



Palestinian National Authority



Building the State *of* **Palestine** A Success Story

Report of the Palestinian National Authority to the Ad Hoc Liaison Committee

September 18th, 2011

New York City



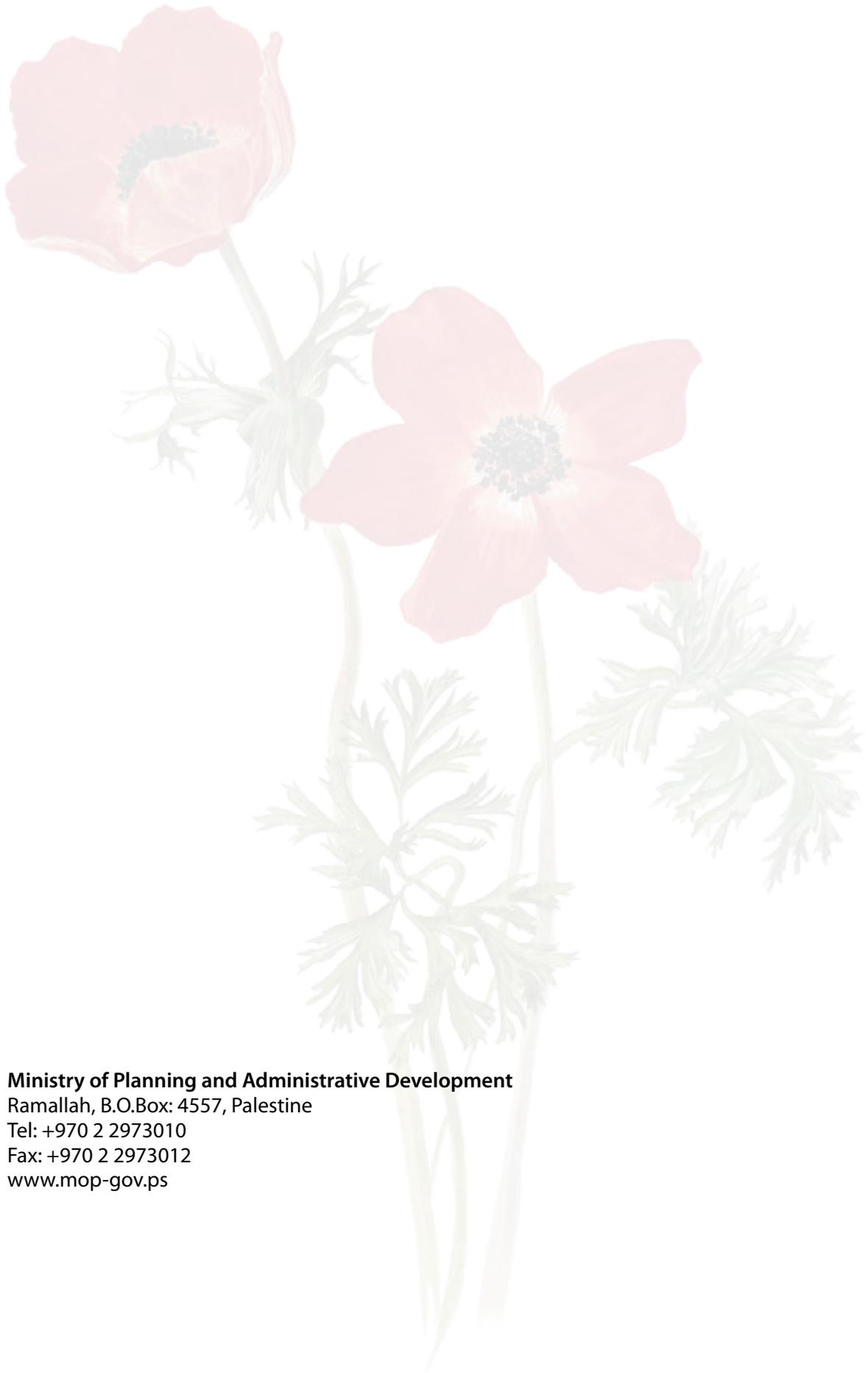
Palestinian National Authority

Building the State *of* Palestine A Success Story

Report of the Palestinian National Authority to the Ad Hoc Liaison Committee

September 18th, 2011

New York City



Ministry of Planning and Administrative Development
Ramallah, B.O.Box: 4557, Palestine
Tel: +970 2 2973010
Fax: +970 2 2973012
www.mop-gov.ps



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 East Jerusalem as its capital. Palestine, the cradle of civilisation 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.

Program of the 13th Government, “Palestine Ending the Occupation, Establishing the State”

August 2009

Table of Contents

Foreword	7
Executive Summary	9
Governance	13
Justice	15
Security	17
Local Governance	19
Public Financial Management	22
Administrative Development and Aid Effectiveness	23
Integrity, Transparency and Accountability within the PNA	25
Economy	27
Economic Development and Trade	29
Labour	30
Agriculture	32
Tourism	34
Social Development	35
Education	37
Health	39
Social Protection	41
Youth and Sports	43
Empowerment of Women	44
Culture and Heritage	45
Infrastructure	47
Transportation	48
Energy	49
Environment	50
Solid Waste	51
Water and Wastewater	52
Housing	53
Information and Communication Technology	55
Looking Ahead	57

Foreword

In August 2009, the 13th Government of the Palestinian National Authority presented its program setting out our national goals and government policies. This program aimed to build strong state institutions capable of providing for the needs of our citizens under occupation, and despite the occupation. In the intervening two years, the PNA has largely met or exceeded these national goals. Our ultimate objective, a free and independent Palestinian state in the territories occupied in 1967, with East Jerusalem as its capital, has not yet been realized. But we have created an environment, recognized by the international community, in which we, Palestinians, are now prepared for such statehood.

Our people now live in a more secure environment, with unified and empowered security and policing services accountable to Palestinian civil authority. They can now more safely walk the streets of our cities, towns and villages with greater personal security. And in doing so, we have demonstrated to ourselves, to our neighbors, and to the world that the State of Palestine will be an open, free, and secure country in which all citizens will enjoy freedom, liberty and the rule of law. At the same time, we have established the foundations of a more prosperous and thriving environment in which Palestinians can live. And it is certainly our hope that, without further delay, we will be able to extend these accomplishments to include governance and economic activity in the Gaza Strip.

As critical as it has been to transform and prepare Palestinian governmental and economic institutions for independence, equally important has been the transformative nature of this enterprise for the Palestinian people. Palestinians have demonstrated that we are a “can-do” people. While continuing to live under an oppressive military occupation, we have overcome the spirit of defeatism precipitated by four decades of it, taking, to the fullest extent possible, our fate into our own hands.

This has been a movement of self-empowerment in the quest for freedom, justice and dignity. From underneath the dreadful weight of dispossession, misery and self-doubt, Palestinians have come together and empowered themselves under the most challenging of circumstances. Rather than point fingers and lament our tragic fate, we embarked on the more productive path of building our way out of the challenges we have been dealt. Brick by brick, day by day, we have marched forward to prepare not only the ground but also ourselves for the responsibilities inherent in independence and freedom as an equal and responsible member of the world community of nations.

