



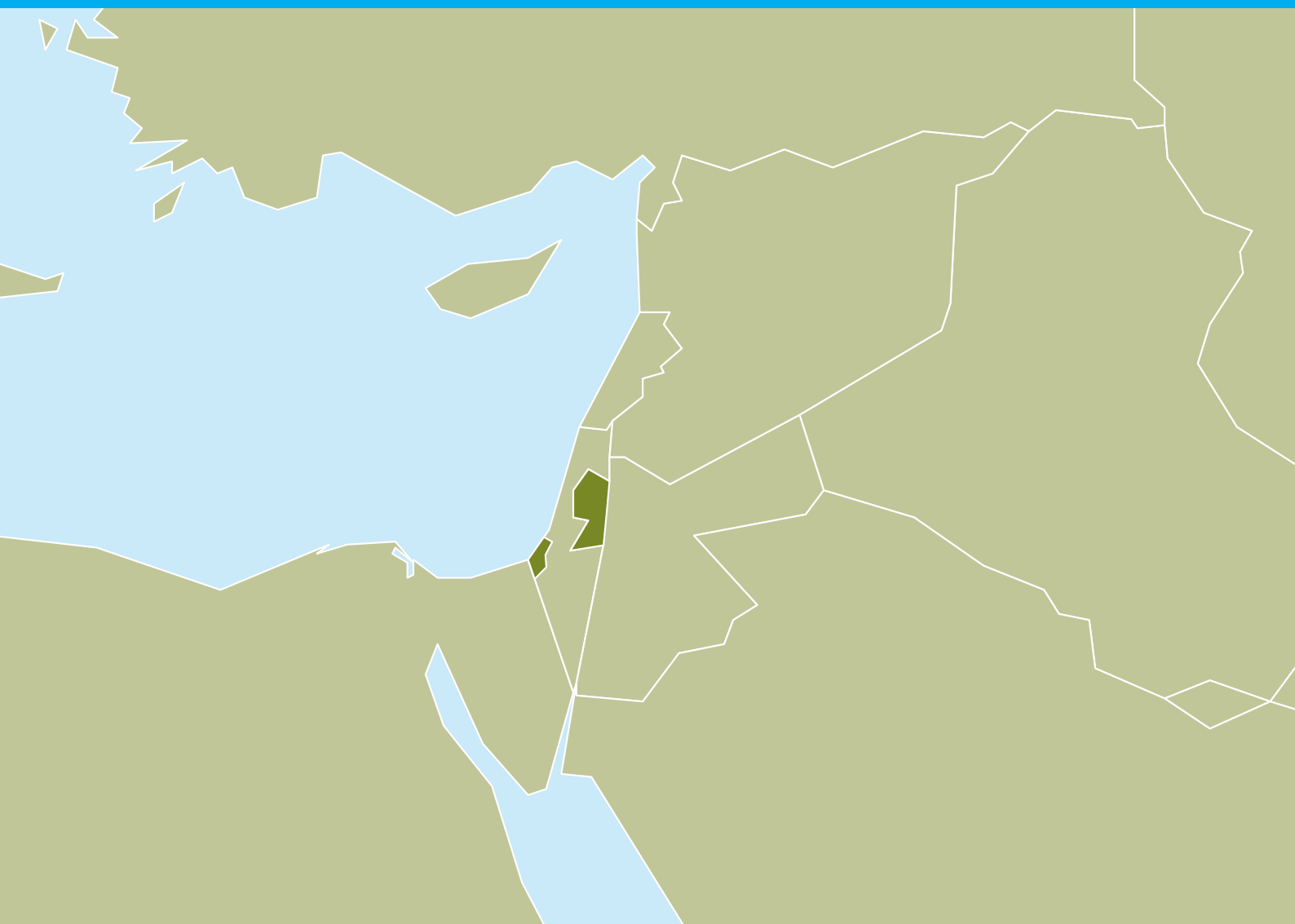
Kingdom of the Netherlands

Multi-Annual Strategic Plan

2014 - 2017

Palestinian Territories

Ghana Ethiopia Horn of Africa South Sudan Kenya Rwanda Burundi Uganda Grote meren Mozambique Palestinian Territory Yemen Afghanistan Bangladesh Indonesia



A close-up photograph of a group of young boys in school uniforms. The central focus is a boy with reddish-brown hair, wearing a light blue button-down shirt, who is holding a green apple to his mouth and taking a bite. He is looking directly at the camera with a neutral expression. To his left, another boy in a blue and white striped shirt is partially visible, looking towards the camera. Behind the central boy, several other boys are visible, some looking towards the camera and others looking away. The background is a clear, bright blue sky. The overall mood is candid and natural.

Towards a Palestinian State

Multi-Annual Strategic Plan for the Palestinian Territories
2014-2017

Netherlands Representative Office to the Palestinian Authority
December 2013

Front page picture: Schoolchildren UNRWA, Gaza (NRO, 2013)

The Multi-Annual Strategic Plan (MASP) for the Palestinian Territory 2014-2017 is a revision of the MASP 2012-2015. It is based on new policy directives as set out by the Dutch government in 2012, the policy articles and operational objectives of the Ministry of Foreign Affairs, as stipulated in the 'Explanatory memorandum to the budget', as well as the new policy document: 'A World to Gain: A New Agenda for Aid, Trade and Investment'. The new Plan has furthermore been aligned with the current Palestinian National Development Plan 2011-2013 (PNDP).

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List of acronyms

AHLC	Ad Hoc Liaison Committee
ASWG	Agriculture Sector Working Group
CBI	Centre for the promotion of Imports
COGAT	Coordinator of Government Activities in the Territories
EUPOL COPPS	European Union Co-ordinating Office for Palestinian Police Support
FAO	Food and Agriculture Organisation
FDW	Sustainable Water Fund
GAP	Good Agricultural Practices
GoI	Government of Israel
HJC	High Judicial Council
HRD	Human Rights Defenders
IDF	Israel Defense Forces
IMF	International Monetary Fund
JMCC	Jerusalem Media & Communication Centre
JSWG	Justice Sector Working Group
MASP	Multi Annual Strategic Plan
MEPP	Middle East Peace Process
MMF	Match Making Facility
MoA	Ministry of Agriculture
MoJ	Ministry of Justice
MOPAD	Ministry of Planning and Administrative Development
MTEF	Medium Term Expenditures Framework
MvT	Explanatory memorandum to the budget of the Netherlands Government
NAD	Negotiations Affairs Department / Palestine Liberation Organisation
NFP	Netherlands Fellowship Program
NICHE	Netherlands Initiative for Capacity development in Higher Education
NRO	Netherlands Representative Office in Ramallah
OQR	Office of the Quartet Representative
ORIO	Infrastructure Development Facility
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PCP	Palestinian Civil Police
PEI	Palestinian Economic Initiative
PLC	Palestinian Legislative Council
PRDP	Palestinian Reform and Development Plan
PT	Palestinian Territories
PSD	Private Sector Development
PSI	Private Sector Investment
PUM	Netherlands Senior Experts Program
PWA	Palestinian Water Authority
RTF	Reform Trust Fund
RoL	Rule of Law
SEFSec	Socio-Economic Food Security survey
SSR	Security Sector Reform

UNRWA	United Nations Relief and Works Agency
USSC	United States Security Coordinator
WB	World Bank
WFP	World Food Programme
WSWG	Water Sector Working Group
WTO	World Trade Organization

Chapter 1 - Management Summary - Towards a Palestinian State

The Netherlands is firmly committed to a comprehensive peace agreement between Israel and the PLO. The main objective is the establishment of two states, Israel and Palestine, living side by side in peace and security. The Netherlands will continue to play an active role in facilitating a peaceful, lasting resolution to the Israeli-Palestinian conflict through sustained, balanced and constructive engagement and by using its good bilateral relations with both parties. As a relatively large donor, the Netherlands has leverage with the Palestinian Authority (PA), while the special relationship with Israel allows for political openings. The renewed US-led Israeli-Palestinian peace talks as well as the current Dutch government's objective to intensify relations with both Israel and the PA provide a good basis to capitalize on both.

Over the past two decades, the Netherlands has been investing in establishing and strengthening the PA, stimulating economic growth and developing a functioning justice and security sector. However, the sustainability of these interventions is uncertain in the absence of reintegration of the West Bank and Gaza and a viable political agreement between Israel and the PA. Therefore, the Netherlands' interventions can only succeed if political progress and development go hand in hand. State building must be complemented by peace building.

To ensure this, the Netherlands employs both development cooperation and political dialogue. The latter focuses on Israel and the PA, as well as on other key players such as the US, the UN, the Quartet and the EU High Representative. The Netherlands is well positioned to link development cooperation with political engagement. A well-known example is the export of Dutch-funded flowers and strawberries from Gaza that sustained an export-oriented agricultural sector in Gaza and led to a dialogue with Israel which resulted in easing some movement and access restrictions. The Netherlands will build on these experiences and where possible intensify its efforts to enhance trilateral cooperation (between the PA, Israel and the Netherlands). These efforts are focused on sectors where the Netherlands has a proven added value: rule of law, food security and water.

