

Building Palestine

Achievements and Challenges



Report of the Palestinian National Authority
to the AHLC
13 April 2010

Vision of the State of Palestine

Palestine is an independent Arab state with full sovereignty over the West Bank and the Gaza Strip on the 1967 borders, with Jerusalem as its capital. Palestine, the cradle of civilization and of the three monotheistic religions, will shine as a beacon of humanitarian values and religious tolerance across the world. Palestine is a state which values highly its social capital, social cohesion and solidarity, and its Arab culture. The state will forever be a peace loving state that rejects violence; it is committed to peaceful co-existence with the world community of nations. Palestine will be a stable democratic state with a multi-party political system. Transfer of governing authority is smooth, peaceful and regular in accordance with the will of the people, expressed through free and fair elections conducted in accordance with the law. The state of Palestine respects human rights and guarantees equal rights and duties for all citizens. Its people live in safety and security under the rule of law, safeguarded by an independent judiciary and professional security services.

13th Government Program


Prepared for the Meeting of the Ad Hoc Liaison Committee (AHLC)
13 April 2010
Madrid



ACRONYMS

AHLC	Ad Hoc Liaison Committee
APIS	Agricultural Projects Information System
CoM	Council of Ministers
EQA	Environmental Quality Authority
GDP	Gross Domestic Product
GEDCO	Gaza Energy Distribution Company
GoI	Government of Israel
HJC	High Judicial Council
IEC	Israel Electric Corporation
JSC	Joint Service Council
JWC	Joint Water Committee
LGU	Local Government Unit
MDLF	Municipal Development and Lending Fund
MENA	Middle East and North Africa
MoA	Ministry of Agriculture
MoC	Ministry of Culture
MoEHE	Ministry of Education and Higher Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoI	Ministry of Interior
MoJ	Ministry of Justice
MoLG	Ministry of Local Government
MoPAD	Ministry of Planning and Administrative Development
MoPWH	Ministry of Public Works and Housing
MoSA	Ministry of Social Affairs
MoTIT	Ministry of Telecommunications and Information Technology
MoYS	Ministry of Youth and Sports
NGO	Non-Governmental Organization
NIS	New Israeli Shekel
OAG	Office of the Attorney General
PCBS	Palestinian Central Bureau of Statistics
PCP	Palestinian Civil Police
PEA	Palestinian Energy Authority
PIF	Palestine Investment Fund
PJI	Palestinian Judicial Institute
PNA	Palestinian National Authority
PNP	Palestinian National Plan
PNSSNP	Palestinian National Social Safety Net Program
PWA	Palestinian Water Authority
WHO	World Health Organization
UNRWA	United Nations Relief and Works Agency

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FOREWORD

Palestinians have long asserted their right to self-determination in an independent, sovereign state on all of the territory occupied by Israel in 1967, with East Jerusalem as its capital. The Palestinian Declaration of Independence of 1988, the Oslo Declaration of Principles of 1993 and our ongoing reform efforts stand as proof of our serious commitment to building a peaceful, democratic state enjoying good relations with its neighbors, and in which the Palestinian people's rights and aspirations to freedom, prosperity and independence can be realized.

The 13th Government's program, *Ending the Occupation, Establishing the State*, outlined a state-building vision, defining strategic priorities for each ministry and agency to implement, with the overall aim of building the institutions of a state over a two-year period. Since the program was launched in August 2009, as this report to the Ad Hoc Liaison Committee (AHLC) clearly shows, we have been systematically strengthening our institutions and performance in the fields of governance, social development, economy, and infrastructure. The period since the last AHLC meeting has witnessed continued fiscal responsibility; the strengthening of—and increased public confidence in—justice and rule of law institutions; the enabling of private sector-led economic growth; and sustained provision of social services that exceed regional standards. Furthermore, working closely with donors, we have stepped up our efforts to enhance the effectiveness of external aid. I believe that the scope and quality of our efforts over the last year demonstrate our determination and competence to govern Palestine.

Our proactive and constructive approach to realizing the two-state solution has been hindered by abiding constraints, and new counterproductive measures, imposed by the Israeli occupation. Political, economic and military actions by the occupier continue to stifle Palestinian economic and social growth; prevent us from accessing our land, water and property; sever our economic and social ties with our future capital, East Jerusalem; fragment our land; violate our basic rights; and place the viability of an independent Palestine in real jeopardy. Settlement expansion and settler violence blight the lives of Palestinians, home demolitions in East Jerusalem and Area C continue, and Israeli expansionism in East Jerusalem rolls on. In Gaza, the years-old siege is entrenching crippling poverty, soaring unemployment, social stagnation and extremism. Moreover, the effects of last year's devastating military offensive remain unaddressed.

Despite these challenges and obstructions, we remain focused on achieving the national goals laid out in the *13th Government Program*. We still believe that our efforts will not be in vain, and that we are on the right path to establishing the State of Palestine. We never expected this path to be smooth, but we do believe that more can and must be done, particularly by Israel, to clear the way. There is an international consensus behind the two-state solution, but real commitment and effort are required from all parties to make it work.

Salam Fayyad
Prime Minister

EXECUTIVE SUMMARY

In August 2009, the 13th Government published its program, *Ending the Occupation, Establishing the State*, outlining its state-building vision and defining strategic priorities for each ministry and agency to implement. The program provides clarity on reform priorities, with the overall aim of building the institutions of an independent state over a two-year time frame. Since it took office in May 2009, the 13th Government has been working systematically and determinedly towards this goal.

This report outlines major achievements and activities since the last AHLC meeting in four main sectors: governance; social development; economy and infrastructure, as well as examining the obstacles that remain on the path to statehood.

The governance sector has witnessed further strengthening of the capability of the security services to maintain public order and protect citizens, whilst respecting human rights and civil liberties. There has also been significant progress in the clearing of the case backlog by the courts system, reflecting a strengthening of administrative capacity and coordination in the justice sector. The Government has also taken steps towards increasing the transparency of the courts and prison system, opening their doors to non-governmental organizations (NGOs) and media organizations. Increasing confidence in justice and rule of law institutions is reflected in surveys of public perceptions of personal security and a substantial increase in the number of court cases being heard, adjudicated and enforced. These improvements have been essential to creating an environment in which social and economic development can take root and be sustained. Over the coming months, work will continue to increase transparency and coordination within the justice sector and branches of the security services, as well as to ensure that each institution has a clear mandate and respects the mandates of others.

Fiscal developments since the last AHLC meeting demonstrate responsible, transparent and effective handling of public funds: revenues increased by 10% (in NIS terms) in 2009 compared with 2008, bringing total revenue for the year to around US\$ 1.6 billion, and recurrent expenditures on a commitment basis totaled around US\$ 3.2 billion. Net lending was reduced by 16% in 2009, whereas development expenditure rose by 46%, signaling a progressive transition from public consumption to public investment. The 2010 Budget, approved by the Council of Ministers (CoM) in March 2010, is in line with the Government's commitment to increasing self-reliance and public investment in Palestine. The Budget projects a significant lowering of the recurrent deficit from 26% of Gross Domestic Product (GDP) in 2009 to 18% in 2010. It also projects a substantial increase in the coverage of current expenditures by revenues – increasing from 53% in 2009 to 64% in 2010. The external recurrent budget support requirement for 2010 of US\$ 1.24 billion equates to 18% of GDP, compared with 22% in 2009; and the US\$ 670 million provision for development spending equates to 10% of GDP, compared with 6% in 2009.

The Ministry of Finance (MoF) has continued to implement public financial management reforms to further increase transparency and accountability. For example, government financial statements for the 2008 fiscal year, prepared using International Public Sector Accounting Standards as a guide for the first time, have been submitted to the State Audit and Administrative Control Bureau. Moreover, a computerized accounting system, which includes a newly developed procurement module, has been rolled out to all line ministries and some government agencies, providing enhanced financial control and reporting.

The MoF and the Ministry of Planning and Administrative Development (MoPAD) have continued to implement reforms to integrate planning and budgeting processes that will ultimately pave the way for results-based accountability for public expenditure. This year will mark the publication of the Palestinian National Plan 2011-13, which is benefiting from deeper and wider consultation both within and outside government. The MoPAD also embarked in December 2009 on a major review of aid information management processes and systems, and looks forward to working even more closely and in harmony with international partners over the coming year. All of these measures are designed to increase the efficiency, effectiveness and transparency of public expenditures, whether financed through the budget or directly by donors.

The standard of health and education services remains high relative to regional standards, particularly with respect to accessibility, and efforts are now being focused on improving quality and affordability. The learning

environment in schools is being enhanced through the introduction of more advanced facilities and equipment, such as science laboratories and ICT equipment. Upgraded recruitment and performance management processes are also being implemented in the education sector. In the health sector, public education and preventive health interventions are aimed at improving general public health and reducing long-term costs. These include campaigns to raise awareness of the impact of unhealthy lifestyles, extensive immunization programs and compulsory health insurance. Efforts are also being made to reduce the cost of medical transfers abroad through improvements in the scope and quality of tertiary health care.

Levels of unemployment, poverty and food insecurity remain at unacceptably high levels, particularly in Gaza, necessitating large fiscal transfers to fund social protection. These problems are set to persist whilst Israeli forces remain in the West Bank and the blockade of Gaza continues. Nevertheless, the Ministry of Social Affairs is working closely with a wide range of non-governmental actors to improve targeting and cost-effectiveness of social protection programs. Among other priorities are the unifying and reconfiguring of social protection programs to provide more opportunities for vulnerable groups to secure sustainable livelihoods.

Backed by prudent government policies and continued improvements in justice and rule of law, the economy has registered growth of approximately 7% in 2009. Economic policy has focused on developing domestic capacities and encouraging investment, to build a strong economy whose reliance on external aid will progressively decrease. Massive investment in housing through public-private partnerships has been initiated, as well as efforts to support the development of the tourism, agriculture and telecommunications industries. However, increasing business confidence and signs of economic recovery in 2009 must be viewed in perspective: key indicators such as real GDP growth, unemployment and poverty rates demonstrate that Palestine's economic health in 2009 was well below that of 1999. It must also be recognized that stability and growth in the Palestinian economy remains largely dependent on public expenditure, backed by substantial external aid. On the other hand, the opening up of Area C, the lifting of the blockade on Gaza, and the elimination of barriers to movement, access and trade would unlock massive economic growth potential. Unfettered Palestinian access to all of the land occupied and natural resources seized since June 1967 would transform the Palestinian economy and secure the economic and fiscal viability of the Palestinian state.

Given the challenging operating environment, public infrastructure in the West Bank provides citizens with a remarkably high level of connectivity to water, sewage, electricity and road networks. However, substantial improvement is required in the quality and affordability of these services. Significant work is being done in all sectors to address these issues, including an extensive road rehabilitation program and wide-ranging reforms in the energy sector. Nonetheless, the freedom to develop national networks across a contiguous land area, and to secure and diversify access to natural resources and regional energy networks, is needed to establish sustainable, cost-effective infrastructure and provide alternative forms of national and international transportation. In Gaza, years of neglect and destruction have severely compromised infrastructure networks and significant investment will be required for their rehabilitation and development.