Our strategy of self-reliance and self-empowerment, focused on providing good government, economic opportunity and the rule of law, has removed all pretexts that were exploited to justify our continued occupation. Our effort has been to make statehood inevitable. Our state will be built by building it. We are now ready. This has not been an effort at confrontation. To the contrary, it is meant to create a physical and psychological environment that allows for a re-invigoration of the peace process. We seek peace, justice, and reconciliation with our neighbors and our rightful place as a free and independent country within the community of nations, nothing more, but also nothing less.

September 2011

Salam Fayyad
Prime Minister

Executive Summary

This report presents the **achievements of the Palestinian National Authority (PNA) as it finalises its preparations for an independent State of Palestine, on the June 1967 borders and with East Jerusalem as its capital.** The report not only covers progress made since the last AHLC meeting in Brussels in April 2011, but also highlights major achievements over the past two years in the execution of the Program of the 13th Government, titled *Palestine: Ending the Occupation, Establishing the State*, a period that covers the second half of the *Palestinian Reform and Development Plan (PRDP) 2008-10*, and the first months of the *Palestinian National Development Plan (PNDP) 2011-13*. There are four parts to it, presenting details on governance, the economy, social development and infrastructure. It concludes with a brief forward-looking section.

Since this report covers the period of the Program of the 13th Government we asked our international partners to share their assessment of the progress we made together over the past two years. The report includes, mainly in the sectoral chapters of this report testimonies of donor co-chairs within the local aid coordination structure on progress and achievements made in vital sectors.

The report expresses our conviction that our statehood claim is firmly founded and backed by solid public institutions and fully-developed governance and administration systems that respect human rights, deliver infrastructure and services to citizens effectively and efficiently, and provide a model of good governance. The only barrier to full independence remains Israel's occupation of the Palestinian territory.

While this report does highlight challenges and obstacles that we continue to face, it focuses on the Government's efforts to realise its strategic vision. It describes our national effort to consolidate a progressive, democratic state that is open to the world and reflects Palestinian social identity and character. It presents our simultaneous focus on enhancing our ability to respond to development challenges and building a knowledge-based economy and society in cooperation with the private sector, civil society organisations and local government units.

Although we have fulfilled the institutional statehood requirements we set out to achieve, our vision continues to be expansive. Even after the establishment of an independent Palestinian state, there will be challenges to overcome because institutional development and reform are continuous processes. After independence, Palestine will have to overcome the legacy of more than four decades of occupation and all its adverse impacts on our economy and society. Addressing these will require more concerted efforts not only nationally, but from the global community.

There are many highlights in this report. Over the past two years the Government has made significant progress in advancing the rule of law and human rights. Hundreds more civilians have been tried at regular civilian rather than the Military Prosecution. The Anti-Corruption Commission has begun its work, reviewing tens of cases and referring several to the newly established Anti-Corruption Court for judicial processing. Incoming and backlog cases are being more speedily settled in the courts.

Efforts to enhance safety and security are producing positive results and efforts made to promote the principles of accountability, implement a human rights-based approach and

promote gender equality throughout the security sector are paying dividends. Infrastructure and operational procedures are improving the professional functioning of the Palestinian Civil Police, the Civil Protection, correction and rehabilitation centres, and the Ministry of Interior's district offices throughout the governorates.

The institutional structure and capacity of local government units have been enhanced, amalgamation is on-going, and adjacent municipalities are being encouraged to launch joint services and development projects to increase efficiency. Transparency and community participation are being promoted and accountability is being boosted due to better oversight mechanisms.

Public financial management reform and fiscal adjustment have led to a substantial and sustained decline in net lending for utility payments and a significant reduction of the recurrent budget deficit in line with medium-term budget targets. However, a severe financial crisis was precipitated by persistent shortfalls in donor contributions to recurrent budget. Obligations to the public sector personnel and the private sector could not be fully met.

The Government continues to advance administrative reform and development throughout its structure, and it finalised and published the *National Development Plan (NDP) 2011-13* and updated the *Palestinian National Early Recovery and Reconstruction Plan for Gaza*. The legislation process has been improved, and it has become more participatory, benefiting from an updated legislative drafting manual and a defined process for public consultation on legislation. A draft code of conduct for civil servants has been prepared and an effort is underway to expand e-government services.

The economy continues to be rebuilt to serve as a pillar for viable independence. The investment climate is being improved and partnerships with the private sector are being consolidated. Elections to the Chambers of Commerce, Industry and Agriculture were conducted throughout the West Bank and the government will work closely with chamber boards to establish local development councils in the governorates. A national strategy is being drafted to reinvigorate these chambers and support small and medium enterprises.

For the last year, there was hardly any progress in lifting economic restrictions in the West Bank and only a small increase in commercial goods entering Gaza. This, coupled with fiscal retrenchment and political uncertainty, dampened consumer demand and reduced private sector investment. As a result, the growth rate in the West Bank declined to 3.4% in Q1 of 2011, and tax revenues have been lower than anticipated. This is expected to increase the fiscal deficit in 2011 above budget projections, exacerbating the financial crisis caused by shortfalls in donor budget support.

International trade relations continue to be facilitated, accession to the World Trade Organisation (WTO) continues to be pursued, and bilateral economic ties with other states and economic blocs are being strengthened.

Equitable access to public services is a primary concern of the Government, especially in the Gaza Strip, East Jerusalem, "Area C" and rural and marginalised areas affected by the Separation Wall and settlement activity. Social cohesion, fair working conditions and the delivery of quality social services continue to be important national objectives. Social service provision is being enhanced and service delivery is better aligned with economic and social needs, so

that social protection, healthcare and education services can be extended to all Palestinians. A creative, knowledge-based society continues to be promoted, and it has become better able to absorb, utilize and contribute to scientific and technological advancements. ICT and e-government applications are improving governance, building the capacities and skills of staff and enhancing overall institutional performance and competitiveness. Continued investments in this economic environment will help to absorb skilled labour and newly graduates, and thereby reduce labour migration while strengthening the local economy.

Education infrastructure has received major investment to accommodate high enrolment rates and meet the rising demands of our growing population. Hundreds of new classrooms have been built and furnished, maintenance works in schools are on-going, and fourteen school buildings have been upgraded to serve students with special needs. The national strategy for teacher training continues to build the capacity of the teaching profession. Better and more accessible technical and vocational education and training remains a major investment priority, supported by the construction and maintenance of vocational schools.

Progress continues to be made on a network of healthcare centres and facilities throughout Palestine. Mobile clinics are ensuring access to healthcare services in "Area C" and the seam zone where Israel prevents the PNA from providing basic health services and obstructs the work of international organizations.

A reformed approach to the social safety net is allowing for an expansion of the scope and coverage of social care and protection services to poor and vulnerable individuals and households. Tens of thousands are benefitting from the Government's new Cash Transfer Programme which is using personal bank accounts to transfer cash assistance. An action plan to promote institutional and human capacities and ensure optimal service delivery is in place.

Efforts to empower Palestinian youth, to fulfil their potential and help them to participate in political, social and economic processes, are making great strides. Infrastructure has been provided for youth clubs and sports activities, summer camps and clubs have been organised, and the spirit of participation, cooperation, and voluntary work continues to be promoted.

The empowerment of women and the consolidation of their participation in political, social and economic life remain a key priority and is being ensured through gender policies and programmes in ministries and government bodies. The institutional and legal framework are being reformed to better safeguard women's rights and protect them against all forms of discrimination.