In particular, the NRO wishes to:

- *strengthen* the rule of law (RoL) in the Palestinian Territories by enhancing the access to and delivery of justice;
- *contribute* to a situation in which Palestinian people have access to sufficient, safe and nutritious food, while Palestinian farmers have the capacity to compete with their products on national and international markets;
- *increase* the access of Palestinian people to equitable and safe water supply and proper sanitation.

The policy framework for Dutch interventions in the abovementioned sectors is the new document 'A World to Gain: A New Agenda for Aid, Trade and Investment' from the Dutch Minister for Foreign Trade and Development. Trade and investments are key catalysts for sustainable and inclusive growth in the Minister's new policy and will consequently also be given greater priority in the Dutch development programme in the Palestinian Territories. The first bi-annual Palestinian-Dutch bilateral forum in December 2013 provided an excellent platform to promote business contacts, i.e. through the promotion and use of available Dutch private sector instruments.

In conformity with the new policy, the promotion of women's rights and gender equality will be a core objective that will be mainstreamed in all NRO interventions. This is equally true for supporting local NGOs as critical and constructive actors in Palestinian society, especially in the absence of a functioning PLC. NRO will also actively contribute to further strengthening local aid coordination and joint implementation, particularly within the EU.

Finally, support to UNRWA, promoting human rights, and sports and cultural relations will continue to be key components of Dutch policy in the Palestinian Territories.

The Netherlands' interventions take place against the backdrop of an uncertain and potentially volatile political situation. To anticipate changing circumstances, four different scenarios have been identified

in the MASP 2012-2015. The scenarios are still relevant and are adjusted to the new reality of the recently started Israeli-Palestinian negotiations:

1) Successful peace talks and moving towards final status issues; 2) peace talks break down: continuation of the status quo; 3) peace talks collapse: unilateral steps on either side are taken, with a possible rise of security incidents ; 4) the collapse or dissolution of the PA.

It is likely that different elements of these scenarios manifest themselves simultaneously (e.g. peace talks, violence between settlers and Palestinians and internal political disagreements). Elections or reconciliation might also occur and influence the peace process and the national reform agenda. The Netherlands' interventions identified in this Plan continue to be geared towards the first three scenarios and can be adjusted where necessary. This MASP will need to be revised in case of the fourth scenario: the collapse of the PA.

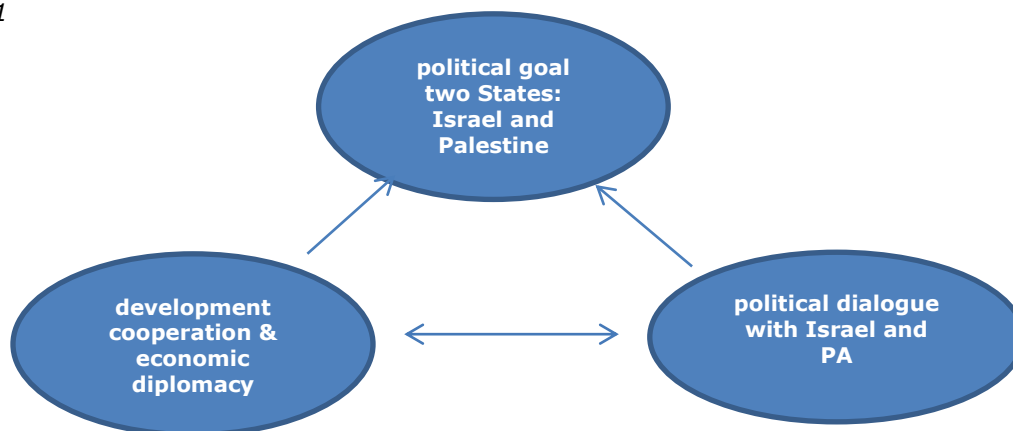
This MASP builds on the results of and lessons learned during the previous MASP of 2012-15 (chapter 2). It takes into account the wider context in which the Netherlands operates, i.e. the Israeli-Palestinian conflict and its binding constraints for growth, social empowerment and reduction of poverty and inequality (chapter 3). It presents the anticipated interventions in the three sectors, including the activities and expected outputs (chapter 4) and the other foreign policy instruments the Netherlands will employ (chapter 5).

Chapter 2 – Internal analysis and review

This chapter contains a condensed review of the period covered by the first MASP 2008 – 2011 and the first two years of the previous MASP 2012 - 2015. The lessons drawn from this analysis form the basis of the choices proposed for the updated MASP 2014– 2017.

The NRO's mission has always been to encourage and support progress in the MEPP through political and developmental means, as well as to assist in statehood building and socio-economic development (i.e. peace dividend to the Palestinian population). Since its opening in 1994, the NRO has been able to benefit from the excellent relationship between the Netherlands and both Israel and the PA. Being a relatively large donor with relevant sector expertise creates leverage with the PA, whilst the special relationship with Israel creates political openings.

Figure 1



The NRO interventions in the MASP 2008 - 2011 were based on mutually agreed priorities by the PA and the Netherlands, while taking the Palestinian Territories' fragility into account. The priorities were: (i) Governance (including the RoL and human rights); (ii) Economic reconstruction; and (iii) Humanitarian aid.

Experience in these years has shown that establishing greater coherence between political and developmental work contributes significantly to the effectiveness of NRO's interventions. Three examples from the aforementioned priorities illustrate this: (i) investing in sectors in which Gaza has comparative advantage (horticulture) whilst using the good relations with Israel to ensure the export

of these products out of Gaza; (ii) investing in an independent and properly functioning Rule of Law sector, seconding Dutch expertise to EUPOL COPPS and USSC and taking up the role of co-chair to the Justice Sector Working Group together have given NRO a unique position to punch above its weight and influence policy debates; and (iii) a significant Dutch contribution to and an active role in UNRWA has allowed for more effective and efficient assistance to Palestinian refugees.

Based on the results of the MASP 2008 - 2011 the NRO decided to maintain and strengthen its focus in the MASP 2012 - 2015 on the rule of law and the food security sector in which the Netherlands has an added value and which, taken together, can have a positive impact on the peace process. Water was added as the third sector in light of the widely appreciated historical Dutch role in the Palestinian water sector, its internationally-recognized expertise in water issues and the facilitating role it could play in Israeli-Palestinian cross-border water cooperation.

In view of the Dutch government's objective to intensify relations with the PA, there is ample opportunity to strengthen the linkages mentioned in *figure 1*. The Dutch government's new policy objectives linking aid, trade and development provide an excellent framework for this.

For reasons of complexity, risk management and the number and variety of stakeholders, development cooperation and political work in the Palestinian Territories is labour intensive. Engaging in the aforementioned sectors is a constant challenge. Therefore, the number of interventions in all three sectors is limited and maximum use is made of external expertise to ensure high-quality and sustainable results.

The rule of law programme has been streamlined in the first two years of the MASP 2012 - 2015. The number of interventions has been reduced with greater focus on improving the quality of services delivery, accessibility and accountability of justice and security institutions to Palestinian citizens. This will be further strengthened in the coming years. Furthermore NRO will continue its co-chair role of the Justice Sector Working Group and financially contribute to the EU's Pegase mechanism (*Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique*) in order to help ensure proper functioning of the PA, particularly in the justice and security sector.

Four main food security interventions have been identified under the 2012 - 2015 MASP. Two of them build on results achieved under the 2008 - 2011 MASP. The two other interventions are new. The 4 programmes address the main binding constraints for increasing agricultural production in the Palestinian Territories: the availability of land and water, access to (external) markets and institutional capacity. With the programming phase completed, 2013 has been the first full year in which the new food security programme is implemented. It will be continued in the next years.

Water has been added as a third Dutch focus sector in the MASP 2012 - 2015. A water program has been developed consisting of three pillars: reduced unaccounted for water and increased volume of domestic water available at the tap; improved Israeli-Palestinian cross-border cooperation on treatment of wastewater; innovation in water-related research and education. The program will start in 2013 and completed in 2017.

The volume of trade and investment between the Netherlands and the Palestinian Territories has thus far been low. Nevertheless opportunities for expanding bilateral trade and investments do exist, particularly through the Dutch private sector development instruments. The new aid, trade and development agenda of the Dutch government as well as the Bilateral Forum between the Netherlands and the Palestinian Authority in December 2013 will provide further impetus for expansion.

Investing in culture and sports is an essential part of state building. Moreover these sectors can provide the Netherlands with more strategic depth in its relationship with the Palestinians. Like for the abovementioned priority sectors the key principles for the culture and sports program are: less activities, more focus and Dutch added value. Preference is given to projects which target youth and/or women with activities in all three Palestinian territories: the West Bank, East Jerusalem and Gaza.

Given their expertise as well as the link with the broader reform agenda, support of local civil society will continue to be an important pillar in NRO's program. This has a number of advantages: it

complements institutional state building, assists in creating the necessary oversight in the absence of a PLC and creates resilience for our program in case the situation deteriorates. NRO will continue to actively address issues which affect the political space of civil society with the PA, bilaterally or with (EU-) partners, in conformity with the Dutch government's new policy framework 'A World to Gain'.

Promoting human rights worldwide is one of the core aims of the Netherlands' foreign policy. The priorities contained within government's 'Responsible for Freedom' paper are reflected in the NRO-interventions at the bilateral, EU and multilateral level.

