Strengthening the European neighbourhood policy

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PALESTINIAN AUTHORITY – EUROPEAN NEIGHBOURHOOD POLICY – STATE OF PLAY

This Commission working document accompanies the Commission's communication on strengthening the European Neighbourhood Policy (ENP). The ENP Action Plan (AP) between the EU and the Palestinian Authority (PA) was adopted on 4 May 2005. The Action Plan was inspired by the Palestinian Reform Programme, which aimed at building the institutions of an independent, democratic and viable Palestinian state.

However, after the victory of Hamas in the January 2006 legislative elections, the EU suspended political contacts and cooperation with the Government of PA, pending its acceptance of the Quartet principles. This led dialogue to become mostly confined to President Abbas and his office aside from some other contacts with the Palestinian Legislative Council, the judiciary and some autonomous PA agencies. In parallel, in response to the electoral results, Israel stopped transferring tax and customs revenue collected on behalf of the PA, while some commercial banks refused to transfer money to the PA in fear of legal repercussions under US anti-terrorist legislation. Most international donors, including the EU, decided to suspend their direct support to or through the Government. As a result, resource flows to the PA nearly dried up, throwing it into the most severe financial crisis since its establishment.

To deal with this situation, EU dialogue with the Office of the President focussed on how to alleviate the humanitarian crisis in the territories, especially related to setting up of the Temporary International Mechanism (TIM), managed by the European Commission, which was able to provide substantial amounts of humanitarian and emergency aid to the most affected segments of the Palestinian population, without any funds transiting through the PA.

The Action Plan is designed to provide support to Palestinian reforms and institution building in the context of preparing for a future Palestinian state. Some initially encouraging steps towards reform were realised between 2005 and early 2006, for example on public financial management.

The report notes that the EU would be ready to resume co-operation and further work on the Action Plan as soon as a government is formed with a programme reflecting the Quartet principles.