes, quality management, resource efficiency, digitisation; facilitating access to finance; increasing access in strategic sectors.

2.1.2 Technical assistance to BSOs including women-led.

Activities related to Output 2.2 "Strengthened skills of Palestinian workers and enhanced private sector's employability"**:**

2.2.1 Updated assessment on labour market needs;

2.2.2 Training programmes; offering opportunities for a first work experience;

2.2.3 Support to enhance the recruitment of job seekers (including youth, women and persons with disabilities); support to self-employed for business upgrading.

Activities related to Output 2.3 "Strengthened private sector on the digitalisation of supply chains, and towards data-driven models"**:**

2.3.1 Support for the adoption of digital systems for registration, licensing, and compliance.

2.3.2 Capacity building of MSMEs in digital systems.

2.3.3 Support for the integration of digital payment and fintech solutions.

2.3.4 Capacity building, support to MSMEs in digital marketing tools.

2.3.5 Support for circular economy, and green production technologies.

Activities related to Output 2.4 "Strengthened opportunities for SMEs participation in digital global trade"**:**

2.4.1 Capacity building, support for the establishment of e-commerce platforms and digital pathways.

2.4.2 Support for the development of digital investment products specifically for diaspora engagement.

2.4.3 Enabling the remote creation and running of businesses and commercial agencies.

2.4.4 Support for the provision of digitally issued guarantees, certifications, and official clearances.

2.4.5 Support for the establishment of digital channels to involve diaspora in priority sectors.

Activities related to Output 2.5 "Increased public sector capacity on regulatory reforms and innovative solutions for digital trade"**:**

2.5.1 Support to achieve digitalisation of trade facilitation and licensing procedures, including regulatory oversight and compliance; systems interoperability; e-commerce and electronic transactions, and digital authentication systems.

When conditions allow, the below indicative activities, related to output 3, can be adapted to address farmers' needs in Gaza.

Activities related to Output 3.1 "Revitalised production capacities of farmers"**:**

3.1.1 Support to the MoA in the damage assessment and verification of business plans viability.

3.1.2 Rehabilitation of land, infrastructure, irrigation & water supply systems.

3.1.3 Provision of agriculture supplies and inputs.

3.1.4 Technical assistance to MoA and ex-ante and ex-post verification.

Activities related to Output 3.2 "Improved government-led agricultural support for farmers"**:**

3.2.1 Support to the MoA in the assessment of pricing/costing of supplies items.

3.2.2 Provision of assets, equipment and supplies, infrastructure rehabilitation, water systems and other agriculture inputs.

Activities related to Output 3.3 "Strengthened private sector opportunities in climate-smart agribusinesses"**:**

3.3.1 Post-investment support to agri-SMEs, to strengthen management and organisational sustainability, promote diversification, improve product quality, and facilitate access to markets.

3.3.2 Investment support will be delivered through a matching-grants scheme, with a flexible financing window targeting women and youth, focusing on innovative agri-tech and climate-smart solutions.

3.3.3 Support to wholesale markets, on upgrading infrastructure, management systems, and integrating sustainable solutions.

Activities related to Output 4.1 "Improved responsive service delivery by Local Government Units"**:**

4.1.1 Capacity assessments and community prioritisation.

4.1.2 Sub-projects for municipal service delivery, infrastructure and rehabilitation works.

4.1.3 Support emergency labour-intensive municipal service delivery.

4.1.4 Area-based multi-sector nexus support.

4.1.5 Analysis, advocacy, and outreach on Area C.

Activities related to Output 4.2 "Improved institutional and fiscal management capacity of Local Government Units, in line with the Palestinian Governance Law"**:**

4.2.1 Technical assistance (MOLG and Municipal Development and Lending Fund - MDLF).

4.2.2 Policy dialogue and advocacy on continued fiscal reconciliation of financial accounts.

4.2.3 Municipal KPI assessment.

4.2.4 Municipal and village council capacity development.

Activities related to Output 4.3 "Improved accountability measures of Local Government Units"**:**

4.3.1 Subnational, national and regional multi-stakeholder workshops and partnerships.

4.3.2 Community leadership workshops, LGU-citizen participation encounters.

4.3.3 Municipal Development Programme (MDP)-specific social-accountability tools.

Activities related to Output 4.4 "Improved capacities, tools and documentation of HLP actors in early recovery"**:**

4.4.1 HLP advisory services to local, national and international early recovery actors.

4.4.2 Pilot neighbourhood approaches to safeguarding HLP documentation, the application of the Social Tenure Domain Model (STDM) and pilot alternative dispute resolution mechanisms.

4.4.3 Advocacy and policy dialogue on across key HLP dimensions.

The Union's contribution to the TEIs will be complemented by contributions from Team Europe members. If the TEIs and/or contributions do not materialise, the Union action may continue outside a TEI framework.

3.3. Mainstreaming

Environmental protection, Climate change and biodiversity

Outcomes of the Environmental Impact Assessment (EIA) screening (relevant for projects and/or specific interventions within a project). The EIA screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design). An Environmental Impact Assessment (EIA) and a Climate Risk Assessment are not required for this action. A systematic environmental screening will be applied to all activities to ensure compliance with the do not significant harm (DNSH) principle, with particular attention to avoiding negative impacts on biodiversity and land degradation.

