



EUROPEAN
COMMISSION

Brussels, 27.11.2013
COM(2013) 852 final

**REPLIES OF THE COMMISSION AND THE EEAS TO THE SPECIAL REPORT OF
THE EUROPEAN COURT OF AUDITORS**

**"EUROPEAN UNION DIRECT FINANCIAL SUPPORT TO THE PALESTINIAN
AUTHORITY"**

**REPLIES OF THE COMMISSION AND THE EEAS TO THE SPECIAL
REPORT OF THE EUROPEAN COURT OF AUDITORS**

**“EUROPEAN UNION DIRECT FINANCIAL SUPPORT TO THE PALESTINIAN
AUTHORITY”**

EXECUTIVE SUMMARY

III. At the end of 2011, the Commission launched a project to assess the needs and identify feasible projects in the area of Civil Service Reform (CSR) in Palestine (This designation is without prejudice to positions on the recognition of Palestine as a state). On this basis, and starting in the second half of 2013, a comprehensive support to the PA will be provided in CSR funded by the EU. EUREP will ensure close links between this action and the CSP programme, also facilitating stronger leverage over policy dialogue.

It should be noted that the Commission and the EEAS have actively sought to ensure Israeli co-operation. Numerous meetings have been held with the Israeli Ministry of Defence (COGAT) and various Israeli government officials in a number of contexts and fora. When necessary, the EU Delegation in Tel Aviv has also been involved. The effectiveness of such demarches could be enhanced by a more consistent and robust approach on the matter from Member States.

IV. In 2011 the need for increased competition was taken into consideration and is being addressed, with the launch of an international tender process to contract ex-ante and ex-post audit services related to the implementation of all PEGASE DFS programmes. The forecast notice was published in August 2012 and the new contracts are expected to be signed by the end of 2013.

For CSR see point III (Executive Summary) above.

The leverage of the policy dialogue at PA level through the substantive DFS should not be underestimated.

V. It should be noted that, during several months in 2012, Israel did not transfer the clearance revenues to the PA. This was a key factor in the delays in the payment of PA salaries. Nevertheless, since the start of 2013 WAFSA, PBS and Ministry of Religious Affairs employees have been removed from the list of eligible beneficiaries, returning the number to around 75,000(down from 84,000).

VI. The issues surrounding the civil servants who are not able to work in Gaza (e.g. PA-support strike, its duration, its extent and its effects, Hamas' reactions) are complex in the circumstances of the Gaza Strip where objective verification is difficult. DFS is a PA driven programme. The Commission and the EEAS stand by their decision to support politically the PA (core of the future Palestinian State) which decided to continue paying all eligible workers in both West Bank and Gaza Strip regardless of their working status, which is in any event, very difficult to clarify. Some Civil Servants are not working in Gaza simply because they are locked out by the de facto authorities. Others, although actually working, would still officially say that they are not working due to political reasons.

Any decision to stop contributing to salaries in Gaza is expected to be politically very sensitive.

The Commission and the EEAS consider that they have sufficiently addressed this problem. This issue has been raised with the PA on a number of occasions at the highest political level and will continue to be the focus of future discussions.

VII. For engagement with the Government of Israel, see point III (Exec Summary) above.

OBSERVATIONS

27. EU-Action Plans set priority objectives which have been jointly agreed by both the EU and the PA and do not include an indicative financial framework. A new EU-PA Action Plan (AP) was approved by the Council in March 2013. This new AP is more closely aligned to development assistance needs (and vice-versa) than its predecessor, which was concluded before the setting-up of PEGASE.

28. As from 2014, the EU will embark on a two-year programming cycle for the development part of its financial assistance. Palestine is one of the most sensitive points in the overall budget for external financial assistance and the budgetary authority has, in recent years frequently increased the initial Commission proposal. The annual amounts available for Palestine are only known with any degree of confidence very late in the budgetary process. The volatile political situation also requires the Commission and EEAS to be vigilant and to be able to re-assess the situation whenever needed.

Very few Member States have programmed assistance to Palestine on a multi-annual basis, for precisely the same reasons.

The EU Local Strategy for Development has recently been revised in co-operation with Member States and local representatives.

29. The Commission and the EEAS consider that submitting measures to Member States by written procedures does not make it more difficult to carry out a detailed review of the mechanism. On a number of occasions, Palestine programmes (PEGASE in particular) have been presented to the ENPI Committee as an information point on the agenda. Member States have generally indicated their satisfaction with the procedures used and did not refrain from asking for further clarifications whenever they deemed it necessary.