The six months since the last AHLC meeting have seen improvements in governance and service delivery in the West Bank. Yet the Government's ability to roll out its many reform and development initiatives across the entire occupied territory is severely limited by obstacles related to the Israeli occupation and the ongoing expansion of the settlement enterprise. Israeli control over, and neglect of, Area C and East Jerusalem is widening disparities in the economic, social and infrastructure development, as well as basic security. In areas under Government control, homes, schools and hospitals are being built; in Area C and East Jerusalem, however, homes are being demolished, contrary to the Fourth Geneva Convention, and schools and hospitals are deprived of basic supplies. Meanwhile, the people of Gaza still suffer from some of the highest rates of unemployment, poverty and overcrowding in the world: these problems can only be addressed once the ongoing blockade is lifted.

With continued political and financial support from the international community, the prospect of an independent, sovereign State of Palestine on the June 1967 borders, with East Jerusalem as its capital, is being kept alive through proactive and determined implementation of the *13th Government Program*. However, the shared vision of a secure Palestine, co-existing peacefully with its neighbors, cannot be achieved by these efforts alone. A recurring theme of this report to the AHLC is the need for much stronger commitment from Israel, backed by transformative actions on the ground, to unlock the potential of Palestinians to establish a well-functioning, independent and self-sufficient state.

At a glance: Governance

In August 2009, the 13th Government published its program entitled *Ending the Occupation, Establishing the State*, outlining its state-building vision over a two-year time frame. This program reflected a proactive and constructive approach to ensuring a solid and sustainable institutional basis for Palestinian sovereignty in a State of Palestine on the June 1967 borders, with East Jerusalem as its capital. Encouraged by the widespread endorsement of the program, both during and in the wake of the meeting of the AHLC in September 2009, the Government has worked determinedly to implement it.

The last six months have seen **substantial progress in institution-building across all sectors**, resulting in better services for Palestinian citizens. The Government is committed to extending these achievements and positive outcomes throughout the occupied territory. However, in order to maintain and build on this forward momentum towards realizing the two-state solution, **fundamental changes in the conditions and dynamics on the ground are essential**. Since the last AHLC, there has been a striking lack of positive steps by Israel to remove fundamental political and economic obstacles to Palestinian institution building.

The *13th Government Program* identifies good governance as a national goal, to be achieved by developing professional, transparent and accountable public sector institutions that are responsive to the needs and aspirations of citizens. A key priority in the short term is to ensure that justice and security institutions work effectively and in a coordinated fashion throughout the occupied territory, without compromising human rights or civil liberties, including the right to peaceful protest. Real progress towards economic self-sufficiency and sustainability is also a key objective, ensuring that public money is managed prudently and transparently for the benefit of all. The remainder of this chapter highlights progress made towards further building the trust and confidence in the public sector, both through improvements in administrative performance and in public outreach. Over the coming months, redoubled efforts are needed to ensure that external support is comprehensively aligned to build on Palestinian-led achievements in the governance sector.

Justice

The justice sector has witnessed a **significant rise in public confidence**, as shown by the growing number of Palestinians turning to the courts. During 2009, Magistrate and First Instance courts adjudicated 126,847 cases, compared with 75,876 in 2008 – **an increase of 67%**. Responding to this demand, a range of organizational strengthening activities and improvements in court infrastructure and ICT systems have enabled justice sector institutions to work together to **address the long-standing backlog of court cases**, creating a balance between the number of incoming and adjudicated cases, despite the sharp rise in the number of incoming cases.

Public outreach efforts have included the signing of an Memorandum of Understanding with civil society institutions to conduct monthly meetings on justice and **human rights** issues, to improve **transparency** and to address juvenile and gender justice issues. Stronger relations have also been established with the **media** regarding the judicial process and coverage of trials, and instructions were sent to heads of courts requesting that they facilitate court access for journalists. The OAG has also improved **public communication** through development of its website and magazine.

Policy, Strategy and Coordination

Cooperation between the Ministry of Justice (MoJ), the High Judicial Council (HJC) and the Office of the Attorney General (OAG) is improving significantly. The three bodies are finalizing a **joint justice sector strategy**, in line

with preparations for the Palestinian National Plan (PNP) 2011-2013. Progress has also been made in **clarifying the roles, responsibilities and relationship between the MoJ, HJC and OAG**, with an understanding reached between the HJC and the Palestinian Judicial Institute (PJI), and plans for future coordination established. The HJC and the Judicial Police have also formulated a Memorandum of Understanding on the responsibilities of each party.

Legal Framework

Efforts to upgrade and modernize the justice sector legal framework are ongoing. The HJC is working on legislation related to the **General Amnesty Law**, the **Law of the Judicial Authority** and the **Civil Procedures Law**. These laws are now awaiting government approval. Furthermore, a committee, comprising the MoJ, NGOs and civil society organizations has been formed to redraft the **Penal Law**.

Organizational Development

Substantial progress has been made in strengthening administrative capacity in the justice sector, in order to respond to increasing demands on its services, driven by **elevated public confidence in justice institutions**. New appointments have raised the number of judges working in the West Bank to 156 and in Gaza to 44. **Internal restructuring within the HJC** has seen the creation or reorganization of departments dealing with judicial training, judicial inspection, strategic planning, media and public relations and ICT, as well as the general secretariat of the HJC, and the Office of the Chief Justice. The PJI provided **training** to 25 judges, 129 prosecutors, 38 court administrators and 53 MoJ staff during 2009, as part of ongoing efforts to improve technical capacity.

The MoJ established the **Justice Records Department** in June 2009, providing non-conviction certificates to citizens via an automated system. Between June and December, 11,500 such certificates were issued. An **arbitration and mediation department** has also been established at the MoJ, dealing with complaints from the public and awarding arbitration licenses in accordance with approved standards. In order to strengthen the capacity of administrative staff, the MoJ has rolled out **procedure manuals** covering financial and administrative operations, and has provided training in advanced ICT skills. Training in strategic planning, change management, communications, human resource management and organizational development was also provided to managerial staff.

Infrastructure and Logistics

Rising public confidence in, and reliance on, formal justice institutions is placing further strain on court infrastructure. Various initiatives to upgrade infrastructure are progressing well, with the **expansion and rehabilitation of court buildings** taking place in various locations across the West Bank. Land titles have been obtained for the building of new courts in Ramallah, Hebron and Tulkarem, and construction work is expected to start in 2010.

The roll-out of **case management software (MIZAN 1)** to courts has greatly increased the efficiency of their operations, allowing for easier and quicker status reviews of cases. A successor to this, **MIZAN 2, is being piloted in courts in Ramallah in April 2010 and is due to be rolled out in June 2010**. The MoJ is also developing a **document management system**, which processes and stores key documents in different and easily accessible formats. The OAG has received ICT equipment and training, especially related to crime scene investigation, financial crimes and money laundering.

Challenges in the Justice Sector

Weak **coordination between justice institutions** is a long-standing barrier to efficient and effective government performance in the sector. This is now being addressed assertively, but more work must and will be done to consolidate and build on recent progress. The **dormancy of the Palestinian Legislative Council**, and consequent delayed enactment of legislation, especially the General Amnesty Law and the Formation of Courts Law, as well as other procedural laws, limit the HJC's progress in addressing the case backlog problem.

The judiciary continues to face **challenges related to movement and access restrictions imposed by Israel**. Such restrictions on movement expose judges to travel delays and prevent court staff from reaching certain areas or from delivering court summonses. Similarly Israeli movement restrictions continue to hamper the work of prosecutors and investigators. **Lifting movement restrictions is essential in order to ensure that judges, prosecutors, court personnel and the judicial police can perform their job effectively.**

Public confidence in the security services continues to rise as a result of improved performance and professionalism. The Palestinian Center for Policy and Survey Research has reported that, in the last quarter of 2009, 63% of Palestinians reported feeling secure compared with 32% in March 2008. **Two thirds of Palestinians rate the provision of security services as good:** an impressive achievement, given the political and security instability in the region. The Government has attached high priority to **maintaining law and order whilst ensuring the transparency and public accountability** of the security services. Security status reports are analysed on a regular basis and the 2010 Budget presents, for the first time, the spending of each of the security services separately. The Government is also committed to **progressively improving coordination between branches of the security services and with justice sector institutions.** There has been a comprehensive and coordinated sector-wide effort to improve internal security and public safety. A major campaign launched in March 2010 in conjunction with customs officers has seen a crackdown on illegal car workshops and theft. Through the efforts of Civil Defense institutions, over NIS 16 million of property has been safeguarded from fire or other forms of damage and destruction. Over 7,000 facilities have been subject to safety inspections and more than 1,000 elevators inspected and licensed. Weapons, explosives, ammunition and military equipment have been seized, whilst illegal funds and property have been confiscated. The remainder of this section highlights specific initiatives to enhance the capability of, and coordination between, the security services.

Policy, Strategy and Coordination

A security sector strategy is being formulated by the Ministry of Interior (MoI) and the various security services, for inclusion in the PNP 2011-13. This strategy includes the **creation of a coordination committee** comprising the MoI, MoJ and others, to adopt an integrated approach towards the rule of law. At the operational level, an **Inspector General has been appointed** to foster coordination and cooperation between different branches of the security services. A **Human Resource Committee** has been established to improve the hiring, training and promotion practices throughout the security services. A **Central Training Administration** has been created to coordinate and standardize training requirements and administration across all security services, and a **training database** to track courses and trainees throughout the security services has been launched. A **Security Services Training Strategy and Methodology document** has been drawn up by the MoI to coordinate training across all services.

The security sector has made substantial progress in **public outreach**, explaining policies, strategies and actions. This was achieved through the appointment of General Adnan Damiri as the **first spokesman for all the security services.** General Damiri is working alongside the new MoI Media Office, and in liaison with the new Government Media Center, to present security sector reform as one of the keys to building a state by peaceful means.

Organizational Development

Organizational development efforts are aimed at raising the performance of all branches of the security services, ensuring that each branch is capable of discharging its duties whilst respecting the jurisdiction of other branches.

The **Palestinian Civil Police (PCP)** is dealing with all aspects of police duties. The PCP has strengthened the capability of its public order (Special Police) force, now comprising 1,300 officers and 70 vehicles. Other basic policing capabilities such as investigation and crime scene training have been significantly enhanced. Around **4,000 police personnel received professional training** either in Palestine or abroad.

Civil Defense volunteer groups have been formed to reduce response time and increase effectiveness of disaster management plans: more than 17,000 citizens have been trained in fire-fighting operations, evacuation and rescue operations. The first phase of the **Civil Defense training school in Jericho** has been completed.