Outcome of the Climate Risk Assessment (CRA) screening concluded that this action is at risk (climate risks will part of an Environmental Impact Assessment). A climate risk assessment will be conducted for the respective sector/s to identify the main climate change risks and propose appropriate mitigation and adaptation

measures. Protecting the environment and mitigating and adapting to climate change are constitutive elements of the proposed action. The action will reduce risks from unsafe water and untreated wastewater, protect natural aquifers, promote water reuse including renewable energy solutions. It promotes smart agriculture, drought-resistant crops, renewable energy use and sustainable land and ecosystem management.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, the action is labelled as G1. Sex-disaggregated data and gender indicators will guide monitoring. Gender considerations will be integrated into each of the components of this action. Support will be directed toward women-led businesses and job creation for women. Policy measures will aim to improve access to credit but also enhancing women's participation in the formal economy and improving access to decent work and income in the informal sector. Efforts will focus on strengthening women's leadership, improving access to finance and training, and addressing gender barriers.

Youth

The action will promote youth inclusion in the labour market through targeted training and entrepreneurship support. To attract young people to the agriculture sector the action intends to modernise the sector by introducing agri-tech and digital tools.

Human Rights

In line with the principle "Leave No One Behind", the action focuses on broad-based economic development, increased livelihoods and resilient service delivery for the Palestinian population including the most vulnerable regions. This approach entails the incorporation of human right principles including basic rights such as access to water, sanitation and hygiene and other rights like access to jobs, food, land and equality.

Disability

As per OECD Disability DAC codes identified in section 1.1, the action is labelled as D1. The needs and rights of persons with disability (PwDs) are safeguarded in all components of the action, by ensuring their representation in all community participation and trainings. Similarly, all social and public infrastructure components under this action are delivered in line with inclusive access standards.

Democracy

The empowerment of local stakeholders will be embedded in the design of the activities in accordance with good governance principles. The proposed action will be implemented in a participatory manner via participatory planning mechanisms, involving the local community and their representatives, contributing to enhancing the inclusion and accountability processes within the community.

Conflict sensitivity, peace and resilience

The action will adopt a conflict sensitivity approach. Special emphasis will be placed to dialogue and reconciliation. High-level policy dialogue will be reinforced and actively promoted to identify political solutions around private sector engagement, agriculture and trade.

Disaster Risk Reduction

The proposed action would directly and indirectly address environmental degradation and climate change responses. The action will place strong emphasis on restoration and sustainable management of natural resources, particularly water including the promotion of reuse of treated water.

3.4. Risks and external assumptions

Category[9]	Risks	Likelihood	Impact	Mitigating measures
1-External Environment	Instability and conflict	**Medium/ High**	**High**	Strengthen EU dialogue with relevant stakeholders. Coordinate with Member States and partners to ensure joint responses. Use flexible structures to adapt.
1-External Environment	Political threats- Stoppages, demolitions or destruction that may disrupt implementation and limit access to resources	**Medium/ High**	**High**	***For Area C - West Bank:*** Adopt non-confrontational approaches and adhere to the "do no-harm" principle for the local communities and final beneficiaries. Strengthen advocacy with relevant stakeholders to facilitate EU investments. Establish channels with PA legal services and preventive measures. ***For Area C and Gaza:*** Strengthen advocacy with relevant stakeholders to facilitate and secure EU investments. Conduct regular assessment to identify potential issues and report incidents to contain impact.
1-External Environment	Recession intensifies (i.e. liquidity crises)	**Medium/ High**	**High**	Tailored integration with credit lines; prioritisation of resilience critical investments; tight verification; enhanced monitoring of enterprise distress.
1 External Environment	No improvement in access restrictions & Dual Use Systems (materials & expert staff)	**High**	**High**	Strengthen EU dialogue with key stakeholders to facilitate the entry of materials and equipment and support coordination across all lines. Capitalise on existing multilateral systems, capitalise on TEI effort for advocacy.
1-External Environment	Fragmentation among private sector	**Medium**	**Medium**	Neutral facilitation by the EU and implementing agencies; inclusive consultations; transparent criteria; rotation mechanisms; stakeholder mapping; conflict sensitivity monitoring.
2-Planning, processes and systems	Limited capacity of public entities	**Medium**	**Medium**	Provide technical assistance and practical guidance, including on cross-cutting issues.
2-Planning, processes and systems	Weak local buy-in by SMEs, TVETs, or local authorities	**Medium**	**Medium**	Strong institutional communication including the involvement of federations and chambers in outreach activities; and transparent eligibility criteria.
2-Planning, processes and systems	Limited availability of PA civil servants (due to salaries)	**Medium**	**Medium**	Provide technical assistance and operational support. EU and international Community to support PA with direct financial support (via PEGASE)
2-Planning, processes and systems	Resistance to behavioural change- climate smart means	**Medium**	**Medium**	Raise awareness campaigns on climate change and the benefits of climate smart technologies.
2-Planning, processes and systems	Inability of beneficiaries to honour obligations	**Medium**	**Medium**	Conduct viability assessments of potential business cases and promote close engagement with financial institutions.

[9] The risk (category) can be related 1-to the external environment; 2-to planning, processes and systems; 3-to people and the organisation; 4-to legality and regularity aspects; 5-to communication and information.