The Commission and the EEAS consider that the establishment of the PSRG programme which was implemented after operation “Cast Lead” as well as the use of the SEPS and arrears component demonstrate the ability of the programme to adapt to changes in the operational environment.

The Commission and the EEAS are however aware that this situation is in the long run unsustainable and that it is time to make adjustments now that the situation in Gaza has remained unresolved for the past seven years. In fact this issue has been raised with the PA on a number of occasions in the past.

Discussions have already started with the PA aimed at finding a solution that would take account of the concerns raised by the Court, while allowing the PA to continue supporting its employees in Gaza.

The Commission and the EEAS stand by their political view that the PA must continue supporting its workers in Gaza as a key element of maintaining the unity of a future Palestinian state and allowing the PA to retain a foothold in Gaza. Due consideration should be given to the fact that the Commission and the EEAS took and implemented this decision in view of political considerations and that most of the workers who are not working in Gaza are in fact prevented from working.

30. It should be noted that, except for the UK, which only contributed to PEGASE in 2008, no other donor to PEGASE DFS has moved from PEGASE DFS to the World Bank Trust Fund. Furthermore, PEGASE also attracted funding from non-member states such as Japan and Switzerland.

The decline in funding can be attributed primarily to the decline in the fiscal situation of Member States as well as to a certain degree of donor fatigue. Some Member States and other donors prefer to support development projects (rather than direct financial support) as it gives them more visibility.

31. The Commission acknowledges that the current situation of PEGASE does not include performance indicators

The EEAS and the Commission are guided in this respect by the indicators contained in the Palestinian Reform and Development Plan and Palestinian National Development Plan, on whose priorities PEGASE was and remains based. This is also a measure of conditionality.

The Commission also accepts to introduce performance indicators for PEGASE, which will take into account the specific situation of the PA and the particularity of the PEGASE programme.

The aim of providing DFS through PEGASE is to enable the PA to meet its existing commitments to its population, insofar as this is possible. It is not realistic to expect a significant qualitative improvement of these in the current financial situation.

The factors on which the achievement of the objectives depend, are mainly external and beyond the PA's control. PEGASE DFS is a political instrument whose ultimate objective is to maintain the viability of the Two-State Solution by sustaining basic living conditions of the Palestinian people. Palestine is not an independent country, whose government can mobilise a wide range of resources in support of a particular target.

DFS is not a classic project which can be evaluated in terms of PCM. It is designed to assist the PA to deal with a long-term problem in the expectation that by keeping the authority in being, the EU will contribute to the Two-State solution of the Middle East Peace Process.

32. In line with the PA's two –year state building plan of 2009 which envisaged a reduction on dependence on external aid, the EEAS (and previously DG RELEX) sought in each programming to decrease the proportion of DFS; but it has simply not been possible to reduce drastically because of the threats to the PA's survival. These issues have also been raised in the framework of Ad Hoc Liaison Committee (AHLC) meetings.

In the present circumstances and given the political situation, the possibility to reduce funding is not in line with the current EU policy.

34. The beneficiaries are known and subject to ex ante and ex post verifications. Funds are paid upon application by the PA and the provision of the necessary supporting documentation.

These funds essentially only transit through the Central Treasury Sub-Account which operates a “double key” system for release of payments i.e. both EU and PA have to authorise this. The risk of corruption is therefore minimal. Insofar as the risk of destruction of EU funded infrastructure under the Gaza Private Sector Programme is concerned, this risk was known and although the Commission attempts to minimise the risk through regular dialogue with the Israeli Ministry of Defence(COGAT), this risk has to be accepted.

35. The Commission and EEAS are prepared to critically examine the cost-effectiveness of controls and weigh these against the risks involved.

36. In 2011 the need for increased competition was taken into consideration and is being addressed, with the launch of an international tender process to contract ex-ante and ex-post audit services related to the implementation of all PEGASE DFS programmes. The forecast

notice was published in August 2012 and the new contracts are expected to be signed before the end of the year 2013.

Direct negotiated procedure was requested and approved as per art.168(2) of the Implementing Rules of the Financial Regulation and was duly justified at the time.

37. Direct award was justified under the Implementing Rules of the Financial Regulation.

Following a specific EUREP request, all agreements with an international organisation have been subject to additional requirements (exceptions from the General Conditions applying to international organisations) particularly in relation to additional reporting requirements, auditing, and the transfer of equipment.