Strengthening of the National Security Forces continues; a **fifth Special Battalion was formed in December 2009**, and garrison battalions are being rebuilt and trained. Four Senior Leaders' Courses were held to prepare officers for command level positions, and more than 1,000 Preventive Security Organization members received training in computer skills, anti-corruption practices and senior leadership.

Ensuring that the security services have the infrastructure and equipment needed to do their job remains a priority. Recent achievements include construction of the **'Alami Camp training facility** in Jericho, **renovation of Military Police detention facilities**; construction of new premises for the **Salfit Area Command**; ongoing construction of a **modern prison facility run by the PCP** in Jericho; **prison refurbishment** in Jenin, Tulkarem, Hebron, Qalqiliya and Bethlehem; and **five model police stations** in the Jenin area. In addition, there are plans to establish a **national training center** for the security services in Nuweimah. ICT capabilities have been upgraded across the security establishment. A **centralized logistics approach** is being set up that provides the appropriate storage, tracking, and maintenance of all equipment, including donated equipment.

Challenges in the Security Sector

Israeli measures, including arrests, extra-judicial killings, injuries, checkpoints and raids continue to frustrate the security services' effort to maintain public order and security. Disregard for Palestinian sovereignty (even in Area A) weakens PNA security efforts, lowers Palestinians' confidence in their government, and significantly worsens the security situation of Palestinian citizens generally. The table opposite summarizes almost **4,400 Israeli security violations in the West Bank during the period from September to December 2009**. More recently, the Israeli military has stepped up its efforts to intimidate peaceful

Israeli security violations during Sept - Dec 2009	No.
Arrests	673
Injuries	129
Killings	11
Military checkpoints (including flying checkpoints)	927
Raids, house searches and shooting incidents	2,366
Attacks by settlers	186
Obstructions of security personnel (detention at road-blocks, arrests, raiding homes of personnel, summonses to interviews by Israeli intelligence, confiscation of equipment)	100

(Ministry of Interior)

demonstrators protesting the occupation and settlement enterprise. This has taken the form of excessive use of force causing several deaths and numerous injuries, and a large number of activists have been detained.



Peaceful protest in Beit Jala (Mahmoud Zvara)

Settler violence has also risen significantly in recent months. Settlers indiscriminately attack Palestinian civilians on their own land, including the elderly, women and children, causing physical and psychological harm, as well serious damage to property and livelihoods. **Hundreds of olive trees** have been destroyed in 2010 alone, and in December 2009 **settlers torched a mosque in the village of Yasuf**. Violent settlers receive lenient treatment, are rarely arrested or even pursued, and are subject to a different legal system from Palestinians living in the same area.

Another significant obstacle to the development of Palestinian security forces is the **difficulty in obtaining Israeli approval to import equipment**, such as radios, communications infrastructure and personal protective equipment.

The **consolidation and streamlining of donor support, and the addressing of underfunded areas (such as Civil Defense)** is a key objective for the coming months. The MoI has asked donors to align with the priorities in the Palestinian Reform and Development Plan 2008-10 and *13th Government Program*; to provide more regular and timely data regarding support to the sector; to channel funding through the Single Treasury Account; and to enter into formal agreement with the MoI on all security-related programs.

As reported at the last AHLC meeting, the aftermath of the military offensive and ongoing blockade of Gaza placed significant strain on public finances. A supplementary budget appropriation of US\$ 300 million was needed to provide emergency and reconstruction assistance in Gaza and the ongoing blockade has severely hampered recovery. However, the Government remains committed to achieving economic independence and self-reliance, pursuing responsible fiscal policies and financial management reforms that increase revenues whilst containing expenditures. Transparency of, and accountability for, public finances is also a high priority—monthly, quarterly and annual financial reports will continue to be published and subject to independent scrutiny, and individual ministries and agencies will be held more accountable for delivering results through budgetary programs. The remainder of this section provides a brief summary of progress made in recent months towards achieving these goals.

At a glance: Fiscal developments

In 2009, government expenditure reached US\$ 3.2 billion, including US\$ 142 million of arrears from 2008. Excluding arrears, expenditure stood at US\$ 3.05 billion, **below the amended budget appropriation** of US\$ 3.08 billion. **Net lending was reduced by 16%**, from US\$ 447 million in 2008 to US\$ 374 million in 2009, whereas **development expenditure rose by 46%**, from US\$ 215 million in 2008 to US\$ 400 million during 2009.

Gross revenue during the 2009 **increased by 10%** (in NIS terms) relative to 2008, despite the impact of the Gaza offensive. Lower-than-budgeted clearance revenues were somewhat offset by a **17% increase** (in NIS terms) in domestic tax revenue driven by **reforms in tax compliance and enforcement**.

The 2010 Budget, approved by the Council of Ministers (CoM) in March 2010, is consistent with the Government's commitment to **increasing self-reliance and public investment** in Palestine. The budget projects a significant **lowering of the recurrent deficit** from 26% of GDP in 2009 (on a commitment basis) to 18% in 2010. It also projects **major increase in the coverage of current expenditures by gross revenues** – increasing from 53% in 2009 to 64% in 2010. The projected external recurrent budget support requirement for 2010 of US\$ 1.24 billion equates to 18% of GDP, compared with 23% in 2009; the US\$ 670 million provision for development spending equates to 10% of GDP, compared with 6% in 2009.

Organizational Development

Planning and budgeting procedures have been further integrated over the past year. The 2009 Budget marked a major shift towards linking the development budget with the recurrent budget on a program basis, and towards assessing public expenditure on a performance basis. The MoF and the MoPAD have jointly taken further steps towards institutionalizing integrated national planning and budgeting processes that will culminate in 2010 with the finalization and implementation of the **PNP 2011-13** and the **2011 Budget**. The PNP will be informed by national sector strategies on which ministry and agency programs and budgets will be based.

Efforts to raise clearance and tax revenue through better administration and enforcement are bearing fruit. Customs administration has benefited from the introduction of the **ASYCUDA World** system: large companies can now enter their customs data via the web for audit by the MoF. The ASYCUDA system also enables the MoF to monitor revenues and better identify tax evasion. A directorate for grants, profits, fees and other revenues has been created, which collects profits from the Palestine Investment Fund, cash surpluses from the Palestinian Capital Markets Authority, profits of the Palestine Monetary Authority, bank licensing fees, company licensing fees and any other revenues whose collection is not the responsibility of any existing revenue department.

In order to increase the transparency and effectiveness of expenditure payments, **'zero balance' accounts** have been set up for all public sector agencies. These accounts are used by government bodies to make payments within limits specified by the MoF.

A new **government accounting system** has been launched, linking all the departments of the MoF and rolled out to all line ministries and some government agencies. The system, fully implemented in August 2009, has enabled the MoF to decentralize payment and accounting functions, supported by a MoF financial controller within each line

ministry. This has given ministries and agencies **increased ownership of financial management, whilst maintaining effective central control**, and has improved budget execution. A **public procurement module** has been added to the government accounting system, which will bring greater control over expenditure commitments and restrict the accumulation of arrears. Consideration is also being given to decentralizing internal audit activities in order to further strengthen financial control at the budget entity level.

To improve the transparency and independent scrutiny of public finances, the MoF continues to issue **monthly reports of revenues and expenditures, available online at www.pmf.ps**. Reporting mechanisms have been further refined in order to ensure more accurate and timely information, and the **government financial statements for 2008 have been submitted to the State Audit and Administrative Control Bureau**. An Audit Committee has also been established to **strengthen the supervision of the internal audit department**: internal audit reports covering 16 different government bodies have been issued, while another 20 are currently under preparation.

Legal Framework

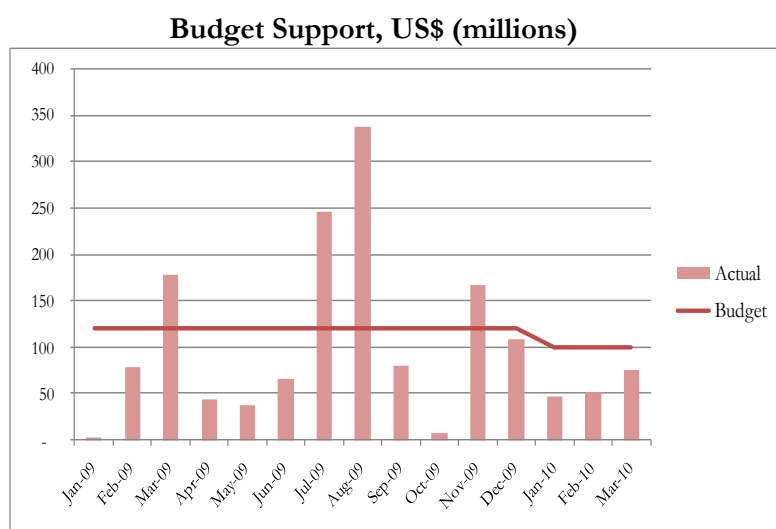
The public finance legal framework continues to undergo modernization to support implementation of the Government's fiscal and public financial management reform agenda. The **Procurement Law** is nearing enactment, and the **General Petroleum Corporation Law** is currently under review. Amendments on the **Income Tax Law** have been submitted to the CoM, with a view to modernizing the tax code. **Customs regulations** have been modified and **financial regulations** have been adjusted to support the operation of the new accounting system.

Challenges in Public Financial Management

Although fiscal policy remains broadly on track, there are limits to sustainability under the current political circumstances. Economic growth witnessed in 2009 was underpinned by donor assistance and is not sustainable without a major change in the status quo, under which **the massive economic and fiscal revenue potential of Area C, East Jerusalem and Gaza remains beyond reach**. Unfettered Palestinian access to all of the land occupied and natural resources seized since June 1967 would radically transform the Palestinian economy and secure the economic and fiscal viability of the Palestinian state. However, the realities on the ground push the Palestinian economy in the opposite direction and the blockade of Gaza continues to drive up the fiscal deficit, as **a large part of the recurrent budget is allocated to poverty alleviation**.

Ongoing efforts to improve tax law and administration have had a material effect on revenue performance, and financial management reforms are increasing the transparency of, and accountability for, how these revenues are spent. On the other hand, **Government of Israel (GoI) deductions from clearance revenues continue to be made in a non-transparent manner. This lack of transparency, and hence unpredictability**, poses a further challenge to what is already an extremely difficult fiscal and economic management problem. After deductions for electricity, water, other services and withholdings by court order, the PNA received US\$ 782 million in 2009, out of a total accrued clearance revenue of US\$ 1.1 billion.

Donor support has been critical to enabling the 13th Government to deliver on its stabilization and state-building agenda. **Donors are encouraged to maintain focus on timely and sufficient budget support.** As the graph opposite illustrates, the recurrent budget support needed to enable to the Government to meet its core financial obligations is not always provided on a timely basis - indeed recurrent budget support received during the first quarter of 2010 totalled US\$ 174 million, **a long way short of the pro-rata budgetary requirement of approximately US\$ 300 million.** This volatility in the provision of budgetary support leads to monthly liquidity crises, which have a destabilizing effect on the Palestinian economy as a whole.