External assumptions

The action is based on the following overarching assumptions:

- The PA maintains current political and security control in the West Bank.
- The PA remains committed to supporting the resilience of Palestine's economy, while Palestinian communities and organisations continue to be engaged in and commit to such processes.
- Unwavering support for the two-state solution continues to be a priority for the European Union and its allies, fostering a collective commitment to a just resolution of the conflict.
- The EU and Member States remain committed to the TEIs and their components.
- The ceasefire in Gaza holds with no substantial resumption of violent conflict between parties.
- The external environment and actors that dictate the political and operational, and security and governance arrangements for Gaza, evolve positively to allow for more scalable and swift early recovery efforts.

3.5. Intervention Logic

Under Specific objective 1 (Water and Energy): **If** people, businesses, and service providers have reliable and affordable access to water, sanitation, wastewater, energy, and WASH services, **then** daily life and economic activities can run without disruption and health risks are reduced towards more inclusive and sustainable economic growth.

Under Specific Objective 2 (MSMEs): **If** support is provided to MSMEs; if relevant measures to alleviate movement restrictions of people and goods are taken, **then** MSMEs capacities will be improved and MSME growth will increase. **If** support to MSMEs is provided to upgrade to green sustainable technologies; if upskilling programmes are provided enabling absorption into the market; if tailored support to TVET centres is provided; **then** workers and job seekers will strengthen their technical and soft capacities and maintain jobs and have access to new jobs. **If** the government adopts regulatory reforms and innovative technological solutions to facilitate digital trade, **then** it creates an enabling environment for businesses to engage in digital commerce leading to an increase in trade activities. **If** SMEs digitalise their supply chains by transforming traditional operations into data-driven, and agile models, **then** they can enhance their efficiency, resilience, and competitiveness. **If** SMEs participate in digital global trade through the establishment of digital innovation hubs and the provision of digital trade finance, **then** they can access broader markets and resources towards diversifying their revenue sources, reduce dependency on local markets, and foster innovation.

Under *Specific Objective 3 (Rural livelihoods and resilience):* **If** farmers affected by challenging conditions and obstacles receive support through critical inputs and productive assets; **and if** government-led agricultural initiatives are delivered more rapidly and effectively, with quality and equitable access; **and if** government capacities are strengthened **and if** the farmers are engaged through appropriate financing mechanisms and innovative practices; **then** the resilience, productivity, and competitiveness of farmers, agribusinesses, and cooperatives will increase. This will also strengthen the MoA's outreach and enable stronger integration into domestic and export markets.

Under *Specific Objective 4 (Local governance)*: If the EU sustains its commitment to the local governance sector in Palestine by enhancing service delivery quality and coverage, institutional and fiscal capacity, and promoting accountability mechanisms, **then** the EU can contribute to improving the responsiveness and effectiveness of local government, enabling them to better face crises and provide quality services to citizens, particularly marginalised groups and it will strengthen institutional legitimacy and reinforce government accountability towards democratic governance.

3.6. Indicative Logical Framework Matrix

Results	Results chain: Main expected results	Indicators	Baselines (values and years) (*)	Step/targets (values and years) (*)	Sources of data	Assumptions
Impact	To improve the socio-economic recovery for the people in Palestine at a time of crisis	1. Unemployment rate, disaggregated by sex, age and persons with disabilities (SDG 8.5.2 / GERF 1.11)	TBD (2026)	TBD (2030)	SDG database and PCBS (Palestine) latest Census	*Not applicable*
		2. Proportion of population using safely managed drinking water services (GERF 1.30 SDG 6.1.1	40% (2026)	+5% (2030)		
		3. Proportion of population using safely managed sanitation services GERF 1.31 SDG 6.2.1	62% (2026)	+5% (2030)		
		4. Renewable energy share in the total final energy consumption (SDG 7.2..1 / GERF 1.3)	TBD (2026)	TBD (2030)		
		5. Average income of small-scale food producers, disaggregated by sex and indigenous status (SDG 2.3.2. / GERF 1.1)	TBD (2026)	TBD (2030)		
Outcome 1	Improve the equitable, affordable, and climate-resilient access to safe Water, Sanitation, and Hygiene (WASH) and energy services for the population in Palestine, and the efficient management of such services by the relevant institutions	1.1 Number of people with access to improved drinking water source and/or sanitation facility with EU support under this action (GERF 2.38) 1.2. Number of people with access to electricity with EU support through: (a) new access, (b) improved access (GERF 2.3)	1.1 (0) (2026) 1.2 (0) (2026)	1.1 +200,000 (2030) 1.2 (a) TBD (2030) (b) +200,000 (2030)	1.1PCBS Reports and PWA Reports 1.2 PENRA Reports	The security situation in Palestine improves over the period