The promotion of women's rights and gender equality has been a key component of NRO's activities, particularly in the RoL and Food security sector. Mainstreaming will be further strengthened in the coming period in order to achieve visible, measurable and durable results.

NRO has been an active proponent of local aid coordination and joint implementation. It will build on the concrete successes that have been achieved thus far and actively identify and support initiatives in this field, specifically within the EU.

Chapter 3 – Palestinian Territory

A country analysis is presented in the first part of this chapter. The assessment is related to the fragile nature of the Palestinian Territories and takes into account the possible conflict scenarios for the future. The second part will focus particularly on the binding constraints related to the interventions in the priority sectors the Netherlands focusses on in the Palestinian Territories.

3.1 Context analysis

After many years of political deadlock between Israelis and Palestinians the US managed to kick-start negotiations between the two parties on 29 July 2013. The objective of the talks is to achieve and implement a two-state solution and to resolve the final status issues associated with the conflict. Both sides have expressed commitment to the negotiations in order to achieve an agreement.

The talks take place against a volatile political and economic background. The decision of President Abbas to engage in peace talks with Israel has been met with opposition within Fatah and PLO ranks and scepticism among large parts of the Palestinian population. They seem to prefer unilateral Palestinian steps such as pursuing membership of UN agencies, following the successful Palestinian bid for non-member state observer status in a General Assembly vote in November 2012, as well as bringing forward cases against Israel before the International Criminal Court. President Abbas has put these steps on hold pending the outcome of the current negotiations.

The general lack of confidence among Palestinians in the renewed peace talks largely stems from a lack of trust that the current Israeli political leadership supports a two-state solution in view of statements made by Israeli cabinet members against a Palestinian state, continued settlement expansion and a lack of Israeli steps to ease the restrictive movement and access regime. This regime, together with a poor domestic investment climate, is stifling the Palestinian economy, particularly the private sector which faces obstacles and high costs to reach local and international markets. In the meantime PA revenues have come under increasing pressure and budget support from international donors is decreasing, resulting in a growing budget deficit and PA debt. As a consequence Palestinians have witnessed the growth of their economy declining since 2012, with unemployment remaining high at around 22%.

In view of the negative impact of economic hardship on the prospects for peace and stability the American peace initiative includes an economic track. It serves to underpin the credibility of the negotiations by providing visible and practical measures to improve the lives of Palestinians. The Office of Quartet Representative Tony Blair drafted an ambitious three year plan, entitled the 'Palestinian Economic Initiative', designed to effect rapid and transformative change in the Palestinian economy. The initiative focuses on catalyzing private sector-led growth in the West Bank and Gaza, and covers eight key economic sectors: agriculture, construction, tourism, ICT, light manufacturing, building materials, energy and water. The success of the initiative relies heavily on the inflow of new

financing into the Palestinian economy, particular from the private sector, continued and expanded Israeli easing measures, and improved institutional capacity within the PA.

Furthermore there is potential for economic development of rural areas on the West Bank, including Area C and Gaza, particularly in agriculture, despite Palestinian lack of control over borders and restrictions on movement and access. A 2013 World Bank report estimates that if Palestinian businesses and farms were permitted to develop in Area C, this would add as much as 35 percent to the Palestinian GDP. Also the Palestinian water sector, which faces shortages, would benefit from an easing of Israeli restrictions. The level and type of interventions need to correspond with the political developments. This is especially evident in Gaza, where any engagement strategy highly depends on the existing political situation.

The PA has made impressive progress in state building over the past years. The results can be attributed to former Prime Minister Salam Fayyad, who was able to manage and maintain a solid track record and accelerated key structural reforms. His newly appointed successor, Rami Hamdallah, has pledged to continue these reforms. This progress however starkly contrasts to the lack of constitutionally elected institutions. Gaza is de facto a one-party state. In the West Bank, the PLC has not convened since mid-2007 and President Abbas rules by decree. This declining legitimacy is exacerbated by the absence of renewal within the various political movements (particularly Fatah), the decline of the PLO, and the failure of the various Palestinian leaders to achieve an end to occupation. The success or failure of the current peace talks will be important for the legitimacy of the president and Fatah, also in relation to its main political rival, Hamas. If Fatah cannot deliver on popular expectations, this might strengthen Hamas, even though the current regional tide is against the movement.

A further, crucial factor which helps explain the declining legitimacy of the political system is the Fatah-Hamas schism. There is a widespread perception that both movements have consistently pursued factional advantage at the expense of the national interest. The May 2011 reconciliation agreement signed in Cairo raised hopes that a process to overcome the division would commence. The cease-fire between Israel and Hamas following the Gaza conflict in November 2012, as well as the UNGA recognition of Palestine as a non-member observer state seemed to give a boost to these talks. However, the loss of power by the political ally of Hamas in Egypt, the Muslim Brotherhood, and the subsequent weakening of Hamas, as well as the decision of president Abbas to engage in peace talks with Israel, eroded reconciliation appetite on both sides. Meanwhile, the divide between the West Bank and Gaza increases, making future re-integration increasingly difficult.

The PA has made progress in preventing and tackling human rights violations over the past years. However, further steps are needed, particularly when it comes to torture perpetrated by police and security forces, restrictions on freedom of expression, politically motivated arrests and gender related violence. Whereas the PA is willing to address and discuss human rights issues, the track record of de-facto authorities in Gaza continues to be very concerning with ongoing capital punishments, continued restrictions on freedom of assembly, politically motivated arrests and harassments and restrictions for women, NGOs, religious minorities and media.

Another matter of concern is the perception and especially the occurrence of public sector corruption. Most common forms are nepotism and favoritism (wasta) in services and job appointments, in addition to abuse and misuse of public property. The PA has enacted a number of anti-corruption laws and created institutions such as the Anti-Corruption Commission and Corruption Crimes Court. Efforts remain however fragmented. There is a need for stronger anti-corruption efforts in order to build public confidence in government accountability. The lack of access to information also prevents civil society organizations and the media from fully playing their watchdog role.

Given the above, one would argue that the fragility in the Palestinian Territories is more the result of political insecurity than of weak institution building. Political instability and the ongoing conflict complicate and may impede further needed action for state building and poverty reduction. However, there remains a dire need to promote the rule of law, the empowerment of legal institutions and legal infrastructure and human rights. This not only fulfils Palestinian citizen's rights, but a trusted and accountable PA also increases the chances for resolving the conflict. For this to occur, Palestinian political will is key.

To better define the Dutch interventions and to assess the level of engagement required, four possible scenarios for future developments have been identified. The scenarios are archetypical. In reality, it is quite possible that certain elements of these scenarios coincide.

These scenarios for the coming four years are dependent upon a number of variables:

1. The outcome of the current US lead peace talks between Israelis and Palestinians.
2. The endorsement or rejection of a peace agreement by the Israeli and Palestinian public.
3. The international financial crisis and the Palestinian economic and financial crisis.
4. The possibility of increased provocations and/or the eruption of violence by Israeli settlers and by Palestinians who are discontent with the internal political developments.
5. The resumption of dialogue and possible agreement between Hamas and Fatah.
6. Changes in Egypt, Jordan and Syria that may affect the Israeli-Palestinian conflict.

Scenario I: Renewed peace talks lead to (interim) agreements on final status issues

Under this scenario, (interim) agreements on final status issues like Jerusalem, borders/settlements, security, refugees and water would have been reached. There would be a strong momentum for development with an increasing need to further develop Palestinian administrative, security, legislative and political institutions. There would be a (gradual) transfer of authority and further Palestinian control – notably security presence – in Areas B and C.

This momentum would attract more external support (e.g. security deposits) and financial aid. It would also improve investments and business opportunities via Tony Blair's 'Palestinian Economic Initiative'. The international interventions would be geared towards support to institution building (rule of law, security sector) and to agricultural and water development in Area C. Economic assistance would continue, focussing on building capacity in economic sectors, including agribusiness. This is in addition to water becoming a major sector of engagement, with expected Israeli – Palestinian agreements on the issue. Support would be needed for plans to hold elections and to counter extremism. Israeli settlers in the West Bank, and radical Palestinian groups would be a source of tension, as their reaction to such agreements would not be favourable.

Scenario II: Peace talks break down: the continuation of the status quo

Under this scenario, the PA and Israel make no progress in the peace talks, yet they do not cut ties or renege on signed agreements. The PA continues its efforts for development and institution building. The West Bank and Gaza remain divided, thus preventing any major transformation or development. The existing challenges, such as difficulty in movement and access, the limitations to private sector driven economic development, scarcity of resources and dependency on foreign aid, would continue.

In this case, there would be a continued need for development efforts, with a focus on legislation, the rule of law (including human rights), supporting the survival of the agricultural sector and building resilience against water scarcity. In addition, there would be a clear need to find new ways to promote and support practical cooperation between Israel and the PA. A possible deterioration in the economic situation would have to be mitigated, possibly through engaging in employment, food security and humanitarian aid. Additional diplomatic efforts would be needed to prevent a further sliding down. Political dialogue needs to be geared toward taking measures that would keep the two-state solution viable and that would promote a culture of peace on both sides.