Palestinian cultural life is being rejuvenated through cultural and artistic festivals that showcase the people, their culture and heritage.

Israel retains its tight grip on Palestinian aquifers, but some development of the water sector has been achieved. Palestinians enjoy almost universal connection to water supply networks. A large-scale desalination plant has been approved for construction in Gaza and a number of sewerage networks and wastewater treatment plants are currently under construction across the West Bank and Gaza Strip. A unified electricity tariff system has been put into operation and a hundred thousand prepaid electricity meters provided to electricity distribution companies and municipalities across the West Bank.

Rising housing demands are being met through a public-private partnership to put in place the infrastructure needed for new residential quarters and housing projects. After years of delay by Israel, a second mobile telecommunications operator is now in place, further liberalizing the telecommunication market. The transportation sector is being developed and extended, licence revenues are rising and hundreds of kilometres of rural and inter-city roads have been constructed, paved or rehabilitated.

Real impediments, however, remain obvious to us and all donors involved in Palestine. The Israeli occupation remains the major obstacle to establishing the State of Palestine and the territory remains fragmented into areas designated as "A", "B", and "C" under the Oslo Accord. There is no territorial link between the West Bank and the Gaza Strip, or contiguity within the West Bank, including East Jerusalem. Israeli restrictions on movement and access, including their full control of external border crossings into the West Bank and Gaza, continue to be real obstacles to establishing the state. The West Bank's natural resources, such as land and water, are predominantly out of reach for Palestinians. The political climate remains unstable, which stifles growth and hampers business confidence. The occupation is curbing foreign investment and business partnerships, which undermines the integration and competitiveness of the local economy. In Gaza, poverty and suffering remain pervasive. Limited measures taken by the Government of Israel have done little to alleviate the misery caused by the enduring and entrenched siege. Our international development partners remain constrained in helping us implement our projects and programmes. The capricious control regime imposed by the State of Israel still constitutes a major challenge, undermining the very fabric of our nation.

In the face of these challenges, the Palestinian Government continues to build on its achievements. Preparations for statehood are fundamentally complete; and following independence, we will continue to work to overcome the impact of the occupation. When it can exercise full sovereignty, the Government is determined to consolidate and expand on the reforms and developments achieved to date through effective local, regional and international networking and partnership.

The remainder of this report expands on some of the themes and developments highlighted in this summary. While not exhaustive or comprehensive, the presentation should make it amply clear that the last AHLC meeting was right to find that the PNA had crossed the infrastructural and institutional threshold of readiness for statehood.

We, Palestinians, are indeed ready to join the world's community of nations as a modern, progressive and well-functioning state. Thus, the question now has squarely become whether the international community is ready to effectively assume its full moral, legal and political responsibility toward transforming the reality of Palestinian statehood, which we have successfully managed to project, into a fully sovereign state of Palestine on the territory occupied in the 1967, with East Jerusalem as its capital and with lasting peace, harmony and security with all of its neighbours, thereby helping bring to fruition our quest for freedom and justice, and with it the realization and embodiment of the internationally shared vision of the two-state solution to the Palestinian-Israeli conflict.

Governance

At a Glance

In line with its Program (*Palestine: Ending the Occupation, Establishing the State*) which is built on the Palestinian Reform and Development Plan (PRDP) 2008-10, the 13th Government has worked diligently to establish a solid governance system, ensure better public service delivery across the homeland, and build Palestinian institutions that are fully empowered to shoulder their assigned responsibilities. As the Program nears completion, our government institutions are ready and eager for sovereign leadership of an independent State of Palestine.

The most recent assessment of the **European Union Representative Office**¹ concludes:

The Palestinian Authority has, without doubt, delivered very solid results throughout the central pillars that commonly define statehood. Hence, we conclude that today the Palestinian Authority is prepared to assume the functions and responsibilities of a sovereign state.

Determined implementation of the Program of the 13th Government has promoted human rights, safety and security, public order and rule of law, the development of institutional capacity and infrastructure. It has forged closer cooperation between the public sector, the private sector, and civil society. It has also succeeded in advancing transparency and accountability systems, which has in turn positively impacted on anti-corruption endeavours throughout Palestine. As a result of its structured and well-informed planning in the security and justice sector, the Government has bolstered and enhanced legal frameworks as well as civil and criminal justice systems. The development of the justice sector has been accompanied by the development of effective and accountable security agencies. Palestinian civil society organizations, especially universities, have contributed to this development process. Their contributions in legal education and judicial training have been extremely valuable, and have culminated in improved delivery of security and justice services to the population. As an indicator of strengthened public safety and security perceptions, and of growing trust and confidence in the security and justice system, more citizens are now seeking remedy through the formal judicial system.

The 13th Government has continued to develop the local governance sector by empowering institutions and promoting accountability. Improving the institutional capacity and infrastructure of the Ministry of Local Government (MoLG) and of Local Government Units (LGUs) is a particular focus of attention. Major achievements include amalgamating LGUs, promoting administrative and financial decentralisation, establishing guidance and oversight mechanisms, enhancing community participation in local governance processes, and building partnerships with the private sector and civil society.

The Government has continued to improve administrative and financial performance and transparency across institutions, in line with international standards. Integrated policy-making, budgeting and planning processes are in place, supported by effective and efficient

1 European Union Representative Office, donor Co-Chair of the Governance Strategy Group, *Statement on Progress in Governance*, report presented to MoPAD on 26 July 2011.

policies to achieve planned targets. To optimize available financial and human resources, the Government has improved the management of international aid and has enhanced policy- and law-making processes. As a result of reforms implemented over the past two years, the public financial management system has become well developed, revenues have increased, while a tight expenditure policy continued to be maintained, thereby significantly reducing the budget deficit. Unfortunately this fiscal consolidation process was not enough to address what has become a persistent shortfall in donor funding. Consequently, a severe financial crisis has ensued.

The Israeli occupation remains the key impediment to improvement in the governance sector. The fragmentation of Palestinian land, restrictions on movement of people and goods, the absence of territorial sovereignty, limited security control, and curtailed jurisdiction continue to restrain our efforts to provide safety and security to all Palestinian citizens, particularly in "Area C" and East Jerusalem, as well as to administer justice throughout the homeland. Moreover, Israel's policies and practices result in an unsustainable fiscal position, which negatively impacts on the whole Palestinian economy and jeopardises the overall development process.

Justice

The Government has succeeded in delivering improved judicial services to Palestinian citizens. Special attention has been paid to promoting and safeguarding human rights, fighting corruption, and developing institutional capacity and infrastructure for the justice sector. We have been rewarded with a strengthened justice system and a judiciary that is capable of effective and timely disposition of cases. To supplement the existing justice system, the Government has continued to develop legal aid, juvenile justice, forensic medicine and alternative dispute resolution mechanisms, including arbitration and mediation. Accordingly, the justice sector is fully capable of meeting the responsibilities of statehood. Due to the continued Israeli occupation, however, curtailed territorial jurisdiction is the major obstacle to administering justice and establishing the rule of law throughout Palestine.