Results	Results chain: Main expected results	Indicators	Baselines (values and years) (*)	Step/targets (values and years) (*)	Sources of data	Assumptions
Outcome 2	Increase the resilience, competitiveness, and participation of targeted Micro, Small and Medium Enterprises' (MSMEs) in global value chains, alongside job creation.	2.1 Number of jobs supported/sustained by the EU (GERF 2.13) 2.2 Average revenue generated by supported businesses and enterprises (disaggregated by current and newly entered markets) 2.3 Number of regulatory reforms implemented to facilitate digital trade with the support of this Action 2.4 Percentage of targeted SMEs adopting digital tools and data-driven models 2.5 Volume of digital trade finance disbursed to SMEs[10]	2.1 0 (2026) 2.2 TBD (2026) 2.3 TBD (2026) 2.4 TBD (2026) 2.5 TBD (2026)	2.1 2000 (2030) 2.2 TBD (2030) 2.3 TBD (2030) 2.4 TBD (2030) 2.5 TBD (2023)	2.1 EU contracted evaluation surveys 2.2 EU contracted evaluation surveys 2.3. EU contracted evaluation surveys 2.4 Reporting documents 2.5 Reporting documents	Private sector's actors remain committed and engaged in contributing to increase jobs and income in Palestine. The political and security situation in Palestine improves over the period
Outcome 3	Enhance the resilience, productivity, and market integration of the Palestinian farmers.	3.1. Areas of agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (ha) GERF 2.2 3.2. Value added of agricultural production (in USD million)	3.1. 1,209,301 (2021) dunums 3.2. 1197.9 (7,4%) in 2018 dunums	3.1.1,212,301 Dunums (2030) 3.2. + 485M of USD + 3% (2030)	3.1. MoA Reports 3.2 EU contracted evaluation and surveys	Access to land and natural resources. Occupation practices remains controlled or minimised
Outcome 4	Increase the responsiveness, effectiveness, and efficiency of local government in the provision of public services and government functions and improve the framework for the	4.1 Percentage of citizens that are satisfied with public services delivered in the targeted Municipalities disaggregated by sex, with/without disability and by region 4.2 Number of reforms and specific measures by local authorities to implement existing policy commitments on women's and girls' participation in decision-making (GAP III)	4.1 80% (MDP 2025) 4.2 TBD (2026)	4.1 85% of which 50% women, 50% youth, 10% children (2030) 4.2 50 (2030)	4.1 MDP III&IV, Area C nexus pilot mid-term and final surveys. 4.2 TBD	PA maintains governance, political and security control in the West Bank Palestinian communities continue to engage in their own governance processes

[10] With the support of this action.

Results	Results chain: Main expected results	Indicators	Baselines (values and years) (*)	Step/targets (values and years) (*)	Sources of data	Assumptions
	protection of Housing & Land Property (HLP) rights.	through use of social accountability tools, annually				
Output 1.1 related to Outcome 1	Institutional capacity in the water, sanitation, and energy sectors at national and local levels.	1.1.1 Number of EU-supported institutional and regulatory frameworks ready for approval of the relevant authorities in Palestine (disaggregated by sector)	1.1.1 (0) (2026)	1.1.1 (2) (2030)	1.1.1 PWA Reports 1.1.2 PENRA Reports	
Output 1.2 related to Outcome 1	Wastewater collection, treatment, and reuse infrastructure expanded and rehabilitated	1.2.1. Number of infrastructure/facilities newly constructed and/or upgraded for wastewater collection, treatment and reuse (disaggregated by new/rehabilitated and locality) 1.2.2. Kilometres of pipelines constructed/rehabilitated (disaggregated by type of pipeline)	*1.2.1* (0) (2026) 1.2.2 (0) (2026) 1.2.3 (0) (2026)	*1.2.1 (1000)* (2030) 1.2.2 (2) 1.2.3 (100) (2030)	WASH Cluster Reports and Intervention progress and final reports	
Output 1.3 related to Outcome 1	WASH services expanded and rehabilitated including integrated Water–Energy Nexus solutions	1.3.1 Quantity of drinking water generated in selected areas with EU support in million cubic meters per year (mcm/y) 1.3.2 Kilometres of pipelines constructed/rehabilitated (disaggregated by type of pipeline)	1.3.1 (0) (2026) 1.3.2 (0) (2026)	1.3.1 (3) mcm/y (2030) 1.3.2 (100) (2030)	WASH Cluster Reports and Intervention progress and final reports	
Output 1.4 related to Outcome 1	Improved resilient and reliable energy infrastructures	1.4.1 Kilometres (km) of electricity lines rehabilitated or developed (disaggregated by transmission and distribution) 1.4.2 Number of energy infrastructure facilities rehabilitated or developed	1.4.1 0 km (2026) 1.4.2 0 facilities (2026) 1.4.3. 0 MW (2026)	1.4.1 50 km (2030) 1.4.2 5 facilities (2030) 1.4.3. +20 MW (2030)	Energy Cluster/PENRA Reports and Intervention progress and final reports	