(Ministry of Finance)

Aid Effectiveness

The well documented constraints of the occupation, as well as perennial crises such as last year's Israeli offensive in Gaza, necessitate substantial injections of external aid and greatly complicate the management and use of that aid. However, much work can and must be done to improve aid transparency and effectiveness through better internal coordination within the PNA, improved strategic dialogue between the Government and the donor community, more comprehensive recording and reporting of aid flows, and better oversight and management of externally-financed activities.

In December 2009, the MoPAD began to restructure its aid management and coordination unit and launched a major overhaul of its aid information management system. The enhanced system will be piloted in April 2010, and will feature web-based data entry mechanism and integrated workflow management. Donors will be strongly encouraged to conduct a thorough update of data in the aid information management system once it is re-launched. **Complete and accurate information about ongoing development projects** will be essential to the production of a PNP 2011-13 and a Budget for 2011 that reflect all ongoing and planned development expenditures.

The relationship between the MoPAD and other line agencies is being strengthened and consultations with donors now involve all relevant actors, allowing for greater harmonization, more effective planning and closer coordination. The MoPAD is also in the process of conducting strategic consultations with all donors. Furthermore, over the coming months, the **work of the strategy groups and sector working groups will be raised to a more strategic level**. Plans to establish **sector-wide approaches and program-based approaches** to external assistance are progressing well, with three already formed in the fields of education, municipal development and the central statistics bureau. These are now being evaluated, and if found to be effective, will be replicated in other sectors.

In relation to humanitarian assistance, **plans are in place to establish a unit within the MoPAD to monitor and assess humanitarian situation in Palestine**. The unit will work with non-governmental actors formulate **humanitarian response policies and plans** and oversee humanitarian response program implementation.

Local Governance

Policy, Strategy and Coordination

The Ministry of Local Government (MoLG) led the preparation of a **Local Governance Sector Strategy** as part of the PNP 2011-13 process, and has conducted a baseline survey on the development of Joint Service Councils (JSCs) to make service provision in small localities more effective. This study covers 60 JSCs across 446 Local Government Units (LGUs), with the aim of reorganizing JSCs.

The **establishment of four synergy groups** (on amalgamation, the legal framework, LGU capacity building and decentralization, and MoLG institutional issues) within the aid coordination system aims to strengthen policy coordination and harmonization between various actors in specific areas related to local governance and to avoid duplication of efforts.

There has been increasing focus on using the **Municipal Development and Lending Fund (MDLF)** as a vehicle for policy implementation, **to provide financial support and incentives to municipalities, held build capacity and enhance program management capability**.

Legal Framework

The MoLG prepared an **analysis of legal issues pertaining to local governance** and ongoing work on its own internal institutional reform. Based on this analysis, the MoLG will consider issues such as the desirable level of decentralization of the local government system, amalgamation of LGUs, fiscal challenges for the local government system and legal environment. An **LGU amalgamation policy and manual** have been formulated to ensure that administrative costs are kept to a minimum. **A draft law on the MDLF has been submitted to the CoM**, and a bylaw governing LGU staff has been instituted.

Organizational Development

A policy paper on strategic development and investment planning for municipalities was launched by the MoLG in September 2009. The MoLG updated its website in 2009 to enable LGUs to gain functional access to the Ministry, helping to strengthen the Ministry's relationship with the LGUs. The MoLG also developed **unified organization structures for the LGUs** (dependent on size and services), as well as a local governance financial policy.

Challenges in Local Governance

Following the Israeli military offensive, the PNA launched a comprehensive needs assessment for Gaza, coordinated by the United Nations Development Programme (UNDP), to avoid overlapping missions. The MDLF carried out the damage and needs assessment of the municipal sector; however, reconstruction cannot begin **unless the blockade on the import of building material into Gaza is lifted**.

In the West Bank, despite individual successes such as on solid waste landfills, **Israel continues to impede Palestinian local development efforts in Areas C** through a restrictive approval policy for planning and construction, as well as sweeping restrictions on movement and access.

Although the aid coordination structure is an important instrument towards alignment and harmonization, **donor projects in the sector continue to be implemented in an uncoordinated manner**, resulting in overlap and wasted efforts. Donors should increase efforts to utilize the MDLF as the basis of a fully-coordinated, sector-wide approach.

SOCIAL DEVELOPMENT

At a glance: Social services

Palestinian social services already compare favourably to other countries in the region and the world, with more than 90% of Palestinian children continuing to secondary education, compared with an average of 70% in other Middle East and North Africa (MENA) countries, and more than 30% of young adults enrolled in tertiary education. Literacy stands at 94% among adults, and women represent more than half of university students. Infant mortality stands at 2.5% and maternal mortality at under 1.3%, both well below many other MENA countries. Life expectancy has grown steadily since the formation of the Ministry of Health, and Palestinians enjoy a 95% coverage rate for immunization in a number of key diseases, well above the regional average. However, levels of poverty, dependency and food insecurity are unacceptably high, especially in Gaza, necessitating high levels of public expenditure on social protection which divert national resources from investment in longer-term development.

The Government is committed to maintaining the current high level of access to basic education and health services, as well as providing essential social protection to alleviate poverty and protect vulnerable groups. However, efforts are now being focused on enhancing the quality of education and health services, as well as improving the targeting and quality of social assistance to the poor and vulnerable, providing them with greater opportunities for sustainable development and self-reliance.

Education

The government runs 70% of almost 2,500 schools in Palestine, with UNRWA operating 20% and the private sector 10%. Of a total student population of 1.18 million, 75% attend government schools. Access to education in Palestine compares favorably to other countries in the region. Enrolment in basic education has increased from 81% in 1994-5 to 98.2% in 2008-9, 91% of students went on to secondary education in 2008-9, and approximately 33% of students advanced into higher education. Gender equality has been achieved in basic and secondary education, whilst 57% of university students in 2008-9 were female. According to the Palestinian Central Bureau of Statistics (PCBS), illiteracy stands at 6%, well below many other countries in the region.

The MoEHE is continuing to **build new schools and upgrade school infrastructure** to accommodate a rising school population, as well as to extend early childhood education and cater for students with special needs. However, the MoEHE's second five year plan is particularly focused on raising the quality of education through a variety of initiatives to **improve the learning environment, provide better pre-service and in-service teacher training, align curricula with international standards and upgrade text books**. The plan also envisages stronger linkages with higher and vocational educational establishments, aimed at better preparing students to enter the Palestinian labor market.

As part of efforts to improve infrastructure and the learning environment, the MoEHE has installed laboratories in a number of secondary schools, bringing the percentage of schools equipped with a laboratory to 73 (a significant rise from the 57% recorded in 2005-6). The **provision of ICT resources** and education in schools remains an area for improvement, and this is addressed in the Education Sector Strategy 2011-2013.

A **National Teacher Education Strategy** is being implemented to improve and standardize teacher training, and to more effectively develop teaching as a profession in Palestine. The Ministry will continue to invest intensively in teacher training as this is critical to improving the quality of education and improving school performance.

Furthermore, the MoEHE is giving increasing attention to psychological and general health of students in order to create a more positive school atmosphere. Teacher training programs also focus on building trust between educators and students.

The Ministry is also implementing a range of internal **administrative reforms**. The capacity of the Ministry is being

strengthened and streamlined in key areas through the appointment of new senior staff, improving recruitment procedures and addressing contradictions and overlaps in roles, responsibilities and tasks between the various general directorates. Objective tools and criteria to assess staff performance are being developed and standardized.

Challenges in the Education Sector

Israeli access restrictions pose a major challenge in the sector, preventing pupils and teachers from reaching educational establishments, and disrupting education: between January and October 2009, 37 incidents of damage, raids or closures of schools were reported. Communities isolated behind the Separation Wall and in the Jordan Valley suffer from limited access to education services and **East Jerusalem schools remain badly neglected**, receiving less money than their West Jerusalem counterparts, and suffering more from overcrowding and safety hazards. **Area C is a grave cause for concern**, with badly-needed building permits not issued to replace or upgrade dangerous school buildings, and those new schools built without permits face destruction.



Outside a girls' school in the northern West Bank (PNA)

In Gaza, the restrictions on the importing of building materials leave **many schools unrepaired since the Israeli military offensive**. These buildings are both a **danger to the health and safety of children and their teachers**, and a barrier to their education. Similarly, restrictions on the importing of paper and other necessary materials create an environment in which the **provision of a quality education is becoming impossible**. Disparities in services between the West Bank and the Gaza Strip will continue to grow unless building improvement work and necessary imports are allowed immediately.

Health

The Ministry of Health (MoH) operates 24 hospitals across the West Bank, running at 85% capacity (comparable to most developed countries), and 416 primary health centers. The size, efficiency and quality of the Palestinian health system has been recognized by the World Health Organization (WHO) as well-developed,¹ and government spending on health per capita exceeds the regional average. As a result, Palestinians enjoy a higher life expectancy and lower infant mortality than other countries in the region.

	Life expectancy (yrs)	Infant Mortality	Under 5 Mortality
Egypt	71	29	35
Jordan	72	21	25
Lebanon	72	26	30
MENA	70	42	34
Palestine	73	20	22
Syria	70	26	28

(Ministry of Health)

Recognizing the need for effective coordination of health service delivery with non-governmental actors, the National Health Strategy for 2011-2013 was developed in collaboration with the National Council for Health Policy and Planning, comprising representatives of health providers, academia, syndicates and NGOs. **Cooperation with local partners in the sector is very strong**, with various programs (such as emergency preparedness and disaster planning) coordinated closely with local organizations, to avoid duplication of efforts and to ensure maximum efficiency. Cooperation with international partners, especially Jordan and Egypt, occurs mainly in training and in the purchasing of medical services not available in Palestine.

The MoH has been implementing a number of public health interventions, including its **Expanded Program of Immunization** offering improved coverage, efficiency and sustainability, and successfully **controlling the H1N1 influenza virus**. Secondary and tertiary care services have benefited from the addition of new beds and departments, renovation of facilities, the hiring of more staff, the establishment of a **new private sector-financed hospital compound in Ramallah**, the Palestine Medical Complex, and the introduction of the 'residency program'.

Health education efforts have focused on lifestyle choices affecting non-communicable diseases, whilst efforts to prevent communicable diseases continue to improve. As the World Health Organization notes, "effective health

¹ Address to the World Health Assembly, WHO 2006

services have prevented any major outbreak of disease or significant deterioration in terms of health indicators.”²

The MoH is working on developing **mandatory national health insurance system** which would ensure universal coverage and the pooling of risks, and the Cabinet has approved the legislation to support this. **Public health laws** are also being drawn up to ensure the safety of food, water and the environment and to improve the accreditation of health-related institutions.