Scenario III: Peace talks break down: unilateral Steps taken by either side (Israel and the Palestinians)

In this scenario Israel and the Palestinians could take unilateral steps to change the status quo. Possible Palestinian action would include pursuing membership of UN organisations and bringing cases against Israelis to the International Criminal Court. Reconciliation talks between Fatah and Hamas could be restarted, leading to new elections. Israel will continue the current movement and access regime, and may even tighten it. It will probably increase the construction of settlements, notably in E1, while dismantling some isolated settlements in combination with de facto withdrawal from parts of areas B and C. The message would be that Israel is still striving toward a two-state solution, but only according to its own terms. In this scenario, there is also a possibility of escalated settler violence as

well as increased violence from radical Palestinian groups. This may have an adverse impact on the businesses and investment climate.

This scenario would require diplomatic efforts from the international community, including from the Netherlands, in order to prevent the situation from spiralling out of control. In this case, more aid might be needed for humanitarian assistance.

Scenario IV: The Collapse of the PA

The collapse of the PA, whether through major reduction in international assistance, a refusal from Israel to transfer funds or a Palestinian decision to dissolve the PA, would create a high level of uncertainty and a state of chaos. It may also drive Israel to take unilateral measures and it may require international involvement – different from previous interventions. It would also require A redeployments of Israeli forces, possibly in Area A, which would result in growing Palestinian resistance. The centre of power would then be moved from central to local level, which would strengthen local clan-based forces.

In this scenario, the Netherlands would need to reassess its level of engagement in the Palestinian Territories. Refocusing aid via the UN and NGO's could be foreseeable. There would also be a need for direct or indirect intervention to counter extremism.

3.2 Thematic development and challenges

3.2.1 Security and Rule of Law

Security and justice are critical to building a viable Palestinian state, and in doing so, effectively serve the Palestinian people and contributing to the prospects of a negotiated two-state solution.

Efforts of strengthening and professionalising the PA security and rule of law sectors, face a number of binding constraints of internal and external character, described below (not in order of priority).

1) Democratic deficit

Although the PA is not a national institution, it holds various degrees of responsibility for Palestinians in the Palestinian Territories. There is currently no parliamentary oversight of its activities, a role that could be compensated by civil society. However, civil society has traditionally been too marginalized to exert effective influence. Only a few strong organizations and individual politicians are able to contribute to the democratic process. From a government perspective, strengthening the transparency and public accountability of the judicial and security services is a key element in building community relations with citizens and to ensure that the human rights of all citizens are respected without exception. There is also a strong need for reform in order to promote and improve dialogue between public and government institutions, to take necessary legal reform steps and to clarify mandates, roles and responsibilities of security and justice institutions. Finally, an important challenge remains the excessive influence of the security establishment in governance, including the judiciary. There is little oversight and accountability in the security sector. The security establishment should be encouraged to operate as a fully accountable apparatus of the state, rather than an arm of government. This issue needs to be addressed by both public and civic actors, in a manner consistent with accepted principles and standards of the rule of law and human rights.

2) Financial crisis

The PA is confronted with a continuing financial crisis and large budget deficit. Due to these major financial constraints, the PA is unable to fulfill its commitments towards its own civil servants and the Palestinian people in general. This may lead to a deterioration of the security situation, which undermines the position and the legitimacy of the current leadership and which could negatively affect the Dutch efforts and interventions in the field of justice and security. Prevention of such a situation is not only in the interest of the PA and the Netherlands, but also of Israel. A main challenge, therefore, remains to strengthen the financial standing of the PA and to consolidate the developments in both the justice and security sector in a sustainable manner.

3) Institutional rivalries

The security and justice sectors are complementary to and inter-dependent on each other; a sound security sector requires a professional justice apparatus to operate effectively, and vice-versa. Progress has been made in the justice sector, but further improvements remain essential. Intensified efforts to develop the justice sector are required not only because they are necessary to ensure the rule of law and to consolidate the stability of the PA, but also because abiding deficiencies in the justice sector threaten the achievements of the security sector, such as the lack of clearly developed mandates and responsibilities for different actors in the sector and a lack of capacity for different justice and security sector institutions. As a consequence, the justice and security sector are unable to jointly ensure the implementation of rule of law and human rights. Improvements in this field tend to be ad-hoc and temporary rather than institutional and durable, like the transfer of civilian cases from military to civilian courts. This damages the legitimacy of the Palestinian government in the eyes of its own people. A complicating factor here is that within both sectors many key institutions face personal and inter-institutional rivalries, leading to a loss of institutional coherence within the sectors.

4) Fatah/Hamas split

The division between Hamas and Fatah has resulted in the emergence of parallel and rival security and rule of law structures. This has implications on all levels of government and society and is detrimental to the sustainable development of Palestinian institutions and economy. With the respective authorities increasingly institutionalized, integration becomes more difficult as time passes. A depoliticized development of both sectors would be the only option for a possible and successful integration of the parallel structures. Meanwhile, it is important to consolidate the position of the PA because its legitimacy will be undermined by a lack of structural reforms in the justice and security sector. This may negatively impact the efforts of the Netherlands in the field of rule of law.

5) Geographical fragmentation and restrictions on movement and access

Ongoing Israeli control over the West Bank, Gaza Strip and East Jerusalem has far-reaching implications for even the most day-to-day PA tasks. The PA is ultimately dependent on Israeli permission and facilitation for many of its daily operational tasks. For Palestinians in Areas B, C and East Jerusalem and Gaza, security and access to rule of law is negatively affected by restrictions in movement and access for PA law enforcement officials and dependency on Israeli approval, thereby limiting the territorial and personal jurisdiction of the PA legal system. Empowering the PA to extend its authority and activities beyond Area A forms a key challenge in this regard.

3.2.2 Food Security

The Palestinians living in the Palestinian Territories are one of the most food import dependent populations in the world. Currently, around 88% of food consumption is imported, a figure which is projected to rise even further. In 2012, according to the annual Socio-Economic and Food Security survey (SEFSec) undertaken by the PCBS, FAO, UNRWA and WFP, 34% of Palestinian households – approximately 1.57 million individuals – were found to be food insecure. This figure, which is a 7% increase compared to 2011, reflects the sustained vulnerability of socio-economic conditions in the West Bank and the Gaza Strip.

Palestinian agriculture sector: good potential but underdeveloped

The Palestinian agriculture sector is of key importance for both food security and income generation, as well as private sector development. A significant part of the Palestinian population is dependent on it, either for their daily access to food or for employment opportunities (around 15% of the population derives its income directly from the agricultural sector). However, the agricultural sector in the Palestinian Territories is still seriously underdeveloped and losing ground in terms of contribution to the Palestinian GDP (dropping from 13% in 1994 to less than 6% in 2012). Although there is good potential, the Palestinian agricultural sector has so far been unable to significantly increase its

production. This situation needs to be addressed, also in view of the objective of building a viable Palestinian state.

Constraints in access to land, water, markets and institutional capacity

The dependence on imports and food distribution is partly caused by challenges coming from the 'demand side', i.e. the growing population (over 3% per year). However, the main challenges to tackle food insecurity and high food imports dependency are on the 'supply side', where a combination of factors continues to limit the physical, social and economic access to food for the Palestinian people.

The main elements for increasing agricultural production in the Palestinian Territories – the availability of land and water, access to (external) markets and institutional capacity – are currently also the main constraints for its sustainable development. These constraints are essentially of a political nature, as they derive from the Israeli-Palestinian conflict. There are serious limitations in the access to land and water, due to the Area A/B/C division of the West Bank, the existence and expansion of settlements, the separation barrier and settler roads. As a consequence, farmers have great difficulty in acquiring Israeli permits to develop the arable lands in Area C, which is over 60% of the West Bank territory. In addition to this, since 2007 Palestinians in Gaza are faced with limited access to the so-called Buffer Zone (the strip of land along the Gazan side of the security barrier with Israel). When it comes to water, Palestinians cannot freely access the water outlets located in Area C, while 82% of Palestinian groundwater is used by Israel. The remaining water available for Palestinian agriculture is often of low quality, due to depletion of aquifers (especially in Gaza), wastewater contamination by both Palestinian cities and Israeli settlements, and an underdeveloped wastewater infrastructure.

The conflict also limits the access to markets, as the limitations on movement and access of commodities and persons coming from and going into the West Bank and Gaza not only result in higher transaction costs, but also in unpredictability of supply and exports. This severely affects the marketability of Palestinian products. These limitations are not only physical (checkpoints, crossings etc.), but also administrative: Israeli regulations and procedures (security requirements, food safety and quality standards for exports, licensing requirements for importing dual use goods such as fertilizer and pesticides, etc.) which are applied for imports to and exports from the Palestinian Territories, pose an additional barrier to market access.

Finally, from an institutional point of view it should be noted that the Ministry of Agriculture should play a more major role in terms of policy making and strategic planning, legislation and service delivery. Engaging in capacity building of this Ministry would create an institutional environment that would be able to better exploit the potential of the agriculture sector as a whole. The donor community has so far largely overlooked this option, but there is now a growing consensus that this should be addressed.

