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Italian Development Cooperation Strategy for the Palestinian Territory (2013-2015)

Abstract

The present Strategy is the product of the joint work done by the Italian Cooperation and the MOPAD. It complements the *Development Cooperation Framework Agreement* signed on November 23rd in Rome by representatives of the Italian Government and the Palestinian National Authority (PNA).

The Italian Development Cooperation Strategy for the Palestinian Territory 2013 – 2015 (DCS - PT) sets out the main objectives, the fields of intervention, the financial resources and related tools as well as the timeframe for designing and setting up programmes and initiatives financed by the Italian Government for the benefit of development in the PT (the West Bank, East Jerusalem and the Gaza Strip).

1. The Italian Development Cooperation commitment towards development in the PT along the years

In recent years the situation in the Palestinian Territory has been characterized by political stagnation. Italy, as European Union's Member State, has continued to support the efforts of Israel and the PNA to achieve in the shortest time possible a solution to the longstanding conflict in view of the creation of an independent Palestinian State living side by side and in peace with Israel. In this light, Italy has been actively involved in the process of strengthening and consolidating Palestinian institutions and economy in order to adequately respond to the Palestinian People's quest for sovereignty and independence.

With regard to the economic situation, after a period of progress in the quality and functioning of the institutions, high levels of growth, improved living conditions and security in the West Bank, in recent years the economy grew at a slower rate. This slow-down can be attributed to falling donor support combined with the uncertainty caused by the Palestinian National Authority's severe fiscal crisis, as well as insufficient easing of Israeli restrictions.

The imbalance that has highly affected the PNA budget in 2012 has been basically due to lower-than-expected-revenues and higher-than-expected-expenditures, afforded by the national administration. Such derangement combined with shortfalls in donor aids for both recurrent and

development spending, resulted in substantial arrears accumulation and borrowing from commercial banks.

The deepening fiscal crisis for the Palestinian National Authority coupled with worrying signs of economic slowdown: PT unemployment rate rose to 22% in the first half of 2012 compared to 20% in the same period last year. A serious concern remains the high level of youth unemployment that is accompanied by low youth participation in labor force.

The difficulties recently experienced by the PNA should be considered in light of a context that is already characterized by a high degree of economic instability due to the longstanding restrictions put in place by the Government of Israel (GoI) which remain a major impediment to a Palestinian sustainable economic growth.

In particular, restrictions with respect to Area C are among the most detrimental to economic development; therefore a solution for Palestinian economy cannot disregard from a solution for the current status of Area C, as it is the only contiguous land in the West Bank, connecting 227 separate geographical areas classified as Area A and Area B. Area C is also the most resource abundant space in the West Bank holding the majority of the whole territory's water, agricultural lands and other natural resources. Such restrictions are severely affecting the possibilities for the development of a sustainable Palestinian economy.

As recognized by the World Bank and the IMF in their respective reports, donors' contributions to the PNA (in the form of development aid and budget support) must be reinforced, in order to guarantee the commitments undertaken by the Palestinian administration towards private banks and to carry on the reforms' agenda. Moreover, donors' support should be combined with stronger action by the GoI to ease obstacles that currently prevent the Palestinian private sector from being the real engine of a sustainable growth.

In this context, for many years Italy has been one of the major donors providing assistance to the Palestinian People. Even before the *Oslo Declaration of Principles* in 1993, significant interventions had been directed to Palestinian refugees. From 1993 on, Italy has become one of the leading donor countries supporting the newly established Palestinian National Authority in its quest to build a fully independent Palestinian State.

Along the years, by adhering to the principles of ownership and alignment in international aid programming, Italian Cooperation interventions evolved, moving progressively from Emergency and ad hoc projects to full-fledged development aid programmes. Since 2010 Italian Cooperation addressed its interventions towards the social sector, the economic sector and good governance.

The 23 November 2012 the Italian Government and the Palestinian National Authority signed the *Development Cooperation Framework Agreement (DCFA)*.

The Framework Agreement sets the basic principles under which the activities and programmes financed by the Italian Cooperation in the Palestinian Territory shall be designed and implemented. Within the Framework Agreement, the parties have committed themselves to agree on the present Development Cooperation Strategy (DCS), a subsidiary agreement to the DCFA, aimed to define priorities for their interventions on a 3-year timeframe while indicating related financing mechanisms to be put into place.