EUREP has completed the transition from a contribution agreement to a 1-year service contract with the international organisation. All equipment under the previous agreements has been transferred to the PA (excluding the DFS Database). These services will be subject to an international restricted tender in 2014.

38. It should be noted that the verification and management procedures applying to the PDFS programmes are being reviewed.

Arrangements for in-sourcing the PEGASE database and its management are being made.

39. Taking into consideration the size of the project and political sensitivity related to the implementation of the programme, EUREP deliberately made the choice not to give the contract to a local firm at the time.

Further to the exercise to review the verification and management procedures of PEGASE, an international call for tender has been launched for the contracting of ex-ante and ex-post audit services related to the implementation of all PEGASE DFS programmes.

While the absence of formal conditionality is due to the unique circumstances, this does not imply the absence of leverage vis-à-vis the PA (please see point 40).

40. PEGASE DFS is provided to the PA without explicit conditionality: a deliberate choice by Commission, EEAS and Member States in line with their political objectives in the Middle East Peace Process.

However, the EEAS and the Commission are guided by the indicators contained in the Palestinian Reform and Development Plan and Palestinian National Development Plan, on whose priorities PEGASE was and remains based. This is a measure of conditionality.

Leverage does exist thanks to this reliable and consistent contribution from the EU. EUREP is currently working on improving leverage through policy dialogue, in co-ordination with interested Member States through the recently established EU PEGASE Informal Group.

41.

(a) At the end of 2011, the Commission launched a project to assess the needs and identify feasible projects in the area of Civil Service Reform (CSR) in Palestine. On this basis, and starting in the second half of 2013, support to the PA will be provided in CSR funded by the EU. EUREP will ensure close links between this action and the CSP programme, also facilitating stronger leverage over policy dialogue.

42. It should be noted that the Commission and the EEAS have actively sought to ensure Israeli co-operation. Numerous meetings have been held with the Israeli Ministry of Defence. Various other meetings are held with Israel in the framework of EU-Israel bilateral relations and these issues have been raised in the Association Committee, Association

Council and in the Political Dialogue with Israel. When necessary, the EU Delegation in Tel Aviv has also been involved. The effectiveness of such demarches could be enhanced by a more consistent and robust approach on the matter from Member States. Nonetheless, the Council itself has moved from Council Conclusions of a more broad nature to much more concrete ones (particularly May 2012 and December 2012).

46. The Commission launched a project to assess the needs and identify feasible projects in the area of Civil Service Reform (CSR) in Palestine at the end of 2011. On this basis, and starting in the second half of 2013, support to the PA will be provided in CSR funded by the EU. EUREP will ensure close links between this action and the CSP programme, also facilitating stronger leverage over policy dialogue.

47. PEGASE is a specific instrument created to ascertain that the funds are traceable till the end beneficiary. The funding is only made available upon agreement on the final list of end beneficiaries agreed upon both by the EU and the PA. This instrument has been installed to avoid any possible de-routing of EU funding. Therefore, the Commission and the EEAS are of the opinion that the PEGASE funds are not fungible in budgetary terms.

Concerning the argument that PEGASE has allowed the PA to save some of its resources and redirect them to other uses, the Commission and the EEAS contest this finding which cannot be demonstrated in practice. The Commission and the EEAS consider that there is no evidence that PEGASE has resulted in funding being redirected to the recruitment of security forces, which in any case receive support from other sources.

48. Beyond reforms, sustainability is closely linked to political progress on reconciliation and on ending the occupation.

A key element in the "increasing difficulty the PA has had in paying salaries and pensions on time" in recent times, has been Israel's suspension of the "clearance revenues". This sudden drop in income was not accounted for by the PA. The fiscal situation of Member States as well as a certain degree of donor fatigue has certainly played a role in the capacity and willingness of donors to react to this crisis. At the same time the PA was hoping to attract more funding from Arab donors.

51. It should be noted that the caseload of beneficiaries of cash assistance has increased from 2010 onwards due to various factors, including the introduction of the Cash Transfer Programme (CTP) in 2010 (consisting in the merger of the SSNRP + SHC programme and the certification of households on the waiting list) and its subsequent roll-out in Gaza in 2011. The target of the PA is 120,000 households enrolled in the programme – corresponding to the estimated number of households living in extreme poverty in Palestine. On the level of assistance: the basis for calculating the amount of financial benefit for eligible households is the "50% bridging the gap" policy. The gap is the difference between the welfare rate (consumption) and the household extreme poverty line. The cash component of the CTP provides financial assistance to meet 50% of this gap and this makes up the base cash benefit rate. Beneficiary households usually have access to additional sources of income (remittances) as well as additional/complementary assistance (i.e. health insurance and in-kind assistance) which complement the cash component.