The combination of these factors limits the opportunities for local food production and access to markets for agricultural products. It explains the aforementioned relative demise of the agriculture sector and the heavy dependence on food imports. Only interventions that address these challenges will effectively improve the Palestinian food security situation.

3.2.3 Water

Water links the daily lives of the people in the Palestinian Territories to the broader political context. Water remains intrinsically linked with the Israeli – Palestinian conflict. As a result the Palestinian water sector suffers from water supply constraints due to a lack of access to own/shared water resources. On the technical side, access to drinking water, sanitation and efficient and sustainable water (re)use, particularly in agriculture, remain problematic. A further challenge is the improvement of Palestinian water governance.

Water supply

As mentioned in para. 3.2.2, the Palestinian Territories is located in a water-scarce region. Water scarcity is exacerbated by conflict conditions - Palestinians cannot freely access the water outlets located in Area C, while 82% of Palestinian groundwater is used by Israel - a rapidly increasing population and the impact of climate change. The per capita share of water supply of Palestinians is

approximately 96 liters per capita per day, which is below the WHO standard of 100 l/c/d. The quantity and quality in the West Bank varies between cities, and in parts of the West Bank the quantity is far from adequate or predictable, forcing people to rely on expensive water delivered by trucks. In Gaza, the overall quantity and quality available are rapidly decreasing. The UN predicts that by 2016, the Gaza aquifer will not be useable anymore. Underground water resources in Gaza are overexploited, saline and contaminated. In the West Bank, water resources are exposed to contamination due to inadequate wastewater collection and disposal. This is further complicated by wastewater polluting downstream valleys, both in the West Bank and cross border into Israel. Development of new water sources will be a priority, as well as the reduction of unaccounted-for water (through non-paid water bills and leakage) and wastewater projects. Even more so, since high-quality groundwater supplies are being utilised agriculturally. This leads to problems. Increased use of treated waste water in agriculture is an interesting alternative.

Currently, the PA and donors have common investments in water infrastructure of 1 billion dollars. Most of these projects have been in the planning phase for 10 to 15 years, without being implemented. These delays are caused by the difficulties for Israel and the PA to agree on new projects in the Joint Water Committee, followed by Israeli red tape after such agreements in the JWC is reached, insufficient technical preparations by the Palestinian side, Israeli security concerns and the sometimes unpredictable policies of donors. Also investment priorities on the side of the Palestinian Water Authority (PWA) are not always clear.

Water governance

The PWA is the most important governmental actor. The ministerial leadership of the PWA has brought water related issues to the forefront of the political agenda. There is an increasing willingness to build a strong water sector and an increased awareness among stakeholders in the Palestinian water sector that its poor functioning can partly be attributed to factors under its own control. Urgently needed reforms are needed, such as separation of conflicting implementation, regulatory and policy functions of the PWA, enhanced strategic planning and reformulation of the investment program dealing with water supply and sanitation and higher levels of service provision. Finally, information sharing between the many donors and the PWA is suboptimal. Coordination mainly centers on infrastructure development rather than on integrated water resources management. GIZ – as co-chair of the water sector working group - is attempting to reshape this as far as infrastructure development is concerned.

Cross-border cooperation

The conflict between Israel and the Palestinian Territories also has an effect on water governance. The Palestinians insist on the application of international customary law regarding “equitable and reasonable” allocation of water rights. This would mean they would have a right to a larger share than they receive at the moment under the Oslo agreements. In the continuing interim period established by the Oslo-agreements, Israeli-Palestinian negotiations have focused on water infrastructure development projects in the West Bank and Gaza. The Joint Water Committee is the negotiation platform, which has kept on functioning until 2011, but is currently not meeting. The cooperation in the JWC deteriorated as the PA felt more and more pressured by Israel to accept settlement-related infrastructure in the JWC in return for approval of its own proposals. Nevertheless, the predominantly technical nature of water resource management creates opportunities for cross-border cooperation. Many river basins in the West Bank are currently filling up with wastewater, causing environmental and health risks across borders downstream in Israel and the Palestinian Territories. Local officials of municipalities on both sides of the 1967 border have shown readiness to tackle these problems together. Practical solutions, however, will be assessed by the PA in terms of their contribution to the overall goal of a two-state solution (which is acceptable) or their contribution to reinforcing the status quo of the conflict (unacceptable).

Chapter 4 – Strategic Choices and Interventions

The long-term goals, results and activities of NRO are defined along the line of the priority sectors in the Palestinian Territories - Rule of Law, Food Security and Water - taking into account the current policy framework of the Dutch Government and its objective to strengthen bilateral relations with the PA through the Bilateral Forum. Additionally, the country and NRO outcome and output, including indicators of change on what to achieve are presented. The intervention strategy is developed against

the fragile nature of the Israeli- Palestinian conflict. Monitoring and evaluation mechanisms address the related challenges.

In view of the conflict on developments within the Palestinian Territories, four possible scenarios for future developments have been identified (see para. 3.1). These scenarios for the coming four years will determine the relations between the two sides, but as a consequence also affect relations between the two main factions in the Palestinian Territories (Fatah and Hamas), between the PA and the region, as well as between the PA and the donor community. They may impact the Dutch development programme in the Palestinian Territories.

4.1 Security and Rule of Law

Further development and professionalization of the security and justice sectors has been a priority of the PA since 2007 and has once more been underlined by then Prime Minister Salam Fayyad's two-year plan for 2009-2011 and the Palestinian National Development Plan for 2011-2013. The context analysis of Rule of Law has listed a number of constraints seriously hamper this objective. The Netherlands strategic goal is to address these constraints in order to help create the necessary conditions to build an independent, democratic and viable Palestinian state living side by side in peace and security with Israel and its other neighbors. The added value of the Netherlands lies in its trusted and valued role as partner of the PA and the donor community in the justice and security sectors, as a lead donor in the field of justice, its proven track record in the field of human rights, and its close and constructive relationship with Israel. The NRO will maximize its impact by combining development-oriented interventions and effective diplomatic activities.

NRO's strategic goal, outcomes and outputs for Rule of Law in the Palestinian Territories

The following strategic outcomes for the Palestinian Territories are identified:

1. Conditions are in place in which Palestinians can receive capable and responsive justice and security services.
2. Conditions are in place in which the PA justice and security institutions operate transparently and can be held accountable to the Palestinian public.

This leads to the following outputs:

- 1.1. Justice and security institutions jointly capable of delivering services, where possible beyond Area A.
- 2.1. Increased participation by civil society organizations in promoting accountability of justice and security actors.

Intervention strategy

Activities under **outcome 1** focus on the development and consolidation of independent, legitimate, self-sustaining and cooperating justice and security institutions and, where possible, the delivery of justice and security services beyond Area A.

Outcome 1 addresses the following binding constraints: (1) the democratic deficit, which should be mitigated by a stronger role for civil society in the absence of national parliament that is unable to convene, (2) the financial crisis, which should be mitigated by maintaining financial stability in the justice and security sector, (3), institutional rivalries, which should be mitigated by enhanced cooperation between different justice institutions and the establishment of clear roles, responsibilities and mandates (4), the Fatah-Hamas split, which should be mitigated by promoting reconciliation and exploring possibilities to reach this and (5) improving movement and access, which should be mitigated by enhancing the access to justice and security for Palestinian citizens beyond area A.

Concretely the activities under output 1 are translated into support for the second phase of the UNDP Access to Justice Programme and for the Rule of Law Programme of the Office of the Quartet Representative, focusing on access to justice, legal aid, gender, institutional capacity building, accountability within the Palestinian Civil Police, judiciary and public prosecution, and movement and access beyond area A. Via the Pegase mechanism, the NRO contributes to maintaining stability within the PA, due to the financial crisis. This also consolidates the sustainability of NL interventions in the justice and security sectors. In its role as co-chair of the Justice Sector Working Group, the NRO will

steer both the PA-institutions and the donor community to a more efficient and effective cooperation and institutionalization of the legal framework and mandates of the sectors and of the connection between them. The NRO is furthermore an active member of the Security Sector Working Group and has strong relations with both the EUPOL COPPS mission and the USSC mission. The latter two represent missions in which NL seeks to consolidate and expand its strategic positions through the secondment of civil and military experts.

Activities under **outcome 2** are on the one hand directed toward strengthening civil society that in the absence of a functioning parliament is able to act independently between the public and government to create an atmosphere in which government actors within the justice and security sectors can be held accountable; on the other hand, the activities will focus on a criminal justice and security establishment that will be accountable to the Palestinian public. The implementation of a civil complaints mechanism will contribute to more democratic and societal oversight and will increase the public trust in government actors.

Outcome 2 addresses the following binding constraints: (1) the democratic deficit, which should be mitigated by a stronger role for civil society in the absence of national parliament that is unable to convene, (2) institutional rivalries, which should be mitigated by enhanced cooperation between different justice institutions and the establishment of clear roles, responsibilities and mandates and (3) the Fatah-Hamas split, which should be mitigated by promoting reconciliation and exploring possibilities to reach this aim.