According to the assessment of **the Netherlands** (the donor Co-chair of the Justice Sector Working Group) and the **Justice Sector Working Group**²,

On the overall level, the Justice Sector institutions have achieved remarkable progress over the past few years. Following long periods of turmoil, insecurity and institutional fragmentation, the PNA, in close cooperation with the international donor community, has re-established a credible justice system In the districts of the West Bank, there is evidence that the institutional capacity and the skills of judges, prosecutors, court staff and lawyers are improving: the length of time that it takes for cases to reach disposition is reducing, the overall number of detainees held in pre-trial detention is also dropping, and there are signs that the Palestinian public's confidence in the judicial system is growing....

In line with the goal of promoting respect of human rights and public freedoms, civilians indicted at military courts are being referred to the Public Prosecution. In the period between issuing the relevant decision by the President in January 2011 and late June 2011, a total of 550 persons were transferred to the Public Prosecution.

Over the reporting period, the Ministry of Justice (MoJ) has improved the institutional capacity of the MoJ-based Human Rights Unit. In cooperation with several educational institutions, particularly Al Quds University, the Ministry has launched a training programme for MoJ staff in documenting and handling complaints on human rights violations. The MoJ also signed a Memorandum of Understanding (MoU) with the Treatment and Rehabilitation Centre for Victims of Torture (TRC) to issue a *National Guidance Manual on Combating Torture*, which will seek to raise public awareness about torture issues and promote implementation of international anti-torture conventions. Furthermore, the Ministry has finalised the incorporation of recommendations voiced at the national conference on the *Palestinian Draft Penal Code*.

² Netherlands Representative Office, donor Co-chair of the Justice Sector Working Group, *Progress Report Donors Perception*, report presented to MoPAD on 17 July 2011.

The Independent Commission for Human Rights Freedom, Dignity, Rule of Law

Established in 1993 by Presidential Decree, the Independent Commission for Human Rights (ICHR)³ is mandated to safeguard human rights and to ensure that those rights are upheld within different Palestinian laws, by-laws and regulations, as well as within the work of various departments, agencies and institutions of the State of Palestine and the Palestine Liberation Organization (PLO). As part of its ombudsman function, the ICHR deals with cases of human rights violations and complaints submitted by citizens, and promotes a human rights culture within Palestinian society. The Presidential Decree ensures the full administrative and financial independence of the ICHR.

Through its branch offices in the West Bank and Gaza Strip, the ICHR has established itself as a reference point and a credible source of information addressed by all domestic and international human rights institutions. The ICHR's *Annual Report on the Status of Human Rights in Palestine* is a reference for both government and non-government organisations. During its 18 years of operation, the ICHR has contributed to developing national policies and legislation relating to human rights, and ensuring compliance with international human rights standards.

The ICHR is a full member of the International Coordinating Committee (ICC) of the United Nations National Human Rights Institutions (NHRIs) and the Asia Pacific Forum of National Human Rights Institutions (APF). In cooperation with the United Nations Office of the High Commissioner of Human Rights (OHCHR), the ICHR has played a leading role in establishing national human rights institutions throughout the Arab World and providing expert services in the region.

The Government continues to fight corruption throughout the PNA. In spring 2011, the Anti-Corruption Commission joined the Arab Anti-Corruption and Integrity Network (ACINET). The Anti-Corruption Commission has since received 80 cases of alleged crimes of corruption from the Attorney General's Office. Out of these, the Commission has referred 28 cases to the Anti-Corruption Court for judicial processing. The Commission has also received dozens of complaints and notices, which it has duly examined and processed. During the first half of 2011 one suspect was convicted, while 5 cases are pending judicial appeal. The Commission has also referred a total of 40 complaints and notices to the Attorney General's office.



In the first half of 2011 Palestinian courts settled a total of 58,534 cases (including civil and criminal cases, as well as traffic violations), adjudicating incoming cases as well as reducing the backlog of cases from previous years. Of these, Magistrate Courts dispensed 106% of the caseload, Courts of First Instance 94%, Courts of Appeal 105%,

3 When it was first established, the ICHR was named the Palestinian Independent Commission for Citizen's Rights. Later, the name was changed into the current Independent Commission for Human Rights.

and the High Court of Justice 108%⁴. This outcome is a fruit of the Government's efforts to develop institutional capacity and infrastructure in the justice sector and enhance public service delivery, including the use of IT programmes in case management and administration.

The High Judicial Council (HJC) has started to implement the "Mizan II" case-management IT system throughout West Bank courthouses. As a model for the e-government initiative, the system will promote the exchange of data between the judiciary, government bodies and the Palestinian Bar Association. To optimise its use of financial and human resources, the HJC has worked towards developing its financial system and organisational structure. It has also continued to develop judicial training curricula and organised many training programmes targeting judges and prosecutors in the areas of human rights, litigation procedures, execution of court judgements, anti-corruption activity, counterfeiting and fraud, real estate mortgage, financial leasing, customs, electronic archiving, etc. The Public Prosecution, for its part, has moved into new and renovated district offices in Dura and Nablus. Currently, work is underway to equip Public Prosecution offices in Salfit, Tulkarem, Jericho, Qalqiliya, and Hebron.

Security

As a result of technical, administrative and professional advancements, the Palestinian security establishment is fully prepared to provide safety and security for the future State of Palestine. The efforts of the 13th Government have resulted in a significant improvement in public order, promoting the rule of law, safeguarding rights and freedoms, safety, and high-quality police and security services. Administrative and financial transparency and accountability have been considerably improved, and closer relations now exist between the security sector and civil society. However, the Israeli occupation infringes on Palestinian security control, depriving presence at our external borders, continuing, through military incursions and other activities, to undermine our national security efforts, and limiting our ability to meet the safety and security needs of our citizens outside "Area A".

According to the **assessment of UK - DFID** (the donor Co-chair of the Security Sector Working Group) and the **Security Sector Working Group**⁵,

The PNA has undoubtedly achieved huge progress in developing the security sector over the past few years. This is a key element of the programme to build the state, and in so doing, effectively serve the Palestinian people whilst making a serious contribution to confidence-building towards a negotiated two-state solution and ending the occupation....

The redeployment of the Palestinian security forces in the West Bank from the second half of 2007 was an important and successful step, which had immediate benefits for people's sense of security and for the economy. There has subsequently been great progress in areas such as addressing human rights concerns; major infrastructure developments; organisational reforms; and training and technical capacities.

4 Percentages above 100 points include a reduction of backlog cases from previous years;

5 UK - DFID, donor Co-chair of the Security Sector Working Group, *Progress in the Security Sector, challenges and priorities going forward*, report presented to MoPAD on 27 July 2011

Progress in the sector has been rapid, but there is still much to do. These priorities include: the reorganisation and clear definition of roles and responsibilities of the security services and clarity on their line of accountability to the civilian political leadership (also the clear implementation of the policy of police primacy); strengthening the transparency and public accountability of the security services in order to build strong community relations with citizens and to ensure that the human rights of all citizens are respected without exception; and developing effective civilian government oversight and inspection systems in the Ministry of Interior and the security establishment.

Over the reporting period, a total of 80,866 legal decisions (including traffic violations, court orders, etc.) were executed and 1,367 case files of crimes affecting persons and properties were handled. The Palestinian security services have continued to seize illegal weapons, military equipment and laundered money. Security agencies have also carried out some 3,700 security activities (including arrests, security patrols, etc.) during the same period.