52. Delays in payment are the result of various factors that are out of the control of Ministry of Social Affairs/Ministry of Finance, including: (1) the availability of cash/liquidity in banks in Gaza; and (2) the availability of budget as a result of the recurrent PA financial crisis (including transfers of clearance revenues from Israel).

It should be noted that (i) the September 2011 and September 2012 payments were processed on 3 October 2011 and 6 October 2012, respectively, i.e. with a delay of one week only compared to the initial target date (usually the last week-end of September);

(ii) the first quarterly payment in 2012 was made in late April 2012, due to a shortage of cash, mainly Israeli Shekels (ILS) and U.S Dollars, at the local banks in Gaza (as a result of Israeli restrictions on liquidity). Although this did not concern the West Bank, the PA opted for political reasons not to process the payment in the West Bank without assurance that the payment would take place in Gaza, if not at the same time, or soon afterwards.

53. Please see point 31 above.

54. The issues surrounding the civil servants who are not able to work in Gaza (e.g. PA-support strike, its duration, its extent and its effects, Hamas' reactions) are complex in the circumstances of the Gaza Strip where objective verification is difficult. DFS is a PA driven programme. The Commission supports politically the PA (core of the future Palestinian State) which decided to continue paying all eligible workers in both West Bank and Gaza Strip regardless of their working status, which is in any event, very difficult to clarify. It is perhaps worth recalling that amongst those civil servants not working in Gaza, many are effectively locked out by the de facto authorities.

Any decision to stop contributing to salaries in Gaza is expected to be politically very sensitive.

55. See comment on point 54.

57. The beneficiaries are known and subject to ex ante and ex post verifications. Funds are paid upon application by the PA and the provision of the necessary supporting documentation.

These funds essentially only transit through the Central Treasury Sub-Account which operates a “double key” system for release of payments i.e. both EU and PA have to authorise this.

58. Please see reply to observation 54.

59. With regards to the use of fuel instead of gas, it should be noted that external factors decided on this issue. Neither Israel nor Egypt would allow export of gas to Gaza, therefore the use of diesel fuel was the only possible option.

60. The issue of VAT and other taxes on fuel delivery with Israel extends much further than PEGASE and is part of an overall issue in relations between the EU and Israel. Efforts had been made by the Commission to get an exemption from paying VAT on the fuel deliveries but the discussions were not successful. It was apparent that the issue could only be resolved at the highest political levels.

The Commission considers that it cannot be criticised for not being able to establish how VAT and Excise Duties which it pays are used by the authorities, whether Israeli or Palestinian, under the Paris protocol of the Oslo agreements which establishes conditions for transfers of certain tax revenue from Israel to the PA but to which the Commission/EU is not a party.

This was one of a number of factors which led to the Commission ceasing to finance fuel delivering.

61. The Commission did advise the PA to consider the possibility of carrying out a PEFA assessment before 2012.

In November 2011, the PA Ministry of Finance had agreed at technical level on the principle of carrying out a PEFA exercise. The EU was planning to finance part of the assessment. However, the PA subsequently decided to delay the assessment.

A PEFA assessment was launched in March 2013 and the PEFA report was formally sent to the Ministry of Finance in June 2013 and was accepted by the Ministry in the same month. It was published on 2nd September 2013. The EU contributed to this World Bank-led assessment through the financing of one expert.

There have been other assessments of the PA Public Financial Management systems than the PEFA assessments. The IMF has carried out PA Public Financial Management Progress Reviews in April 2008, April 2009, December 2009, October 2010, January 2012, and January 2013. In addition, the IMF staff reports to the meetings of the ad hoc liaison committee (which takes place twice a year) include assessments of the PA Public Financial Management Reforms.

62. The Commission continues to work on this issue regarding Public Finance Management: a World Bank-led PEFA assessment was launched in March 2013 and the report was formally sent to the Ministry of Finance in June 2013.

Any form of legislative scrutiny is difficult in the absence of a functioning Palestinian Legislative Council. It was accepted by the Ministry in the same month and published on 2nd September 2013.

63.