Gaza

Health care in Gaza, and general health levels of the population, are suffering severely from the blockade, which restricts the entry of medical equipment, medicines, building materials for hospitals, and prevents or slows the exit of patients seeking treatment abroad. A number of key medicines are in short supply, and staff are unable to travel abroad for training and professional development. **Water and sanitation pose severe problems to public health**, and the urgent import of reconstruction materials is needed to improve water and sewage systems in Gaza.

The Israeli offensive on Gaza inflicted a terrible toll on Gaza’s health system, with **15 of its 24 hospitals, 43 of its 130 Primary Health Care centres, and 29 of its 148 ambulances either damaged or totally destroyed in the attack**. Repairs have either not been initiated or remain incomplete, owing to the Israeli blockade preventing the import of the necessary materials.



*Destroyed ambulance, Gaza City
(Palestine Medical Relief Services)*

Challenges in the Health Sector

Palestinians face growing health problems related to unhealthy lifestyle choices, especially diet, exercise, smoking and driving practises: the MoH has made addressing these problems a priority. Secondly, the MoH will tackle the **high levels of referral abroad**, by changing building capacity within Palestine through human resource development and the establishment of quality facilities. The MoH is also focusing on **addressing weaknesses in human resources procedures**, including the establishment of a database of personnel and improved mechanisms to fill vacant posts.

Access constraints pose a major challenge to the health sector, affecting both patients and medical staff. These affect East Jerusalem especially, where permit changes in January 2010 saw widespread disruption of access for medical staff. New regulations were also imposed **prohibiting the supply of Palestinian pharmaceuticals to East Jerusalem hospitals**, thus increasing the cost of medicines. In response, the MoH has directed 50% of its referral budget to East Jerusalem facilities, but it is essential that these restrictions be lifted immediately.

Social Protection

Social Safety Net Reform

As part of ongoing efforts to increase the efficiency, effectiveness and equity of social protection and to improve targeting, existing **social safety net programs have been unified** into one program. The Palestinian National Social Safety Net Program (PNSSNP) combines the two main cash transfer programs, the Social Safety Net Reform Program and Social Hardship Cases. The Ministry of Social Affairs (MoSA) has worked together with the World Bank and the European Commission to integrate their databases and unify their targeting criteria for social safety net eligibility.

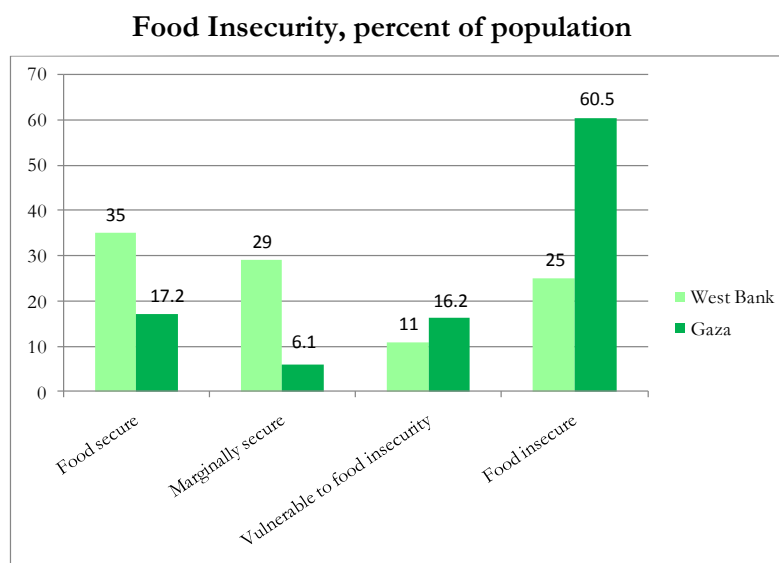
Other social protection programs focus on assisting vulnerable groups to **become more self-sufficient and independent**. The Deprived Families Economic Empowerment Program (DEEP) helps families reduce their reliance

² *Address to the World Health Assembly, WHO 2006*

on, and eventually exit from, cash assistance programs. The MoSA has also established a program to provide loans to handicapped people to start small businesses.

Combating Food Insecurity

Local and international organizations have observed rising rates of food insecurity in Palestine, and have highlighted the role of the occupation, and in particular its effects on Palestinian agriculture, unemployment and access to markets, as the **single biggest cause of this**. There are currently an estimated 1.6 million Palestinians suffering from food insecurity (38% of the population) the most of whom live in Gaza where a clear majority of people (60.5%) are food insecure.³ This demands **millions of shekels of MoSA aid** in basic food distributions, and would be easily reversed by ending the blockade of Gaza, lifting movement and access restrictions across the West Bank, and ending the illegal confiscation and destruction of Palestinian agricultural land.



(Palestine Economic Policy Research Institute)

To remedy this situation, 50,000 households received food supplies to the value of US\$ 15 million in the last six months. More than 12,000 food packages worth a total of US\$ 585,000 were distributed, and meat supplies worth US\$ 165,000 were given to the poorest Palestinians during *Eid*. The MoSA also continues to operate a bread-for-wheat program in Nablus, Jenin, Bethlehem, and Hebron governorates, covering almost 2,000 households.

Institutional Reforms to Protect Women and Children

The MoSA is also pushing forward initiatives to enhance the protection of juveniles and abused women. Proposals for legislative amendments, including an amendment to the Child Law, have been submitted to the Office of the President. The MoSA has also obtained CoM approval to establish a National Committee for the Protection of Women from Abuse.

Challenges in Social Protection



Destroyed livelihoods (Alaa Badarneh)

Building on recent achievements in the unification of social protection programs, further improvements in coordination amongst a wide range of governmental and non-governmental actors are needed to better target social assistance and to reconfigure programs in order to empower beneficiaries to lift themselves out of dependency. This reflects the MoSA view that **effective information sharing, cooperation and coordination between all relevant actors is critical** to ensuring comprehensive, efficient and effective social protection.

The actions of settlers, and of the occupation forces in general, cause **millions of shekels' worth of damage to Palestinian property and livelihoods each year**, placing an additional financial burden upon the MoSA and forcing more Palestinians into poverty and dependence. In the last reporting period, NIS 2.1 million has been spent on urgent cash assistance, compensation for damage caused by Israeli civilians and military personnel, and reconstruction and medical aid.

³ Palestine Economic Policy Research Institute, 2010

Youth and Sports

The Ministry of Youth and Sports (MoYS) is working on developing institutions catering for the needs of the Palestinian youth, as well as **promoting sports and integrating the youth in the state-building process**. Over the past six months, the MoYS has inaugurated and rehabilitated playgrounds in Nablus, Hebron, and Jericho; restored and rehabilitated the Jabal Al-Nar Youth Center in Nablus; finalized the first phase of constructing the Al-Bireh Youth Institution; and **completed the first phase of construction of the Sports City in Jenin**.

The MoYS has also established a training center for staff of youth centres and clubs, offering courses in sports tuition and care of injuries. Regular problem-solving workshops have been held bringing together 400 representatives of sports clubs, sports unions, administrative and academic institutions, trainers and referees. The MoYS also offered **capacity-building services to 143 youth institutions** and provided employment for approximately 900 male and female young citizens. In addition to taking part in Arab, regional and international seminars and meetings and conducting interviews with relevant international organizations, the MoYS launched **a sensitization campaign on sexual health** throughout youth clubs and institutions, involving a total of 3,000 young males and females.

The MoYS also organized 32 sports and youth-related events involving 6,500 participants and hosted 120 European female participants in the *Follow the Women* program in October 2009. In November 2009, the MoYS sponsored the First National Round of Special Games (designated for mentally disabled youth) and the Central Festival of Popular Games, as well as the Nablus Marathon, in which 5,000 people took part. Within the *Jerusalem: Capital of Arab Culture* program, the MoYS organized the Nablus Carnival, which featured paintings on the history of the question of Palestine. In August 2009, the MoYS initiated the *Child Friendly Clubs* program at 143 clubs and an environmental conservation campaign, with the participation of 150 youth institutions and 10,000 young people.

As well as working on the development of the **Palestinian Child Law**, the MoYS marked the 20th anniversary of the *Convention on the Rights of the Child* with a festival involving 130 youth clubs and 20,000 young people throughout all West Bank governorates.

Culture and Heritage

In 2009, Jerusalem was named Capital of Arab Culture, acknowledging its rich cultural history and its centrality to wider Arab society. Despite this accolade, the PNA **was banned by Israel from directly operating any cultural activities in Jerusalem**, and was forced to hold the opening ceremony honoring Jerusalem in Bethlehem. This step represents a small part of a series of Israeli measures to separate Jerusalem both physically and culturally from the West Bank, depriving Palestinians of access to their cultural heartland.

The Ministry of Culture (MoC) is working with relevant institutions to develop legislation to enhance and support Palestinian culture, including the **institutionalization of the Culture Development Fund**, and the establishment of a database and cultural information manual to assist in the future formulation of culture laws.

Public libraries are being planned in Al Ram and Beit Jala and heritage museums in Ramallah and Jerusalem, and the production and sale of traditional handicrafts is being encouraged through exhibitions in the northern West Bank. Art festivals have been held in six governorates, and the *Tawasul* cultural activity held for children from Gaza and the West Bank. The MoC continues to support the 20 cultural centers across the country in their activities.

Cultural development activities are also now being directed at more rural areas (such as Salfit, Farkha, Safa, Beit Anan and Jifna), and of the 32 cultural projects implemented by the MoC in 2009, 60% were located in marginalized areas.

At a glance: Economy

In recent months, efforts to encourage **public-private partnerships have yielded major investments in the housing and ICT sectors** that will provide competitive, affordable products and services for citizens. New private equity funds and the next Palestine Investment Conference will **bring more investors and Palestinian businesses together against a backdrop of increasing confidence**. However, signs of economic recovery in 2009 must be viewed in the context of economic indicators prior to the turn of the millennium and the subsequent tightening of the occupation regime. Analysis of key indicators such as real GDP growth, unemployment and poverty rates demonstrates that **Palestine's economic health in 2009 was well below that of 1999**. Growth and confidence continue to be undermined by Israeli actions: the appropriation of land, water and other natural resources, the blockade of Gaza, the isolation of East Jerusalem, the **prevention of the development in Area C, closures and checkpoints and Israeli incursions into Palestinian areas all have a negative impact on the Palestinian investment climate, and inhibit economic activity and growth**.

The 13th Government is committed to developing all sectors of the Palestinian economy, building a free and competitive economic system through close cooperation between a competent, capable and visionary public sector and a pioneering private sector. The Government is also committed to economic policies and development plans that focus on developing domestic capacities and resources, creating an environment that attracts investment, and laying the foundations of sustainable growth and development which will ultimately reduce dependence on external aid. In the near term, the aim is to provide essential economic stimulus to alleviate poverty. The longer-term objective is to build a vibrant, knowledge-based economy capable of producing competitive goods and delivering high quality services. The remainder of this chapter highlights important achievements in various sectors that are aimed at delivering against this economic policy agenda.