2. Strategy Principles

The present Strategy is based on the following 3 pillars:

- I. **All the interventions to be financed by the Italian Government under the DCS 2013-2015 shall be aligned with policies of the Palestinian National Authority and its Ministries.** The Italian Development Cooperation and the MoPAD will set up appropriate consultation mechanisms in order to guarantee the participation of all the Ministries in the joint programming exercise.
- II. **The present Strategy includes development cooperation projects, initiatives designed and implemented by Italian NGOs, multilateral development programmes and initiatives financed under the framework of the Emergency Programme** (in accordance to the *Occupied Palestinian Territory Consolidated Appeal – 2013*), being the latter defined as a response plan which outlines the nature of humanitarian needs, identifies priorities and articulates a list of projects aimed at addressing priority needs.

Within this general framework:

- In accordance to the principle set in the *EU Code of Conduct on Complementarity and the Division of Labour in Development Policy*, aimed to improve the effectiveness of Donors' Aid and to avoid overlapping with other donors' initiatives, **Development Cooperation Programmes** included in the present Strategy and financed by the Italian Cooperation will be addressing 3 main sectors:
 - a) **Gender and Social Protection** (*acting as EU Lead Donor*)
 - b) **Health** (*acting as EU Lead Donor*)
 - c) **Economic Development** (*as EU Acting Donor*)

All development programmes, initiatives and related funds included in the IDC/S 2013-2015 will mainly refer to the afore-mentioned sectors, as reported in Chapter 3.

- Projects and initiatives financed under the **Emergency Programme** will be focused on 3 main sectors namely **Health, Gender and Social Protection/Vulnerable Groups, Water and Sanitation** and will be specifically addressed to the following 3 geographical areas: **the Gaza Strip, East Jerusalem, Area C.**

- III. **Funding of Italian Cooperation's activities in the PT for 2013-2015 amounts to € 60 Million (including development and emergency programmes),** divided into:

- **A Grant up to € 30 Million to be divided among the following instruments:**

1. **Bilateral Development Programmes:** with the provision of Technical Assistance and Budget Support, in the 3 main Sectors.
2. **Development projects designed and implemented by Italian NGO's**
3. **Multilateral development programmes:** implemented by UN Agencies

4. Projects under the framework of the **Emergency Programme**.
5. **Budget Support to the PNA**, provided through the EU PEGASE instrument.

- **Soft Loans for a total amount of € 30 Million**

- Private Sector : € 20 million, Access to Finance for Employment,
- Health Sector : € 10 million, Infrastructure and Equipment.

The partition of funds for new initiatives within the present component, along years 2013 – 2015, is hereby reported (Table 1), bearing in mind that currently it is not possible to foresee any programming regarding Emergency and Multilateral instruments after the current year 2013:

Table 1. Grants for funding channels and new initiatives

| Instrument | 2013 | 2014 | 2015 | 2013-2015 |
|-----------------------|--------------------|--------------------|--------------------|---------------------|
| Bilateral | € 2.180.000 | € 4.550.000 | € 3.820.000 | € 10.550.000 |
| NGOs | € 2.000.000 | € 2.000.000 | € 2.000.000 | € 6.000.000 |
| Multilateral | € 2.500.000 | | | € 2.500.000 |
| Emergency | € 1.500.000 | | | € 1.500.000 |
| Budget Support PEGASE | € 1.000.000 | - | - | € 1.000.000 |
| Total | € 9.180.000 | € 6.550.000 | € 5.820.000 | € 21.550.000 |

For Bilateral Development Programmes and Budget Support components, available funds will be divided among the 3 afore-mentioned Sectors of intervention, as specified in Table 2.

Table 2.

| Instrument | 2013 | 2014 | 2015 | 2013-2015 |
|---------------------------------------|--------------------|---------------------|---------------------|---------------------|
| 1.Health | € 1.200.000 | € 2. 250.000 | € 2.000.000 | € 5.450.000 |
| 1.1 Technical Assistance | € 1.200.000 | € 450.000,00 | € 400.000,00 | € 2.050.000 |
| 1.2 Earmarked Budget Support | - | € 1.800.000 | € 1.600.000 | € 3.400.000 |
| | | | | |
| 2.Gender and Social Protection | € 580.000 | € 1.500.000 | € 1.220.000 | € 3.300.000 |
| 2.1 Technical Assistance | € 580.000 | € 500.000 | € 520.000 | € 1.600.000 |
| 2.2 Earmarked Budget Support | - | € 1.000.000 | € 700.000 | € 1.700.000 |
| | | | | |
| 3.Economic Development | € 400.000 | € 700.000 | € 700.000,00 | € 1.800.000 |
| 3.1 Technical Assistance | € 400.000 | € 350.000 | € 350.000,00 | € 1.100.000 |
| 3.2 Earmarked Budget Support | - | € 350.000 | € 350.000,00 | € 700.000 |
| | | | | |
| 4.Budget Support PEGASE | € 1.000.000 | - | - | € 1.000.000 |
| | | | | |
| TOTAL | € 3.180.000 | € 4.450.000 | € 3.920.000 | € 11.550.000 |