Results	Results chain: Main expected results	Indicators	Baselines (values and years) (*)	Step/targets (values and years) (*)	Sources of data	Assumptions
		1.4.3. Renewable energy generation capacity installed (MW) with EU support GERF 2.4				
Output 2.1 related to Outcome 2	Increased technical, financial and greening capacities of selected MSMEs and BSOs in terms of sustainable production, access to markets and income generation.	2.1.1 Beneficiaries, including BSOs, with access to financial services with EU support: (a) firms, (b) people (GERF 2.17) 2.1.2 Amount of credit, grants, or private investment accessed by MSMEs 2.1.3[11] MSMEs that have successfully integrated at least two new green production technologies (e.g., energy-efficient machinery, waste-to-energy systems) into their operations	2.1.1 0 (2026) 2.1.2 0 (2026) 2.1.3 0 (2026)	2.1.1 300 (2030) 2.1.2 10 M EUR (2030) 2.1.3 TBD (2026)	2.1.1 Intervention progress and final reports 2.1.2 Intervention progress and final reports	High demand for financial/non-financial products/services. Labour force availability continues to remain very high while demand continues to increase. Market conditions and the access and movement of people and goods remain stable and do not deteriorate
Output 2.2 related to Outcome 2	Strengthened skills of Palestinian workers and enhanced private sector's employability	2.2.1 Number of individuals who have benefitted from institution or workplace-based VET/skills development interventions supported by the EU (GERF 2.14) 2.2.2 Number of National TVET and employment entities supported in their capacities	2.2.1 0 (2026) 2.2.2 0 (2026)	2.2.1 2000 (2030) 2.2.2 6 (2030)	2.2.1 Intervention progress and final reports 2.2.2 Intervention progress and final reports	
Output 2.3 related to Outcome 2	Strengthened private sector on digitalisation of supply chains, and towards data-driven models	2.3.1 Number of SMEs participating in training green transition programmes 2.3.2 Number of SMEs adopting digital tools and data-driven models	2.3.1 TBD 2.3.2 TBD	2.3.1 TBD 2.3.2 TBD	2.3.1 TBD 2.3.2 TBD	
Output 2.4 related to Outcome 2	Strengthened opportunities for MSMEs in digital global trade	2.4.1 Number of digital innovation hubs established 2.4.2 Volume of digital trade finance disbursed to SMEs	2.4.1 TBD 2.4.2 TBD	2.4.1 TBD 2.4.2 TBD	2.4.1 TBD 2.4.2 TBD	Digital infrastructure is enhanced, ensuring the security of service quality

[11] This indicator is related to SDG12 (Responsible Consumption) tracking MSMEs applying sustainable practices.

Results	Results chain: Main expected results	Indicators	Baselines (values and years) (*)	Step/targets (values and years) (*)	Sources of data	Assumptions
Output 2.5 related to Outcome 2	Increased public sector capacity on regulatory reforms and innovative solutions for digital trade	2.5.1 Number of institutions reached with information and assistance on good practice government-led regulatory reforms and innovative technological solutions for digital trade	2.5.1 TBD	2.5.1 TBD		
Output 3.1 related to Outcome 3	Revitalised production capacities of farmers	3.1.1: Number of development plans implemented by individual farmers or groups with EU support (disaggregated by type and sex) 3.1.2: Number of animals distributed (by type) 3.1.3. Percentage of agricultural holders registered as members of agricultural cooperatives and associations 3.1.4 Number of smallholders reached with EU-supported interventions aimed to increase their sustainable production, access to markets and/or security of land – GERF 2.1.	3.1.1. 1944 (2026) 3.1.2. TBD (2026) 3.1.3. 8660 (2022), 8,6% 3.1.4. 1944 (2026)	3.1.1. 2944 (2030) 3.1.2. TBD (2030) 3.1.3.1510; 1,5% more (2030) 3.1.4. 2944 +1000 more (2030)	MoA reports	Access to agricultural land remains stable. Farmers are willing to participate in cooperatives structures. Movement and access conditions allow cooperatives to collect, process and market agricultural products
Output 3.2 related to Outcomes 3	Improved government led agricultural support for farmers	3.2.1. Number of Units of agricultural inputs transferred to farmers via quick response mechanisms, disaggregated by type of inputs. 3.2.2. Number of agricultural equipment transferred to farmers via quick response mechanisms and the support of the Action	3.2.1. 0 (2026) 3.2.2. 0 (2026)	3.2.1. 3000 (2030) 3.2.2. 2000 (2030)	MoA reports	No significant additional loss of agricultural land, farmers maintain cultivation on existing agricultural land
Output 3.3 related to Outcome 3	Strengthened private sector opportunities in climate-smart agribusinesses	3.3.1. Number of Climate Smart Innovations (CSI) implemented with EU support 3.3.2. Amount of fresh private investments mobilised by the investment support (disaggregated by gender and by private sector/farmer/cooperative)	3.3.1. 16 (2026) 3.3.2. USD 28,172,957 (2026) 3.3.3. 41 farmers with product	3.3.1. 25 new (2030) 3.3.2. USD +10,000,000 (2030)	Interim/final reports, MTR reports Visits to CSI piloting	Private sector remains willing to invest. Movement and access conditions allow transport of