The Government was able to respond to the increased demand for improved civil protection and public safety through a number of measures: field visits to ensure public safety conditions rose by 82% during the first half of 2011 compared to the second half of 2010. Also in the first half of 2011, Civil Protection carried out a total of 943 fire fighting operations and 627 rescue missions. Civil Protection has continued to raise awareness about public safety and disaster preparedness, organising 259 training and awareness sessions with a total audience of 21,405 citizens from various civil society organisations, schools, summer camps, and neighbourhoods.

To scale up security-related infrastructure, the Government has finalised construction of the correction and rehabilitation centre in Jericho and allocated land for the construction of an additional three centres in Dura, Jenin, and Qalqiliya. To extend the outreach of the Palestinian Civil Police, new police stations are being established: within the reporting period the cornerstones for four new police stations were laid in Jenin while the first phase of construction of the Palestinian National Security Training Complex in An Nawai'ma, Jericho, was completed. In this complex, three buildings have been built and are now being furnished. Work is currently underway to construct the Palestinian National Security Force Camp in Jenin. Spread over an area of 120,000 square metres, the camp will accommodate a brigade of 650 members. Once completed, it will be the major headquarters of the National Security Force in the Jenin Governorate. Also in Jenin, a joint operations room was inaugurated with the aim to promote increased cooperation between all security services in the Governorate. Thirty-six security officers were trained to command and manage the operations room, which has been equipped with up-to-date technological devices. Approximately 85% of the second phase of the *Al Muqata'a* reconstruction project in Nablus has been completed and the first phase of building *Al Muqata'a* in Tulkarem has been initiated. To enhance the quality of public service delivery, the Ministry of Interior (MoI) has rehabilitated and inaugurated MoI district offices in Jericho and Bethlehem.

Over the past six months a security Project Management Office has been established at the MoI and is tasked with designing new project proposals in accordance with the Security Sector Strategic Plan and the PNDP 2011-13, devising development plans and studies, implementing necessary interventions in line with priority needs, and carrying out monitoring and evaluation tasks to ensure the realisation of set targets. To promote performance and

service delivery, the security establishment has continued to train security officers. In the past six months the seventh National Security Forces brigade graduated in Jordan, while senior officers completed the ninth training course and intermediate commanders the seventh training course. In addition several training seminars on human rights, gender equality, logistical support, development of training curricula, training of trainers, computer skills, project management and languages have been organised in this period.

Correction and Rehabilitation Centre in Jericho

The Government has completed construction of the Jericho Correction and Rehabilitation Centre, which accommodates 175 inmates, including 140 males and 35 females. The centre has been built to meet severe shortfalls in the quality and effective operation of correction and rehabilitation centres in the West Bank, especially those designated to accommodate female and minor inmates. In



line with international human rights conventions, the Jericho Correction and Rehabilitation Centre has been constructed and equipped in accordance with international standards. The centre houses prisoner sections including study rooms, medical facilities, a library, open-air yards and industrial and agricultural workshops for vocational skills, which will help inmates reintegrate into society. The specific needs of women have been anticipated, including a separate ward for mothers with babies. Other facilities include professional workshops, a drug rehabilitation facility and prison staff dormitories. A specialised team has been trained to manage the Correction and Rehabilitation Centre in line with best international practice.

Local Governance

The 13th Government has continued to empower the Ministry of Local Government (MoLG) and Local Government Units (LGUs) to further consolidate democracy, transparency, and community participation in the local governance sector. With the aim of contributing to domestic development initiatives, the Government is also promoting the concept of public-private partnership.

According to the assessment of **Denmark** (the donor Co-chair of the Municipal Development and Local Governance Sector Working Group) and the **MDLG Sector Working Group**⁶,

6 Denmark Representative Office, donor Co-Chair to the MD&LG Sector Working Group, *Progress Report Donors Perception*, report presented to MoPAD on 18 July 2011.

...the past year has witnessed considerable progress in the [local governance] sector, including policy developments facilitating state building and improved service delivery. This is widely acknowledged as a result of a strong cooperation between the Ministry of Local Government, local government units and an emerging strong donor alignment and harmonization among financing partners, international agencies and civil society partners.

In order to promote local development initiatives, the MoLG has started to develop 41 local development strategies, which identify the development needs, priorities and projects in the selected locations over the next four years. These strategies are drafted in partnership with local communities and with technical support of the MDLF. These 41 strategies are clustered into nine locations, including two in the Gaza Strip.

To consolidate their sustainability and strengthen their self-reliance, the development of LGU infrastructure and administrative reform have received holistic Government attention. The Government has proceeded with implementing the amalgamation process of LGUs and adjacent municipalities are being encouraged to launch joint services and development projects in order to increase efficiency. Laws and by-laws have been promulgated and operational manuals for local governance developed. In this context, consolidated financial and administrative regulations were developed to improve the capacity of LGUs within a decentralization process. Preliminary draft manuals for accounting on a cash basis were compiled for medium-sized municipalities. These are being applied in 31 municipalities. A unified budgeting model has been adopted and an electronic budget consolidation programme is in operation. In accordance with the *Regulation on Local Government Staff*, the MoLG endorsed organisational structures for LGUs classified as medium performers (ranked C and D in the local classification system), as well as for tenured LGU staff. Lastly, a final draft of the *Physical Planning Procedural Manual* was compiled and a tender was issued to implement physical plans in four pilot areas.

To promote transparency, accountability and participation in the local governance sector, the MoLG endorsed the *LGU Guidance and Oversight Policy Paper*. The Ministry has also started implementation of a capacity building programme targeting MoLG monitoring and evaluation staff throughout Palestinian governorates. The *Community Participation Policy Paper* was approved and LGUs were requested to develop executive plans to ensure the implementation of the paper across all municipalities.

Believing in the significance of women's participation in the development process, the MoLG has compiled a special gender charter, developed gender-sensitive indicators for use throughout the local governance sector and published an operational manual for the integration of gender-aware analysis and responses within the sector. As a first step towards strengthening the role of youth in local development, 11 youth councils were established as a result of a joint effort by the MoLG and the LGUs in various areas in the West Bank.

Municipal Development Programme (First Phase)

Transparency, Partnership, Sustainable Development

In 2005, the Municipal Development and Lending Fund (MDLF) was established as a quasi-governmental body that works in collaboration with the MoLG. Based on national policies and plans, the MDLF promotes accelerated Palestinian action to create sustainable, decentralized, prosperous and creditworthy LGUs through the prudent management of the resources they generate. The main objective of the Fund is to encourage the flow of financial resources from the PNA and various donors to LGUs in order to improve the delivery of local infrastructure and municipal services, to promote economic development and to enhance municipal efficiency and accountability.

Planned for in the PRDP 2008-10, the Municipal Development Programme is the largest of all the MDLF components. It provides infrastructure grants to municipalities and enhances municipal performance through financial, planning and operational capacity development. The Programme uses an allocation mechanism that distributes resources to municipalities in order to finance capital investments and infrastructure projects based on local needs, population size, and good management practices.

Two and a half years after it was launched, the Municipal Development Programme has succeeded in consolidating the efforts of donors and interested bodies to improve municipal performance and develop integrated projects with a broader and more sustainable impact. Municipalities have benefited from the Programme's financial resources, which helped to enhance administrative and financial performance, infrastructure networks, and better service delivery to citizens.