(b) In September 2012, Result Oriented Monitoring Report pointed out that: "the project suffered delays during its first half of implementation for several reasons (long assessment needs studies, reshaping of activities, a low level of knowledge of English for trainees and a lack of translators). Most of these problems have been solved during the first part of 2012". At the time, the overall efficiency and effectiveness of the project implementation were considered "good" by the monitor.

66. The refunds were carried out in accordance with the rules. The major concern was to boost the economy by injecting long due arrears into the private sector. The outstanding arrears were subject to the obligatory audit controls before the payments were done.

Box 2 – Reimbursement of VAT to a luxury hotel in Gaza

The refund was carried out in accordance with the rules. It should be noted that the arrears reimbursed to this company had been accumulated over a period of more than seven years from December 2000 until January 2008. The fact that the hotel was barely operating in October 2012 is due to the situation in Gaza and the continued blockade.

67. Support to the Gaza Power Plant was intended to meet a particular emergency, rather than to be sustainable. When another approach was proposed by the PA, this component of PEGASE was no longer funded.

68. A key element in the "increasing difficulty the PA has had in paying salaries and pensions on time" in recent times, has been Israel's suspension of clearance revenues. In addition, the fiscal situation of Member States as well as to a certain degree of donor fatigue has played a role in the capacity of donors to react to this crisis. At the same time, the PA was hoping to attract more funding from Arab donors.

70. It should be noted that the Commission and the EEAS have actively sought to ensure Israeli co-operation. Numerous meetings have been held with the Israeli Ministry of Defence. When necessary, the EU Delegation in Tel Aviv has also been involved. The

effectiveness of such demarches could be enhanced by a more consistent and robust approach on the matter from Member States.

(b) Substantial sums have been allocated to Area C from 2012 allocation (€7 million) in addition to approx. €3.5 million from Food Security programme. PEGASE will also make funds available in Area C through an extension of the Gaza Private Sector Recovery Programme to the West Bank, with special emphasis on farmers and communities affected by the separation wall, Israeli army demolitions and settler violence.

The issue of Area C is high on the political agenda. It has been discussed various times at the PSC and an EU demarche was carried out by the EU Delegation in Tel Aviv already in December 2011. Area C is also a priority objective of the new Action Plan.

CONCLUSIONS AND RECOMMENDATIONS

74. Sustainability can only be ensured through political progress on reconciliation and the ending of occupation.

However, the two issues of reform and Israeli measures are important and the Commission and the EEAS are addressing these issues as follows:

At the end of 2011, the Commission launched a project to assess the needs and identify feasible projects in the area of Civil Service Reform (CSR) in Palestine. On this basis, and starting in the second half of 2013, a comprehensive support to the PA will be provided in CSR funded by the EU. EUREP will ensure close links between this action and the CSP programme, also facilitating stronger leverage over policy dialogue.

The Commission and the EEAS have actively sought to ensure Israeli co-operation. Numerous meetings have been held with the Israeli Ministry of Defence. Numerous meetings are also held with Israel (at different levels and in various fora) in the framework of EU-Israel bilateral relations and through the Delegation in Tel Aviv. The effectiveness of such demarches could be enhanced by a more consistent and robust approach on the matter from Member States.

75. The Commission agrees to establish performance indicators, taking into account that many factors affecting performance are external and outside the control of the PA. Palestine is not an independent country, whose government has a normal control of a wide range of resources to meet specific targets.

PEGASE DFS is a political instrument whose objective is to maintain the viability of the Two-State Solution by sustaining basic living conditions of the Palestinian people. The lack of donor funding through PEGASE is more a result of donor fatigue or of the economic situation rather than a deliberate decision to not use PEGASE. As mentioned earlier, some donors prefer to fund development projects (rather than direct financial support) also because they entail more visibility.

76. Direct negotiated procedure was requested and approved as per art. 168(2) of the Implementing Rules of the Financial Regulation and was duly justified at the time.

It should be noted that the verification and management procedures applying to the PDFS programmes are being reviewed. (see point 38).

In 2011 the need for increased competition was taken into consideration and is being addressed, with the launch of an international tender process to contract ex-ante and ex-post audit services related to the implementation of all PEGASE DFS programmes. The forecast notice was published in August 2012 and the new contracts are expected to be signed by the end of 2013.

A service contract tender for the management and implementation of the programme will be launched in 2014 (see point 37).