Concretely, activities under output 2 are translated into support for a number of key civil society organizations, such as the Independent Commission on Human Rights (ICHR) and the Coalition for Integrity and Accountability (AMAN), both encapsulating a strong focus on safeguarding human rights and gender, monitoring violations in the justice and security sector and corruption issues. Through central funds the Netherlands also supports Musawa, a Palestinian NGO which monitors the developments in the justice sector. The NRO continues to engage with other CSO actors, which in the future may possibly lead to supporting other organizations. Accountability from within public actors is supported through the second phase of the Access to Justice Programme, the implementation of a civil complaints mechanism, as well as through the aforementioned support to AMAN and ICHR, which enables these organizations to convene public hearings between the PA and the public on corruption and human rights violations.

Cross-cutting issues

Gender

Ensuring respect for women's rights is essential to build the rule of law. Three areas are critical to achieving gender equality: enhancing women's access to justice (movement and access restrictions), legislative reform (penal code, family law) and combating gender-based violence (which increased substantially right after the second intifada). NRO activities cover these areas through: legal aid, UNDP-advocacy program to advance women's rights, legislative reform, enhancing of capacity of PA officials and lawyers on gender equality, family law and human rights law, improvement of the justice system's response and finally lobby and advocacy activities that will address the limitations women face under the movement and access restrictions. Within its security sector activities, the NRO strives to help create an environment in which vulnerable groups such as juveniles and women are properly treated by security and justice institutions and protected in accordance with national and international standards (i.e. holding cells for juveniles and women as well as police officers who are trained to deal with juveniles or females).

EU Joint Programming

In the Palestinian Territories the EU and the Member States have made significant progress in unifying different approaches (common response strategy, EU sector fiches, lead donors, best practice). The NRO, as co-chair of the justice sector working group and active member of the security sector, is working along this line in coordinating donor efforts within these sectors. It combines approaches and develops a 'one voice' approach to key policy issues in order to increase our overall 'impact' on the political agenda. In addition, the NRO critically examines what kind of investments in the justice sector are likely to yield sustainable results in the current climate, in line with the national strategies. The

NRO is in the lead for drafting the new EU sector fiche for the justice sector and will be strongly involved in the drafting of the EU sector fiche for the security sector.

Monitoring and Evaluation

The indicators of change will be an important basis to measure progress. Important partners in this quantitative and qualitative endeavor are the polls of the Jerusalem Media & Communication Centre, Palestinian Central Bureau of Statistics (PCBS), ICHR, AMAN and the UNDP Public Survey.

Risks, scenarios and risk mitigation

For the Palestinian Territories, the political and security dimension has the highest impact on the effective implementation of the programmes. The principle risks to implementation include: (1) potential unwillingness or lack of political commitment on the part of PA authorities to undertake the necessary steps to reform; (2) the breakdown of negotiations followed by increased tensions and violence, Israeli refusal to permit the PA rule of law sector to serve communities in Areas B or C, and a deterioration of the PA's fiscal situation and/or political stability – in turn producing increased challenges to governance and the rule of law and decreased capacity of justice and security sector officials to perform their functions or introduce essential reforms. Within the rule of law sector, the activities will be designed in such a way that they can be effectively implemented within the context of the first three scenarios, as described in 3.1. To mitigate the risks noted, the NRO will work with a broad range of PA officials and stakeholders as appropriate, in close coordination with international community actors including the Office of the Quartet Representative, to build a broad consensus with respect to the proposed measures to be undertaken. This will include efforts to build the sustainability and public commitment to justice and security sector reform, in order to increase the likelihood of continued efforts in the event of a deterioration of the situation on the ground. In order to be able to deal with a situation under scenario 4 (collapse of the PA) in which the political or security situation significantly deteriorates, the programmes will be designed and/or adjusted to adapt to changing circumstances, with a view to preserving results achieved and tailoring according to actual needs and circumstances on the ground.

4.2 Food Security

A food secure Palestinian society, in which the private sector – including agribusiness – is the driver for economic growth and development, contributes to stability and the prospects of a viable Palestinian state and brings the prospects of a negotiated two-state solution closer. Agriculture is the natural playing field to effectively achieve this. Not only does it have the potential to improve the quantity and quality of food production within the Palestinian Territories, but also simultaneously serves as an important economic sector and income generator for a large part of the Palestinian population. The Netherlands is uniquely positioned to work toward promoting this goal, given our ability to combine meaningful development-oriented interventions to improve food production (NL has a long track-record in the Palestinian Territories and is world leader in terms of expertise and technology transfer) with effective diplomatic activities (based also on the special relationship with Israel) to improve market access for Palestinian agricultural goods.

NRO's strategic goal, outcomes and outputs for food security in the Palestinian Territories

At a strategic level, the NRO wishes to contribute to a situation in which the Palestinian people within the Palestinian Territories have access to sufficient, safe and nutritious food, while Palestinian farmers, including smallholders, have the capacity to compete with their products in the national and international markets.

The following strategic outcomes and country outputs (for the Palestinian Territories) are identified, which are fully aligned with the Palestinian Economic Initiative (PEI) developed by the Office of the Quartet Representative Mr Tony Blair, at the request of US Secretary of State John Kerry:

1. Sustainable increase in food production to the benefit of the Palestinian people through (1.1) improved access to and use of land and water for food production, and (1.2) improved agricultural productivity of existing Palestinian farmlands; and
2. Improved access to markets for Palestinian farmers through (2.1) increased competitiveness of agricultural products and (2.2) improved institutional capacity of the PA for service delivery to the agricultural sector.

This leads to the following outputs which the NRO aims to achieve:

- 1.1 Increased availability and use of land and water for food production;
- 1.2 Higher yields of horticultural crops produced by agricultural cooperatives;
- 2.1 Improved quality and marketability of Palestinian horticultural products;
- 2.2 PA institutions capacitated to implement the WTO sanitary and phytosanitary standards (SPS).

Intervention strategy

The NRO has developed a food security and private sector development programme which aims to build upon the results achieved in the past, but at the same time allows for a more aid, trade and investment oriented approach, which is in line with the new Dutch Government policy approach, the Palestinian National Development Plan, the Agriculture Sector Strategy and the recently released PEI. The NRO has identified a focused range of possible interventions, often mutually complementary and reinforcing (e.g. by combining development and diplomacy) in order to increase coherence and effectiveness. Some of them are a continuation of an existing activity with adjustments based on the lessons learnt from the previous MASP, while others are completely new to the NRO programme.

Concerning **outcome (1)**, the interventions are aimed at addressing the main constraints to a sustainable increase of food production to the benefit of the Palestinian people. Firstly, the NRO will address **(1.1)** the limited access to land and water for agricultural use, for which it aims at capitalizing on its track record of land development (West Bank) and early recovery (Gaza). Through the initiation of a Land and Water Resource Management project in the West Bank, as well as a Land Rehabilitation project in the Gaza Buffer Zone, the NRO invests in the development of thousands of dunums of agricultural land. By connecting these areas with indispensable water resources, a clear link with the water sector will be achieved. This not only involves conventional water resources such as wells and rainwater harvesting infrastructure, but also links up to possible wastewater reuse activities for agricultural purposes.

Based upon a land development needs assessment mission initiated by the NRO in 2012 and supported by the EU, Spain, France and Italy, a set of guidelines for land development interventions was presented to and endorsed by the Agriculture Sector Working Group (ASWG) in June 2013. These guidelines should lead to interventions founded upon a community-based approach, focusing on larger geographical areas with donors providing funding for the heavy work while farmers commit themselves to follow up with productive activities on their land. This could become a first step towards EU joint programming in the agriculture sector.

Another constraint that has hampered a sustainable increase in food production is **(1.2)** the low level of agricultural productivity (tons per hectare) of Palestinian farmlands. By building upon the experience gained from the previous Cash Crops and Global GAP programs, which established an agricultural production process geared towards servicing the international markets, the yield per hectare of agricultural land could be significantly increased. The NRO has merged both programs into one High Value Crops programme, which aims, inter alia, to significantly boost the volume of crops produced by the participating agricultural cooperatives in both the West Bank and Gaza.

When it comes to **outcome (2)**, the interventions are geared toward achieving improved market access for Palestinian farmers. In order to achieve the required level of **(2.1)** competitiveness for Palestinian agricultural products, the NRO aims at a two-pronged intervention strategy. On the one hand, one of the main obstacles is the Movement & Access regime imposed by the Israeli authorities. This regime not only causes access problems and thus higher transaction costs, but also unpredictability of supply and export flows, which severely affects the competitiveness of Palestinian products. The NRO has addressed this issue through lobbying and advocacy directed at the Israeli authorities on numerous occasions in relation to NRO-funded activities (e.g. the cash crops programme). The provision of two container scanners, funded through the Stability Fund, for the Allenby Bridge (Al-Karameh Crossing) between the West Bank and Jordan, and Kerem Shalom (Karm Abu Salem) Crossing between Gaza and Israel that will allow for the containerization of Palestinian trade. This is another tangible example of Dutch efforts to reduce trade obstacles and increase competitiveness of Palestinian products. The NRO will continue to do so, in conjunction with other players, including the Office of the Quartet Representative (OQR), also in view of the enabling measures foreseen by the Palestinian Economic Initiative. Specifically for Gaza, the NRO would like its

efforts to be translated into sustained, growth-oriented and more diversified exports from Gaza, particularly to Israel and the West Bank, allowing more exporters to get involved.