Launched in mid-2009, the Municipal Development Programme includes two phases, each one consisting of two distinct cycles. The Programme links the volume of its resource allocation to LGUs by means of quality performance indicators which measure their implementation, output and overall financial performance. The MDP has four windows:

- 1) Performance-based grants for municipal service delivery.
- 2) Promotion of learning and innovation to facilitate municipal development.
- 3) Technical assistance to improve municipal performance ranking.
- 4) Support for programme management and quality control.

A monitoring and evaluation system has also been established to assist in informed decision-making and promote the fair and performance-based allocation of resources.

The disbursement windows have helped LGUs to scale up their financial, planning and operational performance, and to improve their ranking and thus obtain larger financial allocations. Within the first window (performance-based grants for service delivery) EUR 23.6 million have been disbursed since the start of the programme across 132 LGUs in the West Bank and Gaza Strip. An additional EUR 3 million were disbursed across 119 LGUs under window 2 (learning and innovation) and 3 (programme management and quality control). Support in the latter windows went mainly to financial policy making, strategic development planning and asset registration.

As a main outcome the Municipal Development Programme is developing and promoting transparency, partnership and public accountability in LGU operations. A total of 221 projects have been designed with full community participation, an approach which is being institutionalised through the Municipal Development Guidance Manual. Social development experts and engineers have been involved in the project evaluation process in order to assess their full social impacts. As an indicator of its successful approach, surveys published by the MDP affirm that transparency in municipalities is being enhanced. Today, 56% of municipalities make budgets and financial data public, 60% report on their level of performance, and 92% publish information on projects and achievements. Having gained the trust and confidence of all parties, the MDP is an example of professional performance and transparency. It is a model for all efforts to ensure sustainable development in Palestine.

Public Financial Management

The 13th Government has succeeded in capping and rationalising expenditures and in increasing domestic revenues as part of its strategy to reduce reliance on external aid: PNA revenues increased by 21% between 2009 and 2010 in US dollar terms, when for the first time since the PNA was established, national revenues have exceeded some US\$ 2 billion. Recurrent public expenditures dropped to 38% of the GDP in 2010, down from 47% of the GDP in 2007. Net lending decreased from 10.3% of the GDP in 2007 to 2.9% of the GDP in 2010.

According to the assessment of the **IMF** (the donor Co-chair of the Fiscal Sector Working Group)⁷,

...the PA is now able to conduct the sound economic policies expected of a future well-functioning Palestinian state, given its solid track record in reforms and institution-building in the public finance and financial areas. Steady reforms in the public finance management system have enabled the PA to tightly control expenditures, apply rigorous budget preparation and execution practices, and establish fiscal transparency and accountability in line with international standards.

Following steady institutional reforms since 2007, the Palestine Monetary Authority (PMA) is now in a position to carry out the functions of a central bank. These reforms have enabled the application to all banks in the West Bank and Gaza (WBG) of a rigorous supervision and regulatory framework through regular on-site and off-site supervision and towards the implementation of Basel II standards that are expected to be fully implemented by mid-2012.

The Government has kept up its efforts to develop the institutional capacity of the public financial management system; in particular, the Ministry of Finance (MoF) has continued to improve the budget preparation and implementation process. The MoF has developed a budget circular form and organised several workshops for ministries and government bodies which aimed to strengthen the working relationship between planning and financial

⁷ IMF, *IMF Assessment of Fiscal Performance and Reform Progress (April 2011, AHLC Report)*.

departments on the one hand, and the MoF and MoPAD on the other. The workshops aimed to align budgets to programmes in accordance with the priorities and ceilings defined in the PNDP 2011-13. The MoF is using the *Government Financial Statistics Manual* of the IMF to guide budgeting and financial reporting processes, and has adopted a programme-based method to control budget implementation. To allow for better budget implementation, the Government has integrated the commitment control system (CCS) into the financial management information system (FMIS). This, and other improvements, in the public financial management system (PFM) have enabled the MoF to better prioritize expenditure commitments, and thus limit the accumulation of payment arrears.

In June 2011 the Customs Court started to examine a number of cases. This is a significant step towards promoting the cooperation of the executive and judiciary in enforcing revenue collection and reducing customs evasion.

The PNA is currently confronted with a severe financial crisis. Persistent shortfalls in external budget support, aggravated from time to time by withholding of PNA clearance revenues by the Government of Israel, have compounded the adverse impact on economic activity associated with our deficit-reduction effort. Thus, as a consequence of the aid shortfall there was a further accumulation of arrears in the first half of this year, when the Government was only able to pay half of the public wage bill for the month of June. Looking ahead, these adverse developments have compelled us to seriously consider mounting a far-reaching fiscal adjustment effort, with a view of eliminating the need for external budget support by end-2012. The main features of this adjustment effort will have been identified by the third week of September, with the expectation of having them adopted by December of this year.

Administrative Development and Aid Effectiveness

The 13th Government has deepened its engagement in administrative development to create a responsive, transparent, accountable, effective and efficient Palestinian public sector that delivers high quality services and value for money to all citizens.

The major achievement in administrative development in this reporting period is the MoPAD's release of the PNDP 2011-13 in April 2011. The Ministry, in coordination with various other PNA bodies, has also embarked on reviewing interventions under the Palestinian National Early Recovery and Reconstruction Plan for Gaza. This process will both identify completed interventions and organise how to address the remaining priorities by reviewing the current resource requirements and determining interventions for the first year of reconstruction – if access to required materials is granted by Israel.

A comprehensive governance initiative has been launched in the field of public sector reform and modernisation, as laid out in the PNDP 2011-13. This initiative focuses on four major themes: legislative drafting and public consultation processes, promotion of international integrity standards in the civil service, application of OECD standards and practices in e-government, and bolstering Palestinian participation in dialogue on regional policies and

programmes implemented by the OECD. Two documents have been developed as a result of this initiative: an *Assessment Report of Legislative Drafting Manuals in the Palestinian Authority*, and *Regulatory Consultation in the Palestinian Authority: A Practitioners' Guide for Engaging Stakeholders in the Democratic Process*. Parameters and criteria for a Code of Conduct for Palestinian civil servants, as well as an assessment report with recommendations on e-government, have also been produced.

A strategic assessment of the civil service sector in Palestine started in May 2011, producing a first draft which has been distributed to all relevant PNA bodies for review. It addresses several major issues including Civil Service law, a Code of Conduct for Civil Servants and the role of central civil service institutions. The report focuses on the PNA's employment classification, grades, wages, links between budget reform and civil service reform, among other issues.

To establish a functioning monitoring and evaluation system, MoPAD has organised three specialised training courses on monitoring and evaluation, bringing together 85 representatives from all ministries. Additionally, the Ministry is now monitoring the implementation of the PNDP 2011-13 at the national level.

To advance its aim to optimize the management of international aid, the Government participated in the Paris Declaration Monitoring Survey 2011 which analyzed the progress made to achieve the targets of the Paris Declaration on Aid Effectiveness. The survey, combined with additional research, revealed that Palestine received some USD 2.5 billion of aid in 2010 (including humanitarian aid), accounting for 36% of its GDP.

The survey results show that approximately 80% of aid to the Government is currently reported on-budget, which indicates a high percentage of budget support and quasi budget support. This, in turn, shows a strong alignment of aid with national priorities. However, significant challenges in implementing aid effectiveness principles remain: less than 50% of OECD donors currently utilise the Palestinian public financial management (PFM) system for implementation of aid flows. Harmonisation among donors remains weak: the survey revealed that only 8% of all missions are coordinated.