77. At the end of 2011, the Commission launched a project to assess the needs and identify feasible projects in the area of Civil Service Reform (CSR) in Palestine. On this basis, and starting in the second half of 2013, a comprehensive support to the PA will be provided in CSR funded by the EU. EUREP will ensure close links between this action and the CSP programme, also facilitating stronger leverage over policy dialogue.

78. The issues surrounding the civil servants who are not able to work in Gaza are complex in the circumstances of the Gaza Strip where objective verification is difficult. DFS is a PA driven programme. The Commission supports politically the PA (core of the future Palestinian State) which decided to continue paying all eligible workers in both WB and Gaza Strip regardless of their working status, which is in any event, very difficult to clarify. It's worth recalling that amongst those civil servants not working in Gaza, many are effectively locked out by the de facto authorities.

Any decision to stop contributing to salaries in Gaza is expected to be politically very sensitive.

The issue of VAT and other taxes on fuel delivery with Israel extends much further than PEGASE and is part of an overall issue in relations between the EU and Israel. Efforts had been made by the Commission to get an exemption from paying VAT on the fuel deliveries but the discussions were not successful.

It is apparent that the issue can only be resolved at the highest political levels.

The Commission considers that it cannot be criticised for not being able to establish how VAT and Excise Duties which it pays are used by the authorities, whether Israeli or Palestinian, under the Paris protocol of the Oslo agreements which establishes conditions for transfers of certain tax revenue from Israel to the PA but to which the Commission/EU is not a party.

This was one of a number of factors which led to the Commission ceasing to finance fuel delivering.

79. For details of PEFA assessment, please see reply to 61 above.

80. The Commission and the EEAS agree to review the PEGASE mechanism and take the recommendations made by the Court into account.

The EEAS and the Commission are reviewing the PEGASE mechanism on a regular basis according to the changes on the ground (e.g. PSRG component after Cast Lead and more recently the component for East Jerusalem Hospitals).

However, the Commission strongly disagrees that a "major" review of PEGASE needs to be undertaken.

(a) The Commission and the EEAS agree to this recommendation which has already been partially implemented. Palestine's new AP is the first of the new generation of APs negotiated since the review of the ENP, which includes priority objectives to be achieved which have been jointly agreed by both the EU and the PA. The text is more closely aligned to development assistance needs (and vice-versa) than its predecessor, which was concluded before the setting-up of PEGASE.

(b) The Commission and the EEAS partially agree to this recommendation.

As from 2014, the EU will embark on a two-year programming cycle for the development part of its financial assistance. The PEGASE programme was not initially planned to be part of this multi-annual programming but the Commission and the EEAS will reconsider their position.

Although the Commission and EEAS maintain their reservations on this point, they are prepared to take steps towards implementing this recommendation in so far as possible.

(c) The Commission and the EEAS agree to this recommendation, performance indicators will be introduced in the areas mentioned by the Court for PEGASE (see our comments in point 31).

82.

(a) The Commission agrees to this recommendation. The process of competitive tendering is on-going. In 2011, the need for increased competition was taken into consideration and is being addressed, with the launch of an international tender process to contract ex-ante and ex-post audit services related to the implementation of all PEGASE DFS programmes. The forecast notice was published in August 2012 and the new contracts are expected to be signed by the end of 2013. A service contract tender will be launched in 2014 (see point 37).

(b) The Commission agrees to this recommendation and will pursue on-going plans to simplify the PEGASE DFS management system. EUREP is now responsible for administering the PEGASE database, which was moved to the EUREP building in the beginning of October 2013.

83. The Commission and the EEAS disagree with this recommendation. On conditionality, please refer to our response in point 40. For Civil Service Reform the Commission launched a needs assessment in 2011. On this basis, support to the PA will be provided in 2013. EUREP will ensure close links between this action and the CSP programme, also facilitating stronger leverage over policy dialogue.

The EEAS and the Commission also consider the implementation of the Palestinian Reform and Development Plan and Palestinian National Development Plan, on whose priorities PEGASE was and remains based as a measure of conditionality.

A PEFA assessment was launched in March 2013 and the PEFA report was formally sent to the Ministry of Finance in June 2013 and was accepted by the Ministry in the same month. It was published on 2nd September 2013. The EU contributed to this World Bank-led assessment through the financing of one expert.

84. The Commission and the EEAS agree only partially to this recommendation.

The Commission and the EEAS agree to enter into discussions with the PA concerning the funding of salaries and pensions in the Gaza Strip with a view to obtaining an agreement that would take into account the concerns of the Court.

85. The Commission agrees to this recommendation.