Results	Results chain: Main expected results	Indicators	Baselines (values and years) (*)	Step/targets (values and years) (*)	Sources of data	Assumptions
		3.3.3. Number of farmers, cooperatives, and private-sector operators trained in market linkages, fair trade principles, and product quality improvement	quality certificates 40 companies trained (2030)	3.3.3. 50 farmers with product quality certificates 50 companies trained (2030)		agricultural inputs and goods Farmers and agribusinesses can access inputs, services and infrastructure
Output 4.1 related to Outcome 4	Improved responsive service delivery by Local Government Units	4.1.1 Number of local government units with improved digitalisation of services 4.1.2 Number of implemented projects providing access to basic services for marginalised communities in Area C	4.1.1 12 (MDP 2023) 4.1.2 83 (2023 MDP)	4.1.1 20 (2030) 4.1.2 107 (2030)	4.1.1 MDP and nexus pilot reports 4.1.2 Nexus pilot reports	Same as outcome 4 level
Output 4.2 related to Outcome 4	Improved institutional and fiscal capacity of Local Government Units, in line with the Palestinian Governance Law	4.2.1 Number of local government units (municipalities) that move up one rank in the municipal performance assessment system	4.2.1 61 (2023)	4.2.1 50 (2030)	4.2.1 MDP reports	
Output 4.3 related to Outcome 4	Improved accountability measures of Local Government Units	4.3.1 Number of tools and procedures for transparency and accountability of local governments developed or revised with EU support	4.3.1 64% (2023)	TBD (2030)	4.3.11.1.1MDP reports	
Output 4.4 related to Outcome 4	Improved capacities, tools and documentation of HLP entities in early recovery	4.4.1 Number of neighbourhoods piloted with EU support 4.4.2 Number advocacy materials, briefs, papers and HLP guidelines developed and disseminated 4.4.3 Number of national partners trained on HLP	4.4.1. 0 (2026) 4.4.2. 0 (2026) 4.4.3. 0 (2026)	4.4.1. 2 (2030) 4.4.2. TBD (2030) 4.4.3. TBD (2030)	4.4.1. Field monitoring, UNDP documentation 4.4.2. Briefs, papers/ guidelines 4.4.3. Training attendance records	

(*) Given the evolving security context in the West Bank and Gaza, the baseline values will be reassessed and updated as more detailed information on project activities and implementation arrangements becomes available at the project level.

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2. Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 3.1 will be carried out and the corresponding contracts and agreements implemented, is **108 months** from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorizing officer by amending this financing Decision and the relevant contracts and agreements.

4.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures[12].

4.3.1. Direct management (Grants)

a) Purpose of the grant(s)

Grants will contribute to achieving Outcome 4, Outputs 4.1, 4.2 and 4.3.

b) Type of applicants targeted

The type of applicant to be targeted should be:

- A legal entity;
- A non-profit making non-governmental organisation, or;
- A non-profit semi-governmental organisation established in the West Bank and Gaza and registered with the PA, or;
- Local authorities (in the West Bank territory), or associations of local authorities.
- Has the experience related to the respective targeted sector.

c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, a grant may be awarded without a call for proposals to entities meeting the criteria under point (b), selected based on the following criteria: (1) financial capacity and operational experience (2) experience managing similar projects (3) relevant technical expertise and (4) local presence.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified, and in accordance with point (a) of Article 198 of the Financial Regulation, because the country is in a crisis situation referred to in Article 2(22) of the Financial Regulation at the date of the present financing Decision. Furthermore, an implementing partner with solid and prompt operational capacity is needed to work under these crises situations, especially in Area C and Gaza (when situation allows).

4.3.2. Direct management (Procurement)

Procurements will contribute to Outcome 3 (Output 3.1 and 3.2) by providing technical assistance for the Ministry of Agriculture to support the operational and technical implementation of the Assistance to Agriculture Programme. It will also provide the Office of the EU Representative to the West Bank and Gaza Strip (EUREP) with assurance regarding activity implementation, eligibility checks, and ex-ante/ex-post verifications, including control procedures and safeguard measures, conducted by external experts and international audit firms.

[12] See https://www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

4.3.3. Direct Financial Support – PEGASE Agriculture

Direct Financial Support will contribute to achieve Outcome 3, Outputs 3.1 and 3.2.

Direct management via direct financial support will be applied for all PEGASE Direct Financial Support (DFS) programmes in line with Article 112(4) of the Financial Regulation. It will be implemented by the Commission through the Office of the EU Representative to the West Bank and Gaza Strip (EUREP), located in East Jerusalem, in close co-ordination with the PA and EU Member States. Disbursements for DFS activities will be made by the Commission through specific sub-accounts of the PA's Single-Treasury Account, following eligibility checks and verification as well as control procedures by external experts and international audit firms. In agreement with the PA, relevant safeguards under the Direct Financial Support mechanism will take into account the conclusion of the 'Review of ongoing financial assistance for Palestine'.

A Project Implementation Modalities (PIMs) agreement will be established for the AAP between the EU and the PA building on the PIMs currently in force. This PIMs agreement will define a common framework of the implementation modalities for channelling contributions through the PEGASE mechanism. It will also specify the financial and payment systems for disbursing funds, as well as the terms agreed between the Commission and the PA for selecting eligible beneficiaries to receive contributions under PEGASE. The PIMs will be underpinned by a revision of the AAP Administrative Regulatory Framework used by MoA to respond to the particularity of quick response activities.

4.3.4. Indirect management with an entrusted entity[13]

A part of this action may be implemented in indirect management with an entity or entities, which will be selected by the Commission's services using the following criteria:

Criteria pertaining to Outcome 1

- Financial and operational capacity;
- Extensive international expertise in the designing and implementing intervention in WASH and/or energy sectors;
- Demonstrate technical capacity and experience in the relevant field concerned and;

The implementation by this entity may entail contributing towards Outcome 1, Outputs 1.1, 1.2, 1.3 and 1.4.

Criteria pertaining to Outcome 2 (2.1 and 2.2)

- Financial and operational capacity;
- Strong expertise and experience in the field of economic development with regards to assistance to MSMEs, labour market and upskilling programmes;
- Profound knowledge of the Palestinian economy and labour market;
- Knowledge of access to finance.