The Palestinian aid management and information system, DARP, has been further updated to establish solid data on Official Development Assistance (ODA) flows to Palestine. More than 1,500 projects have been entered into this database and are available for public access. The process of annual consultations is on-going and the results are viewed very positively by all involved actors. In the first half of 2011, 9 annual consultations were conducted with major donors, while a further 7 are scheduled for the second half of the year.

Integrity, Transparency and Accountability within the PNA

The PRDP 2008-10 saw good governance as a precondition for sustainable development, and thus as a key aspect of PNA efforts to sustain social cohesion, advance justice and equality, and create a stable environment for investment. To achieve its goals, the PRDP 2008-10 defined nine programmes that primarily aimed at reforming the public sector to deliver open and accountable government and establish efficient and effective institutions. The PNDP 2011-13 further advances the goals of greater integrity, transparency and accountability.

According to the assessment of **AMAN** (The Coalition for Integrity and Accountability)⁸,

Reforms implemented over the past three years have yielded a notable improvement in the fields of public financial management, transparent and impartial employment, oversight mechanisms, as well as in administrative and financial processes in the security services, particularly within the Palestinian Civil Police and Civil Protection. In effect, bribery, nepotism and favouritism have declined remarkably. While leaving room for further development, the achievements have laid the sound foundations of good governance throughout the government bodies. However, a strategic approach needs to be adopted so as to involve all actors, including government agencies, civil society organisations, and the private sector. In addition, the Palestinian Legislative Council (PLC) should be reinvigorated as a legislative body that exercises control over the Executive and plays an indispensable role in public accountability.

In the past two years the Government has worked to consolidate its partnerships with the private sector and civil society in strategic planning, policy-making, and budgeting processes. On the local level, the MoLG has continued to work with LGUs to promote local community participation in setting development priorities.

To further promote transparency, the Government has adopted a policy of public access to information. Access has been provided to such documents as the PNDP 2011-13, sector strategies, national budgets, financial reports, and final audits. At the level of LGUs, the MoLG adopted a new policy paper on public accountability, including principles that regulate the sharing of information. Accordingly, LGUs will be obliged to publish relevant budgets, make them accessible to citizens, and disclose and announce projects and tenders.

To consolidate public accountability, the Government has stepped up anti-corruption efforts. It promulgated the Anti-Corruption Law, set up the Anti-Corruption Commission and seconded a Public Prosecution division to it. The Government also established a court specialising in corruption cases. The Financial and Administrative Control Bureau (FACB) developed government auditing standards based on international practice and expertise, especially the INTOSAI (International Organization of Supreme Audit Institutions) Code of Ethics and Auditing Standards. Advanced systems for the oversight of budgets, expenditures and revenues in government bodies and certain LGUs have been developed, and a national monitoring and evaluation system based on indicators and targets has been set up in the PNDP and sector strategies.

⁸ Interview with Azmi Shuaibi, Commissioner, The Coalition for Integrity and Accountability (AMAN) – Transparency International's branch in Palestine, conducted by MoPAD, 5 July 2011.

Civil Society Organisations: A Vibrant Development Sector

Currently more than 2,000 registered civil society organisations (CSOs) are operating in Palestine, receiving some 10% of external aid flows. Many CSOs were established in the 1980s to meet people's basic and development needs, which the Israeli occupying regime did not provide for. CSOs' areas of operation then included preschool and higher education, healthcare, agriculture, women's rights, human rights, etc. Reflecting its confidence in their significant development role, the PLO officially supported CSOs in the Palestinian territory. With the establishment of the PNA in 1994, CSOs more than doubled, leading to diversified lines of activity. These include service providers, watchdog NGOs, unions, as well as intellectual, legal and political associations.

CSOs have since played a complementary role in Palestinian Government efforts to build state institutions anchored in the principles of good governance. CSOs have also taken part in promoting the national economy, social activity, rule of law, etc. The Government believes that CSOs play a significant role in connecting the State and its citizens. This joint approach will safeguard public rights and freedoms, consolidate democratic values, preclude authoritarian rule by the State and pave the way to political, economic and social change. In addition to securing access to public services and commodities, all segments of the society, including CSOs, have also been involved in prioritisation, policy-making and resource allocation to ensure a better response to citizens' needs. The Government believes that such partnership and integrated activity is essential to achieve national goals, especially because CSOs can access areas from which the Government is barred by Israeli restrictions, especially in East Jerusalem and "Area C" in the West Bank, although CSOs do not have unfettered access to these areas either.

Indeed, major challenges impede CSOs' smooth operation, and they too suffer from various restrictions in East Jerusalem and "Area C". Internally, there is still room for improvement when it comes to coordination in policy making, planning and prioritization of CSOs, both with the government and among CSOs themselves. Additionally, CSOs rely heavily on external aid.

Economy

At a Glance

In its final preparations for statehood, the 13th Government continues to realise the economic development initiatives articulated in *Homestretch to Freedom: The Second Year of the 13th Government Programme*. Aiming to establish an environment conducive to investment and private sector growth, the Government is finalising legislation regulating administrative and financial reform, promoting public-private partnership, and consolidating consumer protection. The Government is also launching long-term initiatives to rebuild the productive base of our national economy, a step which is crucial to strengthening domestic production and expanding the Palestinian export market. To bolster the legal framework, the Government approved a package of laws in 2011 aimed at improving the investment climate and advancing administrative and financial reform efforts. These include the *Decree Law No. (2) of 2011 on the Amendment of the Investment Promotion Law No. (1) of 1998*; *Decree Law of 2011 on Public Procurement*; *Decree Law No. (3) of 2011 on the Amendment of the Law of Public Eminent Domain No. (2) of 1953*; and *Decree Law No. (19) of 2011 on Restructuring of the National Anti-Money Laundering Committee*. Additionally, the Government has promulgated a number of regulations, including *Regulation No. (7) of 2011 Amending the Regulation on Chambers of Commerce No. (58) of 1961* and *Regulation No. (8) of 2011 Amending the Regulation on Chambers of Industry No. (59) of 1961*.

The efforts we have made, and the policies we have pursued to develop our economy over the past three years are essential to ensuring economic viability over the medium term and beyond. Nonetheless, the Palestinian national economy is struggling – largely as a result of general Israeli restrictions and the siege on Gaza in particular – to maintain the growth levels achieved in the past three years. Continued fiscal retrenchment has already started to dim out the growth prospects in the absence of an increase in private investment of an order of magnitude adequate to compensate for the consequent withdrawal of fiscal stimulus. This said and in spite of the economic hardship resulting from the siege, economic indicators in Gaza have recently improved, although not to the desired level. In Q2 of 2011, unemployment remained high, standing at 25.6% (in comparison with 15.4% in the West Bank).