3. Interventions programmed for the years 2013 - 2015

Following the partition among the afore-mentioned instruments of cooperation and bearing in mind both Grant and Soft loans components, the interventions programme for years 2013 – 2015 will be structured as follows:

3.1 Development Programmes

3.1.1 Gender and Social Protection

The Italian Cooperation gender and social protection Strategy is informed by Italy's cooperation principles which emphasize the indissoluble connection between *gender equality and women's empowerment* (GEWE) and aid effectiveness¹. Protecting women's rights and combating all forms of discriminations and violence against women (VAW) are among Italy top priority cooperation strategic objectives. All the interventions to be financed by the Italian Cooperation under DCS 2013- 2015, should be **gender-sensitive**.

In order to achieve these objectives, Italy strove to maintain the political dialogue with partner countries and international organizations for the implementation of UN/Security Council Resolution 1325, 1820, the CEDAW and its additional Protocol, the Maputo Protocol, and the achievement of MDGs.

In the PT during the last 20 years Italy has invested more than 11 million Euros to promote GEWE and Social Protection in different development and humanitarian aid sectors, i.e. rural development and management of natural resources, microcredit, women's employment and support to women's small and medium enterprises, health care, reproductive and maternal health, institutional and capacity building, social protection and combating VAW, promotion of women's social and cultural empowerment.

The Programme WELOD (Women's Empowerment and Local Development) in the 11 West Bank Governorates in partnership with the Ministry of Women's Affairs (MoWA), the Mehwar Centre for the protection of women and children from domestic violence in Bethlehem in partnership with the Ministry of Social Affairs (MoSA), the 3 Zohra counseling centres in Hebron (PCBS 2011: VAW rate 34.4%), played and are still playing a pivotal role in the Italian Cooperation Strategy to promoting GEWE and combating VAW. By virtue of this long-lasting commitment Italy has assumed the role of EU Lead Donor on GEWE which entails to ensuring gender mainstreaming within the LACS structure with the support of MoWA, within the Social Development Strategy Group.

During the coming 3 years the IDCU in PT will continue and strengthen the support to GEWE and Social Protection initiatives, in particular by focusing on:

- Technical Assistance to MoWA: capacity building and actions for the implementation, monitoring and evaluation of National Plans (Cross-Sectoral Gender Strategy 2014-2016 and National Strategy to Combat VAW 2011-2019).

¹ *The Italian Cooperation Guidelines for Women's Empowerment and Gender Equality, 2010.*

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- Technical Assistance to Tawasol Centres (WELOD Programme): institutional building; support to women's economic empowerment; support to drafting the procedures for the reintegration of women victims of violence into the society.
- Technical assistance to MoSA: capacity building; institution building and technical support to the Anti-violence Centres for the protection and empowerment of women and children victims of violence of Bethlehem, Jericho and Nablus.

3.1.2 Health

After a decade of important investments in the health sector, including the role of lead donor, the Italian cooperation in the last 3 years financed 2 significant NGO's-promoted programmes, which have received appreciation:

- 9134/AISPO/TAP Support to surgical hospitals through the use of low-cost mini-invasive surgical techniques (ended december 2012)
- 9730/DISVI/TAP Support to the Bedouin population in the Bethlehem and Hebron areas (ended may 2013)

A programme implemented by the "IIa Università di Napoli" - Health care staff training about endo-laparoscopic surgery of € 1 million.

Programming 2013 – 2015

On the basis of bilateral consultations recently started, taking into account the funds available for Palestine, an initiative involving an amount of € 5 million in grant and € 10 million in Soft loans.

The Grant component (€ 3.4 million) would be delivered as earmarked Budget Support. The Soft Loan component would be devoted to infrastructure and health equipment.

As requested by the Minister of Health the specific sectors of intervention may concern:

- Nursery training and medical doctor scholarship (in Italy)
- Primary Health care services improvement in the form of:
 - Infrastructures development;
 - Providing diagnostic equipment (ultrasound, laboratory, XRay)
 - Drugs and consumable materials
 - Community mental health
 - Community Service delivery
 - Particular attention to disability and social services inclusivity.

For the implementation of these several components, specific partnerships with the Italian Regions might be developed.

Referring to the NGO initiatives, 2 new initiatives concerning oncologic sector and PHC in south of Hebron are foreseen.