The implementation by this entity entails contributing towards Outcome 2, Outputs 2.1 and 2.2.

Criteria pertaining to Outcome 2 (2.3, 2.4 and 2.5)

- Adequate financial and operational capacity;
- Extensive international expertise in designing and implementing interventions to support digital economy and digital trade facilitation, with regards to assistance to SMEs;
- Profound knowledge of the Palestinian digital economy and trade;
- Knowledge of access to finance.

The implementation by this entity entails contributing towards Outcome 2, Outputs 2.3, 2.4 and 2.5.

Criteria pertaining to Outcome 3

- Adequate financial and operational capacity;
- Extensive international expertise in designing and implementing agricultural interventions, with strong expertise in supporting agribusinesses;

[13] The signature of a contribution agreement with the chosen entity is subject to the completion of the necessary pillar assessment.

- Demonstrated technical capacity and proven experience in agribusiness.

The implementation by this entity entails contributing towards Outcome 3, Output 3.3.

Criteria pertaining to Outcome 4

- Financial and operational capacity in housing land and property and urban profiling;
- Demonstrate technical capacity and experience in the relevant field concerned and;
- Demonstrated ability to engage in policy dialogue with national counterparts in the relevant field concerned.

The implementation by this entity entails contributing towards Outcome 4, Output 4.4 of the Action.

4.3.5. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances

If the implementation modality under indirect management as defined in section 4.3.4 cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by grants under direct management would be used according to the section 4.3.1 (Grants).

If the implementation modality under direct management as defined in section 4.3.1 (grants) and 4.4.2 (procurements) cannot be implemented due to circumstances beyond the control of the Commission, the modality of implementation by indirect management with a pillar-assessed entity would be used according to section 4.3.4.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) of the NDICI-Global Europe Regulation).

4.5. Indicative budget

Indicative budget components	EU contribution (EUR) 2026	EU contribution (EUR) 2027	Total EU contribution (EUR) 2026-2027	Third-party contribution
Implementation modalities – cf. section 4.3				
Outcome 1 "Improve, equitable, affordable, and climate-resilient access to safe WASH and energy services for the population in Palestine, through strengthened institutional capacity, resilient infrastructure, and integrated water–energy solutions"	**29 000 000**	**26 000 000**	**55 000 000**	N.A.
Grants (direct management)	N.A.			
Procurement (direct management)	N.A.			
Indirect management with a pillar assessed entity – cf. section 4.3.4 – Outputs: 1.2		5 000 000	5 000 000	
Indirect management with a pillar assessed entity – cf. section 4.3.4 – Outputs: 1.2		6 500 000	6 500 000	
Indirect management with a pillar assessed entity – cf. section 4.3.4 – Outputs: 1.2		3 500 000	3 500 000	
Indirect management with a pillar assessed entity – cf. section 4.3.4 – Outputs: 1.3		7 000 000	7 000 000	
Indirect management with a pillar assessed entity – cf. section 4.3.4 – Outputs: 1.1 and 1.3	3 000 000		3 000 000	
Indirect management with a pillar assessed entity – cf. section 4.3.4 – Outputs: 1.3	11 000 000	4 000 000	15 000 000	
Indirect management with a pillar assessed entity – cf. section 4.3.4 – Outputs: 1.1 and 1.4	15 000 000		15 000 000	
Outcome 2 "Increase MSMEs' resilience and competitiveness, of targeted Micro, Small and Medium Enterprises (MSMEs) along with jobs creation in Palestine and increase the participation of SMEs in global value chains through digitalisation and trade facilitation"	**17 500 000**	**21 500 000**	**39 000 000**	N.A.
Indirect management with an entrusted entity – cf. section 4.3.4 outputs 2.1 and 2.2	7 500 000	11 500 000	19 000 000	
Indirect management with an entrusted entity – cf. section 4.3.4 outputs 2.3, 2.4 and 2.5	10 000 000	10 000 000	20 000 000	
Outcome 3 "Enhance the resilience, productivity and market integration of the Palestinian farmers"	**15 000 000**	**13 200 000**	**28 200 000**	N.A.
Direct Management -Assistance to Agriculture Programme (AAP) – Direct Financial Support -cf. section 4.3.3 outputs 3.1 and 3.2	13 000 000	5 000 000	18 000 000	
Direct Management - Procurement (Technical assistance and support to the implementation of	2 000 000		2 000 000	

Indicative budget components	**EU contribution (EUR) 2026**	**EU contribution (EUR) 2027**	**Total EU contribution (EUR) 2026-2027**	**Third-party contribution**
Direct Financial Support Programme -cf. section 4.3.2 outputs 3.1 and 3.2				
Indirect management with international organisation – cf. section 4.3.4. output 3.3		8 200 000	8 200 000	
Procurement (direct management) – cf. section 4.3.2	N.A.			
Outcome 4 "Increased responsiveness and effectiveness of local government in provision of public services and government functions"		**9 000 000**	**9 000 000**	
Grants (direct management) – cf. section 4.3.1 outputs 4.1, 4.2 and 4.3		8 000 000	8 000 000	
Indirect management with an entrusted entity – cf. section 4.3.4 output 4.4		1 000 000	1 000 000	
Grants *– total envelope under section 4.3.1 (outputs 4.1, 4.2 and 4.3)*		***8 000 000***	***8 000 000***	*N.A.*
Procurement *– total envelope under section 0 (outputs 3.1 and 3.2))*	***2 000 000***		***2 000 000***	*N.A.*
Evaluation – cf. section 5.2 **Audit** – cf. section 5.3	**500 000**	**300 000**	**800 000**	N.A.
Total	**62 000 000**	**70 000 000**	**1320 000**	