Economic Development

The Palestinian economy is showing signs of recovery, despite the long-term impact of Israeli measures causing years of decline. Growth is estimated at approximately 7% in 2009, and the number of new business licenses issued in the West Bank in the fourth quarter of 2009 was 50% higher than in the same period in 2008. In the West Bank, the number of building licenses rose by 33.5% in the first half of 2009 and industrial production rose by almost 12% over the last year. PCBS reported in December that business optimism in the West Bank has increased in the last reporting period, with 44% more respondents expecting a rise in production in the second half of 2009 compared with the first half. Unemployment, however, remains high, at 18% in the West Bank and around 38% in Gaza.

Encouraging signs of growth in the West Bank can be attributed largely to improvements in security and justice, the lagged effects of the fiscal stimulus and enhanced focus on using local capacity to drive development. The easing of access restrictions, though limited in scope, has had a positive impact on the Palestinian economy in certain localities, illustrating the widely-acknowledged view that **the lifting of the closure regime will have an immediate, dramatic and positive effect on the Palestinian economy. A comprehensive removal of checkpoints, road-blocks and other barriers to the freedom of movement and trade would allow the Palestinian economy to continue on a growth trajectory, despite the withdrawal of the fiscal stimulus.**

Economic growth in the West Bank is overshadowed by the continued decline of the Gazan economy, where it is estimated that over US\$ 2 billion is needed to bring the economy back even to its poor state before the Israeli offensive. The blockade is causing deep poverty, unemployment and rock-bottom investor confidence: until it is lifted, the economy of Gaza, and of Palestine as a whole, will remain shackled.

The Government is placing great emphasis on the **development of public-private partnerships and cooperation**. In January 2010, the Palestine Investment Fund (PIF) announced the first closing of a US\$ 50 million **private equity fund** for Palestine, which will invest in small and medium-sized enterprises, and steady progress is being made in establishing **three industrial parks** in Jenin, Bethlehem and Jericho, undertaken by private companies with the full governmental support. The PIF is also developing an IT industrial park in the Al Reehan neighbourhood of Ramallah. The next **Palestine Investment Conference** will be held on 2-3 June 2010, with the aim of connecting investors and international companies with small and medium-sized enterprises. A council for consumer protection has been established and convened twice, and a new law aims to protect Palestinian consumers from unsafe products and illegal economic activity, and **protect Palestinian markets from products made in Israeli settlements**.

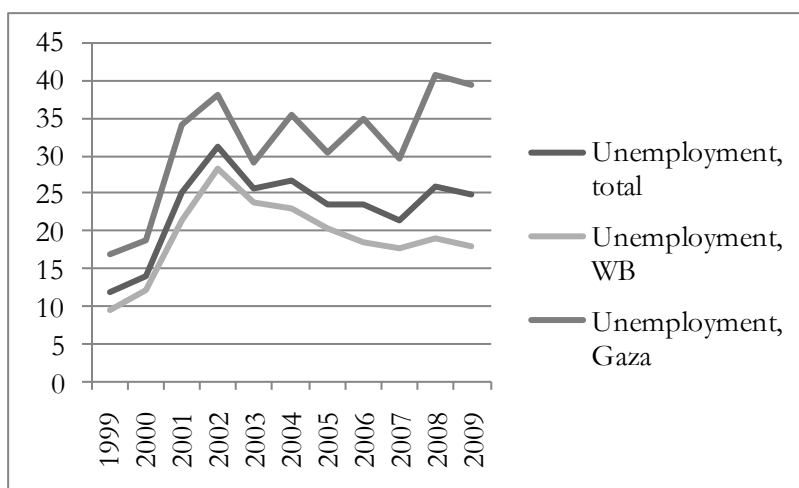
The Government has created a Ministerial Committee to work closely with the Palestinian Private Sector Coordination Council, comprising representative institutions of the private sector. The purpose is to institutionalize the relationship and dialogue between the public and private sectors in policy making, and to create a positive business environment. Technical committees from both sides meet regularly.

Employment

Participation in the labor force stands at 42%, unemployment at around 25% and underemployment at 6.2%.⁴ The figures for Gaza alone are much higher, with unemployment at 38% and across Palestine the 20-24 age group is worst affected: in Gaza 57% of young people are without any form of employment. Nablus enjoys the lowest unemployment levels, and Khan Younis in Gaza suffers from the highest. The public sector accounts for 16.3% of total employment in the West Bank, and 44.7% in the Gaza Strip.

Labor policy is based around the need to create job opportunities to reduce unemployment in the short term and provide skilled, educated, and specialized labor in the long term, through: studying the needs and requirements for skilled labor in each sector; preparing local and international specialized training programs for each sector; establishing an entrepreneurship development program; creating and supporting small and micro finance programs; and promoting labor-intensive infrastructure projects

Unemployment, 1999-2009



(PCBS, Labor Force Survey 2009)

Agriculture

Agriculture plays an important role in the Palestinian economy, representing a major source of primary employment (especially of women) and boosting the food security and income of thousands of Palestinian families employed in other sectors. Recent achievements in the sector include the **reclamation of approximately 70,000 dunums of neglected or unused land**; the building of **3.5 million square meters of support walls**; and the **construction of 3,000km of agricultural roads**. Assistance and compensation have been provided to farmers who have lost land or income as a result of the Separation Wall, closures generally, weather disasters and the ongoing drought. A new **Agricultural Insurance Law**, approved by the CoM in March 2010, provides for the creation of an agricultural insurance fund for farmers. Over time, this should increase confidence and encourage investment.

⁴ *Labor Force Survey Q4 2009*, PCBS. Definitions conform to International Labour Organization standards

The Ministry of Agriculture (MoA) is implementing a wide range of new projects to promote rural development covering areas such as soil and irrigation, plant protection, veterinary services, forests and pasture, and fisheries. This comes on top of the US\$ 25 million spent on agriculture development projects between January 2008 and September 2009, from which approximately **94,000 Palestinians benefited, of whom 26% were women**. In order to enhance domestic ownership and coordination of development projects, the **Agriculture Projects Information System (APIS) is in the process of being transferred from the Food and Agriculture Organization (FAO) to MoA administration**.

Challenges in the Agriculture Sector

Against a backdrop of hardship and unemployment, dependency on agriculture has grown and yet **Israeli occupation measures including the confiscation of land, access restrictions, limitations on fishing, restrictions on water resources and the banning of exports from Gaza have seen this sector suffer more than others**. Roughly 80% of Palestinian groundwater is controlled by Israel, and 84% of arable land is located in Areas B and C, outside PNA control. Moreover, the western section of the Separation Wall has isolated an estimated area of 900,000 dunums of land causing millions of dollars of losses in the agricultural sector. The full impact of the occupation on the sector is cited by a 2009 World Bank report on the Palestinian water sector which states that the **removal of Israeli restrictions and provision of additional water quantities would raise agricultural sector's contribution to GDP by 10% and could create approximately 110,000 additional jobs**.

Other challenges in the sector include the current **poor use of available resources and weaknesses in the current Agriculture Law**. The Agriculture Sector Strategy proposes amendments to this, and outlines plans to improve competency and capacity of agricultural institutions, to strengthen the standing of women and marginalized communities in agriculture, to shift to intensive and semi-intensive livestock methods, and to promote investment in the agricultural sector.

Telecommunications and Information Technology

The ICT sector **is the only economic sector to show almost uninterrupted growth over the last decade**, contributing 5% to Palestinian GDP in 2008. Recognizing the potential contribution of a thriving ICT industry to the Palestinian economy, both as a sector in its own right and as a contributor more generally to modernization and efficiency in the private and public sectors, the Government is focusing on creating an enabling environment for growth and investment. To this end, a **national committee has been formed** comprising government, private sector and other bodies, to advise on achieving these goals.

In order to regulate the ICT sector effectively whilst respecting free market principles, the ICT Sector Strategy includes plans to approve a new **Law on Telecommunications** and a **Palestinian Post Law** that will provide for the establishment of an **independent postal agency**.

As part of its commitment to enabling the creation of a more competitive market for telecommunications services, the Government supported the establishment of a new mobile telecoms service provider, persistently calling for the release of frequencies by the Israeli authorities. **Wataniya Mobile was finally launched on 1 November 2009** as a second telecommunications operator. Competition will expand the quality and scope of telecommunications coverage across Palestine.

Challenges in the Telecommunications Sector

Growth in the ICT sector has been achieved despite the heavy impact of Israeli restrictions, which obstruct its further development. Israel controls the electromagnetic spectrum, impedes imports of equipment and devices needed for developing ICT networks, blocks the location of infrastructure in Area C, and constrains technical skills development through international exchange.

Tourism

Given Palestine's unique historical and cultural importance in the world, tourism has the potential to be a major source of employment and income for Palestinians. Having been severely affected by political instability, **tourism to Palestine has begun to recover, showing a steady rise over the last two years.** Data from the fourth quarter of 2009 show that the number of hotels has increased by 11% in the last year to 97, now employing around 1,600 persons. There were more than 140,000 guests in Palestinian hotels in the last three months of 2009 alone, representing an increase of 21% from the same period in 2008, and spending on average almost US\$ 1,500 each.⁵ Aside from hotels, an increase in tourism significantly benefits industries involved in catering, travel, souvenir production and other leisure activities; in June 2009, 18.3% of employed Palestinians worked in the commerce, restaurants and hotels sector.

Challenges in the Tourism Sector

In the last few years, the sector has benefited from new types of tourism, such as alternative tourism, bird watching and environmental visits, as well as the traditional religious tourism which forms the backbone of the industry. However, until Palestine has full control over its borders, the ability to grant visas and the ability to develop new tourist destinations in areas currently 'off limits' (such as Dead Sea resorts) the tourism industry will remain vulnerable and at risk from Israeli policies and actions aimed at discouraging visitors from anything other than day-trips to sites of historic, cultural and religious interest.

Housing

The housing sector provides safe and affordable homes for a growing population, and represents a major source of employment and income, providing work for up to 14% of the Palestinian workforce in construction and other industries, including the manufacture of stone, marble, bricks, paint, metal, electrical materials and household goods. The Housing Sector Strategy addresses **the substantial housing needs in Palestine, as well as regulating the use of land, land ownership rights, rent, housing loans and mortgages.** It outlines plans to mobilize national and international funding, increase financing, attract investment and improve access to basic services, including waste water and solid waste disposal services.

The Ministry of Public Works and Housing (MoPWH) has defined the interim objectives for the next three years through the following secondary strategic objectives under the headline *Increasing Citizens' Ownership of Houses*:

- Developing policies and programs for low-income households.
- Developing long-term housing loan programs.
- Delivering basic infrastructure services to various private and public housing projects and those undertaken by cooperative housing societies.
- Helping citizens of Jerusalem and areas near the Separation Wall obtain appropriate housing and the necessary building licenses.
- Reconstructing the Gaza Strip, including rehabilitation terminals and rebuilding the infrastructure, houses, public and private facilities destroyed by in the Israeli offensive.