3.1.3 Economic Development

The Italian Development Cooperation recognizes the primary relevance that a sustainable economic growth has for the completion of the Palestinian institution-building process and for the promotion of social welfare and stability.

Along the years the economic development programmes financed by the Italian Government in support of the Private Sector have contributed to the growth of a sound business environment in Palestine.

Through the provision of 2 soft loans (for an overall commitment exceeding € 55 million) the Italian Development Cooperation sustains both the improvement and rehabilitation of the electricity network system in Palestine (Electric Sector Investment Programme - ESIMP) whilst providing support to Small and Medium Enterprises in accessing affordable source of finance in the local credit market (Palestinian SME's Development Programme).

In recent years both programmes have been revised in depth as to respond more adequately to the shifting needs of Palestinian private sector.

As far as the Palestinian SME's Development Programme is concerned, in the years 2011 and 2012 new financial and non financial facilities have been studied and designed to provide local SME's with a well-tailored assistance combined with an easier access to finance. Within this framework the existing Credit Line, aimed to finance technology transfer from Italian companies to Palestinian counterparts, will be coupled with the provision of Business Advisory Services for local beneficiaries and with a new Small Loan Facility.

- 1) Business Advisory Services: As the ultimate scope of the Palestinian SME's Development Programme is to provide credit to finance viable investment projects, the ability to properly identify and design such projects is an essential asset. Quite often SME's lack the necessary skills for a proper identification of an investment project; sometimes they have difficulties in measuring costs and benefits deriving from an investment or they simply overrate their ability to afford the innovation in terms of costs, required skills and organization of the production chain. Business advisors can play a pivotal role in supporting SME's throughout the whole investment project cycle, including the identification of the source of financing more appropriate for each SME needs. Therefore, within the general revision of the Programme, a provision of a specific technical assistance component has been included. It has been conceived in the form of financial support offered to eligible SME's to hire professional business advisors with the aim of: identifying the most appropriate technology needed by the SME, drafting feasibility studies and business plans as well as introducing up to date production standards, new technologies and modern management principles.
- 2) Small Loan Facility: As the Palestinian private sector is mainly composed by SME's, the vast majority of whom having less than 4 employees and working in the agriculture sector, a credit facility aimed to support them shall be tailored according to their specific

needs and taking into account their constraints in accessing finance. Small farmers as well as small companies working in the light industries require small loans in order to primarily finance working capital for their businesses. These segments of the private sector mainly need small loans not tied to procurement of goods and services from Italy (as provided for the actual Credit Line).

The support provided by the Italian Development Cooperation to the Palestinian SME's, start-up companies and cooperatives mainly in the agriculture sector will be further enhanced in 2013 – 2015, through additional specific financial facilities and technical assistance components. A new comprehensive programme will be designed with the aim to strengthening local cooperatives and generate new labor and self-employment opportunities. Economic sustainability of existing cooperatives and labor generation will be regarded as the most relevant indicator against which to measure the new programme performance.

3.2 Emergency Programme

The Emergency Programme of the Italian Government has been vital in providing support to the local population in facing unparalleled urgent needs arising from the turbulent political developments in the Palestinian Territory.

The Emergency Programme is characterized by highly operative and quick-response capacities empowered to efficiently address emergency situations and humanitarian needs. In this way the Italian Cooperation Office has been constantly prompt in implementing new initiatives both through the multilateral (the UN and other International Organizations) and direct implementation (the Italian Cooperation Office 'with the Italian NGOs) modalities, in close collaboration with the local counterparts.

Taking into consideration the unpredictability of emergency situations and the volatile context existing in the Palestinian Territory, the Emergency programmes of the Italian Cooperation Office in Jerusalem focus mainly on initiatives to be implemented in the short term (12 months maximum).

In the last 6 years Italian Government has allocated more than € 43.577.000 to assist the Palestinian vulnerable population in the PT. All the initiatives have been identified by the Italian Cooperation Office according to the Emergency guidelines, the Consolidated Appeal Process for the PT and the *Strategy of the Italian Cooperation for the Palestinian Territory* and in synergy with other programmes/projects implemented through different channels (bilateral, in collaboration with Italian NGOs, multilateral, with the support of UN Agencies, and ordinary channel-quick impact projects). It is worth mentioning that all the activities implemented within the Emergency Programme have always been formulated following a gender-based approach.

On 23 July 2013, the Strategy has been finalized in the present version between the Minister of Plan And Development, Mohammad Abu Ramadan and the Consul General of Italy, David La Cecilia together with all line Ministries and Finance, and the Italian Development Cooperation Office, during the 1st Bilateral Consultation Technical Meeting between the two parties in Ramallah.