4.6. Organisational set-up and responsibilities

Operationally, several interventions are envisaged under Outcomes 1, 2, 3 and 4 that will collectively contribute to its achievement. For this reason, it will be crucial to ensure very close coordination and complementarity during the formulation and implementation phases of these interventions. Correspondingly, Outcomes 1, 2, 3 and 4 may entail a dedicated Steering Committee, with participation of relevant Palestinian leading ministries and non-governmental organisations, which will provide strategic advice and guidance during implementation, ensuring alignment with national policies and general oversight on the progress of activities. Detailed arrangements for the organisational set-up, responsibilities, compositions and frequency of meetings of the individual Steering Committee will be outlined in the design stage of the individual interventions of the respective outcome. As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators, using as reference the log-frame matrix (for project modality). The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews). Under the grant contracts that may be concluded under this action, standard project-specific monitoring and evaluation methods specific to grants contracts will be respected. Project-specific steering committees will be set in place in order track and street project implementation as needed, to achieve the expected results and outcomes. Similar arrangements may take place for agreements with pillar assessed entities. Overall, close monitoring will be carried out at the action level and managed by the Commission through the Office of the EU Representative to the West Bank and Gaza Strip (EUREP), based in East Jerusalem. The EUREP will conduct continuous monitoring of activities, occasional site visits and will review, propose and approve corrective actions where necessary. A comprehensive system of monitoring, control and audit will continue to be applied in the framework of the implementation of Assistance to Agriculture Programme (AAP) through PEGASE mechanism, to provide assurance over the use of funds. Given the composite nature of the action, specific arrangements such as regularity of reports, establishment, compositions and frequency of meetings of Steering Committees will be outlined in detail in the contractual arrangements related to each Outcome, across the various streams of work set forth in the action. In terms of results reporting, baseline data is not yet available for all indicators and will be provided at contracting stage, at the latest at the end of the inception phase and at the level of individual contracts to be concluded.

5.2. Evaluation

Having regard to the nature of the action, a mid-term and/or final evaluation may be carried out for this action or its components contracted by the Commission. It may be carried out for problem solving, accountability and learning purposes at various levels including for policy revision. The Commission shall form a Reference Group (RG) composed by representatives from the main stakeholders at both EU and national (representatives from the government, from civil society organisations (private sector, NGOs, etc.), etc.) levels. If deemed necessary, other donors will be invited to join. The Commission shall inform the implementing partner at least **one month** in advance of the dates envisaged for the evaluation exercise and missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. Evaluation services may be contracted under a framework contract using the allocated budget under this action.

5.3. Audit and verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document *Communicating and raising EU visibility: Guidance for external actions*[14] (or any successor document). This obligation will apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

For communication on Team Europe Initiatives, the EU and its Member States can rely on the specific guidance on the Team Europe visual identity.

[14] https://international-partnerships.ec.europa.eu/knowledge-hub/communicating-and-raising-eu-visibility-guidance-external-actions_en

Appendix 1: IDENTIFICATION OF THE PRIMARY INTERVENTION LEVEL FOR REPORTING IN OPSYS

A Primary intervention (project/programme) is a coherent set of results structured in a logical framework aiming at delivering development change or progress.

Identifying the level of the primary intervention will allow for:

- ✓ Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);
- ✓ Articulating Actions and/or Contracts according to an expected common chain of results and therefore allowing them to ensure a more efficient and aggregated monitoring and reporting of performance;
- ✓ Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Contract level[15] (i.e. Grants, Contribution Agreements, any case in which foreseen individual legal commitments in the budget will have different log frames, even if part of the same Action Document)		
☒	Single Contract 1	Output 1.1 and 1.3: Contribution agreement with an entrusted entity
☒	Single Contract 2	Output 1.2 : Contribution agreement with an entrusted entity
☒	Single Contract 3	Output 1.2: Contribution agreement with an entrusted entity
☒	Single Contract 4	Output 1.2 : Contribution agreement with an entrusted entity
☒	Single Contract 5	Output 1.3 : Contribution agreement with an entrusted entity
☒	Single Contract 6	Output 1.3 : Contribution agreement with an entrusted entity
☒	Single Contract 7	Outputs 2.1, 2.2: Contribution agreement with an entrusted entity
☒	Single Contract 8	Outputs 2.3, 2.4, 2.5: Contribution agreement with an entrusted entity
☒	Single Contract 9	Output 3.3: Contribution agreement with an entrusted entity
☒	Single Contract 10	Outputs 4.1, 4.2, 4.3: Grant Contract/s with Semi-Governmental non-profit organisation and/or NGOs
☒	Single Contract 11	Output 4.4: Contribution agreement with an entrusted entity

[15] During the implementation phase, due consideration will be given to minimise the number of contracts to be signed, where possible, ensuring both efficiency and complementariness.