The MoPWH has also set up the **National Housing Team**, developing standards for partnership between the public and private sectors and supporting the private sector in building the infrastructure to connect the intended project site to its surroundings. Recent achievements in the sector include the **PIF's National Affordable Housing Program, under which 30,000 new housing units will be built in around 10 new neighborhoods, representing a US\$ 2.25 billion investment and expected to create 31,000 jobs.** Work on two neighborhoods has already started: Al Reehan in Ramallah, and Jinan in Jenin. Similarly, **construction work has started on the new Palestinian city, Rawabi**, situated near Ramallah. The project, run by Bayti Real Estate Investment Company, demonstrates the **Government's commitment to public-private partnerships in developing the Palestinian economy** and meeting basic needs of Palestinians. The initial groundbreaking for Rawabi took place in January 2010, and the laying of foundations is expected to start in May 2010, with the first housing units completed in 2012. The project will create thousands of permanent and temporary jobs, and is capitalizing on local expertise and labour

⁵ *World Tourism Day press release*, PCBS Sept 2009

by awarding local contracts wherever possible. Negotiations with the Israeli authorities regarding access roads to the site are ongoing.

The MoPWH is also focusing on programs targeting low-income groups, by offering **subsidized government land to over 5,800 households**. It continues to provide machines and equipment to social infrastructure schemes, and has recently completed two housing projects in West Bank. In the third quarter of 2009, 1,296 building licenses were issued in the West Bank, representing an **increase of 18% over the same period in 2008**. These licenses will create 382,000 square meters of new living space, and 128,200 square meters of existing space will be improved or expanded.

Challenges in the Housing Sector

Pressure on housing is persistent as the population rises, and the MoPWH must address a number of issues in order to meet the challenge. **Regulations and monitoring are being tightened and improved** to prevent private constructors building on green areas and in contravention of safety standards. **The inadequacy of housing loan funds and other financial measures is being addressed** to prevent limitations on the number of housing projects being implemented, and the reliance on imported building materials, which raise the cost of construction until it is almost unaffordable for poor households, will be reduced. **Construction standards are being drawn up to homogenize and improve health and safety standards**, and financial schemes are being designed to increase the availability of housing and expand the number of housing projects.

Inevitably, the biggest obstacle facing the sector remains the occupation of Palestinian land by Israeli forces and the **continued building of settlements**. This presents three main problems: firstly, **land confiscation** (especially to build the Separation Wall, settlements, bypass roads and other military or settlement infrastructure) drastically limits the amount of land available for Palestinian construction, and prevents their natural expansion, having a knock-on effect on density and overcrowding rates. Secondly, the **denial of building permits in Area C** and the refusal to allow restoration or rehabilitation work leaves many houses unsafe for habitation, and also increases overcrowding. Thirdly, the ongoing **destruction of Palestinian homes, especially in Jerusalem**, exacerbates an already serious housing shortage. From the beginning of the occupation until mid-2009, the Israeli authorities had demolished some 23,100 residential units on Palestinian land, of which 13,100 took place in the last ten years. These actions have **displaced more than 170,000 Palestinians**.

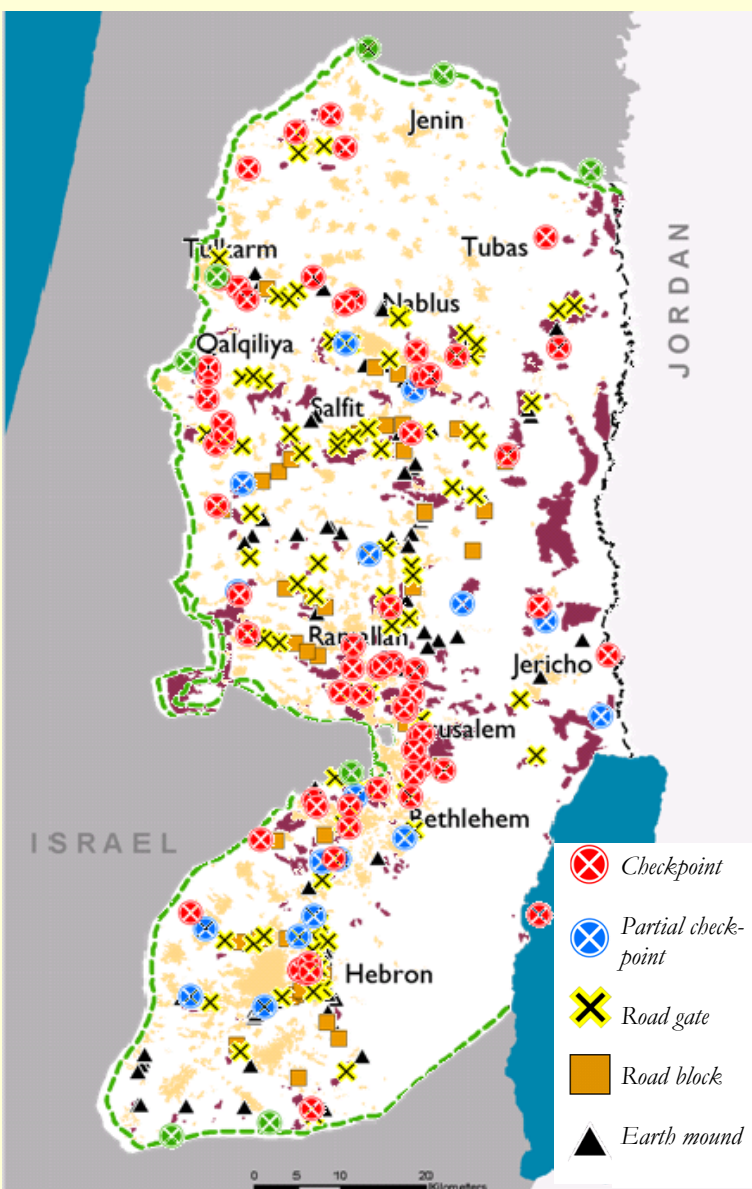
In **Gaza the situation is at crisis point**: an estimated **20,000 Palestinians remain displaced** by the Israeli military offensive of Gaza, which inflicted millions of dollars' worth of damage to private houses. Many people remain living in tents next to their destroyed homes. They cannot rebuild or repair their homes owing to the ongoing blockade; equally, even those houses not damaged in the fighting cannot carry out badly needed repair work as imports of cement, metals and other materials are banned. Gaza remains **one of the most densely populated areas in the world**: **addressing its housing needs is a crucial priority**.

Focus on: Movement and Access Restrictions

Movement and access restrictions have a crippling effect on the Palestinian economy. Denial of access to the Jordan Valley and the restriction of trade in East Jerusalem severely limit the availability of markets for Palestinian goods, leaving the economy dependent entirely on local consumption and on Israel. According to the World Bank AHLC report of September 2009, **“Only through a fundamental reassessment of closure, and a restoration of the presumption of movement, will the Palestinian private sector be able to reach out to the world, recover, and fuel sustainable growth,”** and that, **“unless further major steps are taken to ease restrictions on trade and private sector growth - particularly by improving access to Israeli markets and to international ones, via either Israel, Jordan, or Egypt - the PA will continue to require large amounts of donor aid for the foreseeable future.”** Furthermore, investor confidence is undermined by the unpredictability of Israeli measures: decisions are often taken on an ad hoc basis and the existence or removal of checkpoints or other barriers to movement is difficult to foresee.

The impact on the Palestinian economy of the 2009 relaxations of movement and access restrictions are difficult to quantify, but there is no doubt that comprehensive removal of these restrictions would have a transformative effect. However, according to OCHA figures, as of February 2010 there still remain around **550 closure obstacles within the West Bank** (i.e. excluding Green Line crossings), including **69 permanently staffed checkpoints**, **21 ‘partial checkpoints’**, and **hundreds of unstaffed obstacles** (roadblocks, earth mounds, earth walls, road barriers, road gates and trenches). Despite its extended opening hours, the average time taken to pass through the Tarqumia crossing remains almost three hours, whilst Al Jalameh holds up imports for 1 hour 44 minutes, Taybeh for 1 hour 9 minutes and Beitunia for 1 hour 4 minutes. **Area C, representing 60% of the West Bank, remains largely unavailable for Palestinian use and development.**

Palestinian movement to and from areas behind the Separation Wall, East Jerusalem, the Jordan Valley, as well as within the Israeli controlled area of Hebron City (H2), continues to be severely restricted. Moreover, Israeli measures to facilitate movement and access are offset by parallel measures that further entrench the mechanisms used to control and restrict it, such as the expansion of the alternative (‘fabric of life’) road network and of key permanently-staffed checkpoints. These measures cause further fragmentation of the West Bank, disrupting traditional travel routes and using up more Palestinian land.



OCHA, Feb 2010

“After years of decline, we are now seeing signs of Palestinian economic recovery. If growth is to continue, the restrictions still facing Palestinian businesses and foreign investors must be eased and donors need to continue their support. Palestinians have demonstrated remarkable resilience under difficult conditions; imagine their potential under a different security environment in the region, in which there are no barriers to trade or obstacles to movement.”

World Bank Managing Director, Juan José Daboub, March 2010

At a glance: Infrastructure

The *13th Government Program* outlined a six-point plan for upgrading Palestinian infrastructure, with the ultimate aim of promoting social and economic development. These were: to build infrastructure in rural and marginalized communities; to maintain existing infrastructure; to implement large infrastructure projects; to develop regional infrastructure; to ensure local participation in building works; and to improve local implementation capacity. As a follow-up to the Government program, the document *Palestine: Moving Forward*, published in January 2010, identified priority development initiatives for implementation in 2010 onwards. Of the total funding requirement specified in this document, **67% relates to wide-ranging infrastructure projects** to be implemented across the West Bank and Gaza. These priorities include the construction of waste water treatment facilities and desalination plants, prisons, a railway network, a commercial port, at least one international airport and a new national postal service.

The Government's plans for upgrading infrastructure are necessarily ambitious. The creation of a viable state with a flourishing society and healthy economy depends on the provision of high quality public infrastructure. However, the large-scale projects needed to create national networks cannot proceed as the **Government is perpetually denied access to Area C by Israel**. Accordingly, although slowly improving, Palestine's infrastructure largely remains a patchwork of individual projects which are not part of an integrated national system.

Transportation

A network of paved and unpaved roads represents the only form of land transportation available in Palestine. Poor road surface quality and traffic infrastructure (i.e. road signs, directions and other markings) raises the difficulty, risk and cost inherent in land transportation. The Government is currently implementing programs to rehabilitate roads and improve road safety in the West Bank, and to improve road planning. During December 2009, **30km of new roads were constructed in Hebron** alone. Efforts to increase the proportion of cars legally licensed are continuing successfully, with **more than 65% of vehicles now properly registered**. Although revenues generated by licensing have decreased in Gaza, a dramatic increase in the West Bank in 2009 has seen overall **revenue increase by 63%** in the last year, to US\$ 75 million. Stricter controls on vehicle safety have led to a **20% decrease in accidents caused by unsafe vehicles**, translating to a **5% decrease in accidents generally**.