On the other hand, Palestinian farmers' market access is limited due to inadequate production quality levels and marketing techniques. However, if these constraints are addressed, there is great potential. The aforementioned Global GAP and cash crops programmes have proven that it is possible to develop competitive products that serve the Palestinian farmers and the business community. As mentioned under output (1.2), the NRO will merge these projects into one programme, not only to boost productivity, but also to further develop high quality and export-oriented products and value chains both in Gaza and the West Bank in order to improve local and international market access. In terms of the approach vis-à-vis the farmers and the cooperatives, the aim is to build their capacities and increase their ownership. This should create sustainability and allow for a gradual shift from grants and subsidizing inputs toward self-reliance and a loan- and credit-based approach, in which the farmers will only be compensated in case of externalities that could not be foreseen (mainly political/security risks; see below).

Finally, the NRO at addressing the constraint of **(2.2)** insufficient institutional capacity of the PA, especially the Ministry of Agriculture, for service delivery to the agricultural sector as a whole, both in qualitative and quantitative terms. Based on a growing consensus in the Agriculture Sector Working Group (ASWG), the NRO will participate in a joint endeavour by several donors (including the EU, USAID, Spain and Canada), to support the Ministry of Agriculture. Specifically, the NRO will co-finance an FAO-implemented project to create the capacity to establish and implement the World Trade Organization's (WTO) framework of sanitary and phytosanitary standards (SPS). This effort will be complementary to the other efforts as described under (2.1), and serve to improve local, regional and international market access of Palestinian agricultural products.

Cross-cutting issues

Gender

Women contribute significantly to the rural economy, in particular through household food production, farming and the care of small ruminants. Moreover, women play an important role in food production and sales, but often have less access to factors of production such as capital, knowledge and land. By mainstreaming gender in NRO's food security portfolio, in particular through the land and water resource development and high value crops programmes, the NRO aims to upgrade the role of women in the agricultural sector, inter alia by involving women cooperatives in high quality, certified agricultural production techniques and by stimulating female ownership and entrepreneurship vis-à-vis agricultural land resources. This should boost the participation of women in the agricultural process as a whole, both in qualitative and in quantitative terms.

Environment

The combination of climate change and unsustainable natural resource management is the major environmental challenge for the Palestinian Territories. Over 60 % of land which is suitable for agriculture in the West Bank is located in area C, and the majority of these lands cannot be used due to Israeli restrictions. This severely limits the availability of land and water for food production and herding, which results in overexploitation of available natural resources in Areas A, B and C, as well as in Gaza, often with irreversible effects. Therefore, the support by the NRO for activities such as the Land and Water Resource Management and Gaza Buffer Zone programmes (both increasing the availability of sustainably arable land), as well as the programme to improve the quality and marketability of horticultural products (improving productivity in a certified and sustainable way) is vital to mitigate further erosion and destruction. Within the context of the High Value Crops program, the NRO explores ways to reduce water consumption for the production of fruits and vegetables particularly in water-scarce Gaza, inter alia through diversification of crops (including crops that can withstand saline water such as dates) and more water efficient production techniques.

EU Joint Programming

The NRO is actively promoting coordination of food security related interventions with relevant donors, including EU partners (see outcome 1.1 and 2.1). In addition, the EU delegation and EU Member States will further explore the possibilities for Joint Programming, on the basis of the EU Local Strategy on Development Cooperation, which was adopted in May 2013. Agriculture has been

identified as a potential priority sector. NRO is member of the EU core team which is preparing Joint Programming options.

Monitoring and Evaluation

PCBS and FAO annual reports like the SEFSec survey and the assessment of the semi-annual reports of World Bank, IMF, UN and PA in the context of the AHLC are important sources of information in monitoring the indicators of change at country level. On the activity level, the main sources of verification will be the progress reports, which will include indicators as laid down in the log frame of the project documents.

An evaluation of the new project portfolio is foreseen at the end of the new MASP cycle, after the projects have been completed but before a new project cycle (2017 and beyond) is decided upon.

Risks, scenarios and mitigation

Within the context of implementing a food security programme in the Palestinian Territories, the following risk dimensions should be taken into account:

- Political-security risks, including violent conflict eruptions, implosion of the PA, and tighter restrictions within the Access & Movement regime;
- Environmental risks, including drought or outbreaks of pests and diseases; and
- Governance and corruption risks within related public institutions and implementing partners.

The political-security dimension has the highest impact on the effective implementation of the programs also within the food security sector. Lifting the blockade on Gaza and easing the West Bank access restrictions remain the most critical factors affecting food insecurity, and only by addressing these core drivers will food insecurity be sustainably addressed in the Palestinian Territories. Until the constraints of the occupation are lifted, the Palestinian economy, agriculture in particular, will continue to struggle. If so, prospects remain bleak for widespread economic revival and as a consequence, food insecurity – as an expression of poverty – is likely to remain pervasive.

Therefore, the activities will be designed in such a way that they can be effectively implemented within the context of the first three scenarios (see chapter 3.1). In order to be able to deal with the 4th scenario – an implosion of the PA – the programs will be re-designed or adjusted to adapt to changing circumstances, with a view to preserving results achieved and tailoring activities according to actual needs and circumstances on the ground. NRO could then opt for a rechanneling of some of the funds through multilateral organisations such as FAO, WFP or the World Bank, who have shown the ability to adjust to changing circumstances and respond to the most urgent needs.

4.3 Water

The specific challenges within the water sector as described in para. 3.2.3. allow for a re-entry of the Netherlands. Given the intense involvement of other donors in this field, however, the interventions will have to be well-thought, specific and suited to the needs of the PA. Following extensive consultations with all players in the sector, the Netherlands has identified three areas on which to focus its activities, in order to match the Palestinian needs, Dutch expertise and available capacities for implementation.

NRO's strategic goal, outcomes and outputs for water in the Palestinian Territories

The Netherlands' strategic goal for the water sector is to help ensure that Palestinian people in the Palestinian Territories have access to equitable and safe and more predictable water supply and have full coverage of water sanitation. The added value of the Netherlands lies in its widely appreciated historical role in the Palestinian water sector, its internationally recognized expertise in water issues and the special relationship between the Netherlands and Israel.

The following strategic outcomes/outputs for water are identified:

1. Increasing the quantity of water delivered to the customers;
2. Improving the sanitation to protect the natural water resources from pollution by wastewater.
3. Enhancing research and capacity development

For the Netherlands/NRO:

- 1.1 Reducing unaccounted for water (UFW)
- 1.2 Increasing the volume of domestic water available at tap (liter/capita/day)

2. Improving cross-border cooperation on treatment of wastewater
3. Promoting innovation in water-related research and education.

Intervention strategy

The NRO has developed a full-scale water program that is based on the actual needs, PA priorities, the activities employed by other donors and Dutch added value expertise.

The program will have a strong focus on three pillars. Activities in the first pillar focus on the improvement of water security as **outcome (1)**, both quantitatively and qualitatively, through the improvement of infrastructure and management of the water networks. This will result in a reduction of losses (outcome 1.1) and thus enhance the amount of water available for the people and capacities of the local suppliers to provide the necessary services (outcome 1.2). It will improve resilience of local communities in the face of climate change. Given the limited capacity of the NRO, cooperation with a larger donor in such activities will be pursued. Non-conventional water resources offer the opportunity to increase the amount of water available for the Palestinians. The NRO will actively promote instruments as the Sustainable Water Fund and ORIO to facilitate other players to develop this new source of water.

The second pillar will be cross-border cooperation on wastewater (**outcome 2**). The natural flow of wastewater from West Bank valleys into Israel and the economic rationale to treat wastewater at a point where all pollution in a stream can be treated in the most cost-effective manner, which can entail treating Palestinian sewage in Israel or Israeli sewage in the Palestinian Territories.

The current lack of effective cross border cooperation between the Palestinian Territories and Israel has an adverse effect on the quality and availability of sanitation. The programme therefore has a component which consists of a mix of a local trans boundary project on municipal level focused on reuse and of support to the Palestinian negotiation capacity on final status issues, creating a synergy between the Dutch diplomatic support for the Peace Process and the water issue.

It is vital for Palestinians to be able to make fully exploit their water rights as well as to be able to develop conventional and non-conventional methods to access more (desalination, water reuse, importing water from outside sources) in order to fulfill the increase in demand. To reach these goals, it is crucial that the PA improves its strength and capacity in the water sector. Capacity building is also essential to improve the technology and knowledge base in order to ensure food security and environmental sustainability in the Palestinian Territories. This need is addressed in the third and final pillar (**outcome 3**), by supporting academic cooperation between Dutch and Palestinian universities, which includes encouraging private sector investment in research. This is complementary to other instruments as Niche and NFP (par. 5.6)

Cross cutting issues

Gender

The interventions considered by the NRO aim at improving the amount of water available per capita and to address the political constraints complicating the joint management of water resources and joint solutions for sanitation issues. These interventions take into account the difficulties men and women face, and address them equally.