Challenges in the Transportation Sector

The Government is making significant progress in upgrading the road network. However, any roadwork in Area C, which covers 60% of Palestine's land, requires **construction permits that are rarely approved without significant and sustained lobbying from international donors**. Furthermore, the Israeli occupation's system of closures **significantly lengthens journey times and raises costs, denies Palestinians access to main roads between their communities, and causes overcrowding and stress on those roads which are open to Palestinians**. Until the Government has full control over all of Palestine, **the national road network cannot be comprehensively improved as part of an holistic master plan**. Furthermore, **plans to develop rail, sea and air transport, which will likely remain embryonic until Israeli policies change**.

Focus on: Area C

As noted by numerous local and international sources, occupation **measures limiting or entirely preventing the building or upgrading of infrastructure are seriously hindering Palestinian social and economic development.** The problem is particularly acute in Area C, where large areas of the future Palestinian state remain in a poor state of development. Lengthy and unpredictable permit procedures force many residents of Area C to build ‘illegally’ on their own land, risking demolition and the subsequent loss of their livelihoods. This applies not only to private buildings, but also to structures used as schools and medical centres, agricultural buildings and other community buildings. According to UN figures, 191 buildings were demolished in 2009, and at least an additional 16 in January 2010, displacing hundreds of the poorest Palestinians. Similarly, water, transport and electricity infrastructure suffers from the same restrictions, creating pockets of deep poverty in the area. Furthermore, there is a disincentive for donors to support infrastructure improvement projects in these areas, owing to the small chance of receiving timely permits from the Israeli authorities.

Energy

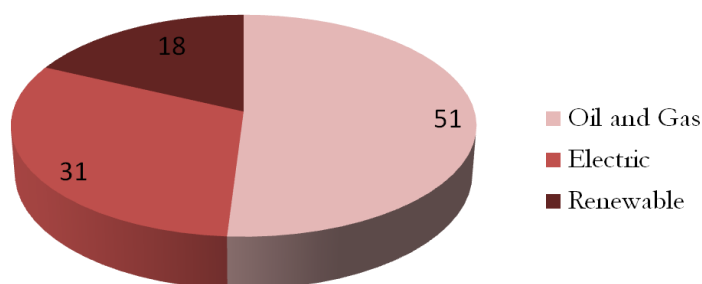
The Palestinian energy sector is characterized by the **scarcity of local energy resources and the inability to fully utilize the resources that are available**, resulting in a dependency on energy imports from Israel. The chart below shows energy consumption by source. Oil and gas and electric power, which comprise 82% of Palestinian consumption, are both either directly or indirectly imported from Israel. **As a result, Palestinians pay some of the highest electricity rates in the world.**⁶ In the long term, the Government intends to draw no more than 50% of energy from any one source, and will meet this goal by **increasing regional collaboration and improving domestic production and storage capacity.** The CoM has approved an **electricity connection contract with Jordan**, and negotiations are underway with an Israeli company for four 161/33KV transmission sub-stations across the West Bank, at a cost of EUR 44.5 million.

Recent institution-building achievements in the sector include the **approval of the Electricity Law**, which provides for the transfer of electricity distribution operations from local government to **the Northern Electricity Distribution Company.** The Palestinian Energy Authority (PEA) has contracted the Jerusalem District Electricity Company to supervise and manage the transfer, focusing on Nablus and Jenin in the first phase in summer 2010. Consultations are underway regarding the second phase and the PEA, the MoLG and the MoF are developing a plan to address the fiscal implications for municipalities and village councils.

Emphasis has been placed on developing the capacities of electricity distribution companies, with US\$ 2.4 million of machinery provided. **Eight more communities in the northern West Bank and six in the south were connected to the electricity network**, while 49 communities benefited from the rehabilitation of their electricity infrastructure. A high pressure line and 42 pumps were installed in the northern West Bank, and a NIS 2.8 million contract signed with the Jerusalem Electricity Company to **provide power to boost the stone and marble industry.**

The Government is also exploring a range of alternative, renewable energy sources through some small-scale pilot projects. These include a new **solar energy station in Jericho** and, in Hebron, a project is underway to **install a wind turbine** to supply 700kw of energy to the Al Ahli hospital, covering approximately 40% of its requirements.

Energy Consumption in Palestine, percentage by source



(PEA)

⁶ *Negotiations Primer*, Negotiations Affairs Department 2008

Current energy resources are insufficient to meet the **growth in demand, estimated at 7% by the end of 2013**. If this deficit is not addressed, it will hold up economic and social development. The Government is trying to **secure and diversify its energy sources**, forming regional collaborations to prevent complete dependency on Israel; to **increase its conservation capacity**; and to **maintain and rehabilitate the domestic distribution network**. However, the continued Israeli occupation and control over land, borders and crossing points obstruct many sector development programs and plans. Further improvements to the energy sector are also undermined by the Israeli policy of **refusing or delaying licenses** to establish connecting points with the Israel Electric Corporation (IEC), and **failure to build electricity networks in Area C**. Moreover, electric power supplied by Israel is not subject to a purchase agreement; it is controlled by bilateral contracts between the IEC and each of the Palestinian municipalities, rural councils or distribution utilities. The PEA will soon start negotiations with the IEC to reach a commercial agreement.

Electricity infrastructure in Gaza remains largely unrepaired after the Israeli military offensive, and import restrictions are delaying reconstruction work. **Gaza's residents are also experiencing frequent and long power cuts**, owing to the closure of the second turbine at Gaza's power station on 23 January 2010, reducing output from 60MW to 30MW. The PEA, which since November 2009 has been responsible for providing the NIS 50 million worth of fuel required per month to keep the power station running at full capacity, has been able to provide only around half this amount, owing to the non-payment of electricity bills by consumers. The Government is working with the body responsible for collecting payments, the Gaza Energy Distribution Company (GEDCO), to improve the transfer of revenue from GEDCO to the Government, to reduce non-payment levels and to increase transparency of fuel revenue allocation. Plans are underway to introduce a prepaid meter system to prevent non-payment, and external financing is being sought.

Water and Waste Water

Following the recommendations of its audit report, the Palestinian Water Authority (PWA) has focused its efforts in three areas: the **PWA Reform Plan**; the **consistency of data held by PA institutions and donors**; and the relationship **between the PWA and Israel** – in particular the Joint Water Committee (JWC) and the Israeli Civil Administration. The Reform Plan, approved by the CoM in December 2009, has already garnered financial support from the donors and is designed to strengthen the PWA to function as the main central government actor in the sector, and to improve the performance of other water sector institutions in providing better services to Palestinians. The plan will also allow the PWA to push through a substantial investment program.

The PWA is **upgrading the capacity of the PWA Database Department**, ensuring its consistency with aid management information held by the MoPAD. A **JWC Unit** has also been established within the PWA to follow up on project progress with both the Civil Administration and the JWC and to enhance technical and negotiation capacity.

The **completion of the first phase of the North Gaza Emergency Sewage Treatment project**, leading to the emptying of the Beit Lahia sewage lake and eliminating the risk of flooding, was an important achievement in the waste water sector. The second phase of the project is due to start in 2010.

Challenges in the Water and Waste Water Sector

The lack of Government control over water sources—85% of Palestinian water sources are exploited by the Israeli authorities—remains the biggest hindrance in establishing effective resource management arrangements.



Collecting drinking water in Gaza (UNICEF)

The water situation in the **Gaza Strip has been characterized for many years as a crisis**. This was most recently reconfirmed in a World Bank Report of April 2009 and a United Nations Environment Programme special assessment of Gaza in September 2009, both stating that only 5 - 10% of Gazan water is suitable to drink, and more than 90% of the 150 municipal wells have salt and nitrate levels above WHO standards.⁷ After many years of over-

abstraction and insufficient development of waste water treatment facilities, the coastal aquifer underlying Gaza is severely damaged from seawater intrusion and untreated waste water filtration into the only freshwater source. The only solution is to secure alternative freshwater sources to alleviate pressure on the aquifer, as well as fully develop waste water facilities to protect the aquifer and the Mediterranean Sea.

As the population of Palestine grows, efforts to reduce over-pumping of wells and regulation of water withdrawal will not be enough to provide Palestinians with a safe and reliable water source. Israel imposes restrictions both on access to resources and on the mobility of equipment and materials. The PWA is reviewing the procedures to expedite the permitting issues and to reach a more effective mechanism to facilitate the transportation of equipment and materials throughout the West Bank and Gaza.

Environment and Solid Waste

Steady population growth and increased consumption raise demands on scarce natural resources and increase the amounts of waste and pollutants. The Environmental Quality Authority (EQA) was established to maintain and protect the Palestinian environment and the preservation of human health; to curb the depletion of natural resources; to reduce and combat desertification; to prevent the resurgence of pollution and to promote environmental awareness, ensuring sustainable environmental development.

The Environmental Sector Working Group was established in April 2009. The group is co-chaired by the EQA and Sweden, and is currently developing a database of projects for environmental protection and environmental management, and for sustainable development interventions in other sectors.

The ‘Towards a Green Future’ conference was held in November 2009, and resulted in a **joint declaration between the Government and Italy** regarding cooperation in eco-sustainable projects and environmental measures. These include the building of ‘**green schools**’ and plans to capitalize on the solar potential of the 3,000 hours of sunshine recorded per year in Palestine. The new city of Rawabi has been designed to **reduce the use of cars, increase recycling, harness rain water, treat waste water and reduce energy consumption.**

The MoLG has significant donations to support improvements in solid waste collection: 38 compactors are being distributed to four Governorates (Salfit, Tulkarem, Bethlehem and Jericho). The responsibility for solid waste collection will be assigned to the JSCs and the transfer process has started. There is a need for donor assistance for the collection and disposal of solid waste in Nablus, Jerusalem, Qalqilya and Hebron—the estimated cost is US\$ 10 million.

Challenges in the Environment and Solid Waste Sector

Over-fishing, over-grazing, excessive use of pesticides and fertilizers and a generally low awareness of environmental issues comprise the main threats facing the Palestinian environment. The sector strategy outlines a comprehensive information plan to raise awareness of these issues, and a plan to reduce emissions is under formation.

The management of solid waste has been identified as a weakness of the sector, and will benefit from the expansion of sanitary landfills and the closure or rehabilitation of substandard sites. The lack of a system for handling and transporting hazardous materials has been noted, and the on-site preliminary treatment of industrial waste will be encouraged.

⁷ *Assessment of Restrictions on Palestinian Water Sector Development*, World Bank 2009





(Palestine Medical Relief Services)