Environment

The Palestinian Territories are characterised by an arid climate and water scarcity. The limited sources of water are vulnerable for pollution and overexploitation and require careful management. The PA is required under the Oslo-Accord to deal with waste generated in the West Bank and Gaza, including wastewater. The Palestinian Environmental Law aims at protecting the environment of all kinds of polluting sources, with water as one of the key elements in environmental management. Currently however, the PA has limited capacity for treatment of wastewater and most wastewater flows untreated into Israel. The support of the NRO to cross-border cooperation would improve cooperation

on such trans-boundary flowing of wastewater and extend the collection of wastewater in the West Bank. This has a direct positive impact on environmental protection.

Support for reuse of water will help the PA increase the amount of available water earmarked for agricultural purposes. NROs food security programme and support for reuse plans via the Sustainable Water Facility specifically include reuse of water, which helps to make farmers less vulnerable for droughts and encourages collection of waste water, thus creating a positive impetus for better environmental protection.

The envisaged works to reduce Unaccounted for Water have been subject to an environmental impact assessment and will be done in such a manner that negative impact will be reduced to the minimum. The proposed intervention on loss reduction will offer protection against drought, as it will make the supply of water more homogeneous. Reduction of losses will enhance the most effective use of the scarce water resources in a relatively dry environment.

Academic cooperation will offer Palestinian universities new knowledge on environmental protection (inter alia membrane techniques, remote sensing, better understanding of potential of artificial recharge of aquifers, more effective rain fed agriculture, reuse of water).

EU Joint Programming

Water is one of the sectors where the representative offices of the EU and its member states in Jerusalem and Ramallah are considering joint programming. The NRO is actively contributing to this discussion.

Monitoring and Evaluation

The Water Program was newly developed, including the interventions, identification of indicators of change and the baseline data to be used. It will be implemented as of the end of 2013.

Risks and Risk Mitigation

The water sector is crowded. The Netherlands presence might create further fragmentation of 'the donor community. *Risk mitigation*: Requires the NRO to carefully go about the reform program, limit interventions to where they are really needed and have added value expertise, but only after holding thorough consultations with PWA/stakeholders and partnering with other donors.

4.4 Private sector development instruments

A wide range of private sector development instruments (incl. ORIO, PSI plus, MMF, PUM, CBI, FDW) are currently applicable to the Palestinian Territories. The NRO has embarked on a process to tailor these instruments – which are currently open to all economic sectors – more towards the NRO priority sectors, thus enhancing coherence and effectiveness of the Dutch interventions in its entirety. Examples of this:

- *CBI*, the Center for the Promotion of Imports, has been invited to undertake a value chain and marketing analysis for horticultural products and ICT on sector level. This is likely to be followed by CBI interventions that would complement the NRO funded efforts as outlined under 4.2.
- The Infrastructure Development Facility, *ORIO*, which can be particularly interesting for major public infrastructural projects in support of the agricultural and/or water sectors.
- Within the context of the *Bilateral Forum* water, agriculture, energy and ICT will be priority sectors. This will create ample scope and opportunity for closer cooperation between business communities. Several joint agreements, including a joint business council, are expected to boost business cooperation between the Dutch and the Palestinian private sectors.
- The NRO is interested in bringing *Dutch microfinance expertise* to the Palestinian Territories. The financial institution Reef, successfully created with the support of NRO is expected to become self-sustainable. NRO has approached Triodos Facet to provide advice on how Reef can become a self-sustainable and profitable financial institution, and to explore possible assistance for Reef to become a full-fledged microcredit bank for the agriculture sector.

Also other promising sectors such as energy, manufacturing and ICT can benefit from these instruments. An example is CBI's Export Coaching program, which supports Palestinian ICT companies in the period 2011-2015 in their efforts to market their IT outsourcing services in the EU market.

Chapter 5 - Other Foreign Policy Instruments

The integration of available instruments is elementary to increase the impact of interventions. Below other foreign policy instruments available at NRO and central level are presented.

5.1 Political dialogue and bilateral consultations

The MoU between the Netherlands and the PA in June 2011 created a platform for political consultations on bilateral relations and regional and international issues of common interest. The annual bilateral consultations at DGIS level will focus on the development relationship. In addition, the Netherlands and the PA signed a Joint Declaration on 7 December 2013 establishing a bi-annual bilateral forum with a focus promoting cooperation in the field of innovation, particularly in the private sector. The first forum was held in Bethlehem in December 2013.

5.2 Local EU coordination and cooperation

Besides aforementioned efforts by NRO and EU partners to increase joint development programming intensive local EU coordination and cooperation takes place on political, human rights and humanitarian issues, such as Gaza, Area C and East Jerusalem, including joint reporting. NRO is an active contributor in these joint efforts.

5.3 Human Rights support

The NRO interventions at the bilateral and multilateral level are tailor-made to meet the priorities contained in the Dutch government's Human Rights Policy Paper 'Justice and Respect for All' (2013) in the context of the occupation and improvement of the public administration by the PA.

Bilateral

The human rights of Palestinian citizens have to be upheld by three duty bearers: the PA, the de-facto authorities in Gaza and Israel as the occupying power. There are systematic violations of the rights of Palestinian people committed by all three duty bearers. Palestinian violations include police arrests without charges, torture and occasional execution of death sentences by the de facto authorities in Gaza (the PA upholds a moratorium). Assassinations of suspected collaborators with Israel by Islamic extremist groups have been witnessed, as well as 'honour killings' of women by their relatives, without the police adequately investigating these crimes. Freedom of expression and freedom online are regularly limited without sufficient justification in both the West Bank and Gaza. Israel uses administrative detentions, collective punishments, disproportional use of force and economic hardship against the Palestinians. The separation barrier, road blocks and a system of special permits further aggravate movement restrictions, and economic and humanitarian hardship. In recent years, crisis conditions have given further rise to domestic violence and a general worsening of the position of women.

The NRO provides financial aid to a number of local human-rights organisations. In choosing its partners, the NRO works toward an adequate geographical and thematic coverage, i.e. human rights NGOs that are active either in Gaza or the West Bank or both. Priorities for the NRO include the death penalty, torture, freedom of expression and religion, equal rights for women and LGBT-people and support for human rights defenders. To improve the impact of donor support to those individuals and civil society organizations that advocate these rights, the NRO, together with the local Swedish, Swiss and Danish missions, has established a Human Rights Fund, administrated by a Secretariat (Niras Natura AB and Bir Zeit University). This Secretariat will provide core funding to larger organisations, funding for innovative projects and technical support to human rights organisations. The Netherlands will advocate for respecting the space and rights of civil society at all three levels of consultations.

Multilateral

The NRO will continue to improve local EU-foreign policy coordination. Its aim is to ensure that the local EU-strategy on human rights issues is balanced and unified. The strategy should cover all parties involved in the conflict and supports the work of the EU-High Representative. NRO as co-chair of the

Justice Sector actively contributes to the preparation of the Sub-Committee on Human Rights, Good Governance and Rule of Law in the context of the European Neighbourhood Policy.

5.4 Humanitarian aid

There is an ongoing need for humanitarian and emergency aid in the Palestinian Territories and for Palestinian refugees in the region, especially with the continuing crisis in Syria and the deterioration of the conditions in Gaza. In this context, UNRWA is the most important service provider for Palestinian refugees in Gaza, the West Bank and third countries (Lebanon, Syria, and Jordan). UNRWA also plays an important political role with respect to the status of the Palestinian refugees. Its service delivery has a stabilizing effect in a turbulent region. Therefore, the Netherlands will remain to be a key donor of UNRWA. It provides core funding to the general budget, supplemented with emergency funds to UNRWA and UN-related emergency agencies (WFP, UNICEF) if there is a clear added value. The Netherlands will continue to work with like-minded partners on improving the performance of UNRWA itself through a comprehensive reform process.

5.5 Culture, Sports and Development

The objectives and priorities of the Culture, Sport and Development programme of the NRO have been formulated in its 2013 strategy. The programme will continue its support for Palestinian cultural and sport initiatives in order to encourage a tolerant, diverse and open society, and to create breathing space in a conflict-prone environment. The focus will be on projects that promote Dutch- Palestinian cooperation or have a (potential) Dutch angle, include longer-term activities rather than single events and are sustainable after NRO support ends. Preference is given to projects which target youth and/or women. Finally a proportionate distribution of funding will be maintained between the West Bank, East Jerusalem and Gaza (one project in each area).

5.6 Netherlands Fellowship Programme / NICHE

NRO will continue to actively promote NFP in the Palestinian Territories. This programme offers a great opportunity for young Palestinians to improve their knowledge and skills and thus their employability. Furthermore, feasibility of implementation of the NICHE program, which aims at strengthening educational and training institutions and has become available for the Palestinian Territories in 2013, will be explored. Both NFP and NICHE may strengthen Dutch development efforts in the PA by increasing Palestinian capacities in the priority sectors (justice, agriculture and water).

Chapter 6 – Financial implications

Financial ODA implications 2014-2017 in mln € (policy area, budget code, description)

(0610S23) 17.04.03	Rule of Law	25,910,000
(0610S13) 17.02.01	Food Security	22,100,000
(0610S18) 17.02.02	Water and Sanitation	16,600,000
(1312S00) 17.05.02	Human Rights	4,800,000
Total budget 2014-2017		69,410,000

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