Gaza Economic Strategy

The private sector in the Gaza Strip has almost collapsed after a decade of siege, military assaults and physical destruction. This resulted in massive unemployment and a protracted humanitarian crisis. In spring 2011 the Ministry of National Economy (MoNE) presented the *Gaza Economic Strategy*, which outlines a short, medium and long-term economic approach for the Gaza Strip and the revitalization of the private sector. The Strategy includes a prioritized and coasted action plan spanning across three distinctive phases. It builds directly on the Palestinian National Recovery and Reconstruction Plan for Gaza and was drafted in a consultative process involving business owners in Gaza

Continuing to promote partnership with the private sector, the Government has made major investments in trade, industry, agriculture, tourism, and information and communication

technology (ICT). These investments will strengthen domestic production capacity and enhance the competitiveness of Palestinian goods and services in local and international markets. Economic progress is also being boosted through the revision of administrative processes, regulations and legislation. There have been major developments in the financial and banking sectors which are playing a vital role in promoting economic growth and expanding investments. For the first time in twenty years, elections to the Chambers of Commerce, Industry and Agriculture were conducted throughout the West Bank to strengthen the representation of the growing private sector. The Ministry of National Economy (MoNE) is looking forward to working with the boards of these Chambers to establish local development councils across Palestine.

Notwithstanding achievements on the ground and our economic preparedness for statehood, more efforts and work still lie ahead. The heavy weight of the Israeli occupation continues to adversely impact national economic development, and sustainable economic development in Palestine can only materialize after the occupation ends, although the adverse impact of the distortions caused by the occupation and its control regime will probably take many years to dissipate, requiring continued efforts aimed at enhancing the prospects of sustainable development after the establishment of the Palestinian state.

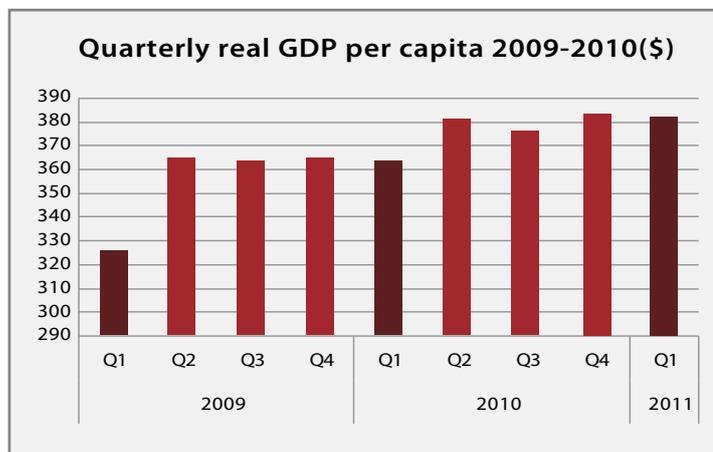
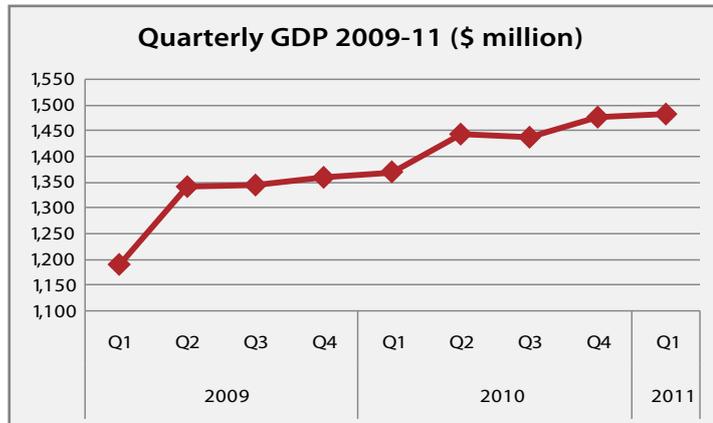
Economic Development and Trade

In Q1 of 2011, the overall GDP grew by 0.4% in comparison to Q4 of 2010. Overall real GDP growth between Q1 of 2010 and Q1 of 2011 amounted to 8.3%.⁹ The growth rate in the West Bank declined to 3.4% in Q1 of 2011, and tax revenues have been lower than anticipated.

Real GDP per capita was close to US\$ 382 in Q1 2011, marking a decline of 0.4% in comparison to Q4 of 2010, but growing by 5.1% compared to Q1 of 2010.¹⁰

The Government's effort to strengthen businesses, industries and public-private partnership have revitalised the private sector and consolidated the Palestinian national economy. The private sector is now playing an active role in various economic sectors, contributing to national preparedness for statehood. In the first half of 2011, 763 new companies with a total capital of US\$ 191 million were registered in the West Bank. These included 17 foreign companies with a capital of US\$ 27.5 million. In the same period, 85 new industrial plants with a total capital of US\$ 38 million were established. Out of these, 28 industrial plants operate in food and beverage processing, with a combined capital of US\$ 7.5 million.¹¹

The financial and banking sector has also become more active in the past few years, with the Palestine Exchange (PEX) experiencing noticeable growth. Established in 1995 as a private shareholder company, PEX started its first trading session on 18 February 1997. In early February 2010, it was converted into a public shareholder company in conformity with good governance and transparency rules. According to the Arab and international classification of financial markets, the Palestine Exchange has attained an advanced status. In 2009, it came second in index performance among Arab exchanges and 33rd internationally. As of 15 May 2011, a total of forty-six companies were listed on the Palestine Exchange, with a market value of US\$ 2.8 billion. These listed companies operate in five sectors: banking and financial services, insurance, investment, industry, and services. The Palestine Exchange's quarterly report reveals that thirty-four registered companies made profits of US\$ 68.7 million in Q1 in 2011.¹²



9 PCBS, 2011, *Press Release: Preliminary Estimates of Quarterly National Accounts (Q1 2011)*, Ramallah, Palestine.

10 Ibid

11 Ministry of National Economy, *January-June 2011 Statistical Report*, Ramallah, Palestine.

12 See PEX website: <http://www.pex.ps/PSEWebSite/AboutPSE.aspx?TabIndex=0>

The banking sector has also enjoyed major growth in the past few years and is now the most important sector in the Palestinian national economy. A total of eighteen banks, including eight foreign banks, are now in operation in Palestine. Two hundred and twenty-three branch offices operate throughout Palestinian governorates. Assets owned by banks in Palestine comprise approximately US\$ 8.8 billion. Private deposits amount to approximately US\$ 7.4 billion and credit facilities to more than US\$ 3.4 billion.¹³

To further promote Palestine's economic relations, several specialised teams have been established to finalise our national technical, administrative, legislative and policy framework for accession to the World Trade Organisation (WTO). The Ministry of National Economy (MoNE) has signed a number of agreements, Memoranda of Understanding, and cooperation protocols designed to invigorate economic and trade relations between Palestine and other countries. The MoNE has also continued to consolidate its cooperation with the private sector, including through regulation of the internal market, access to external markets liaising with the private sector on participation in regional and international forums and exhibitions.

For the first time in twenty years, elections to the Chambers of Commerce, Industry and Agriculture were conducted throughout the West Bank to strengthen the representation of the growing private sector. The Ministry of National Economy (MoNE) is looking forward to joint work with the boards of these Chambers to establish local development councils across Palestine, and is compiling a national strategy to strengthen them, improve their functions and develop micro, small and medium enterprises.

Between January and June 2011, the Palestine Standards Institute (PSI) adopted some 111 new standards to improve the competitiveness of products and better protect the Palestinian consumer and the environment. It also issued four compulsory technical directives to protect consumers, reviewed the legislative framework of specifications and measurements, and drafted a strategy to fulfil WTO accession requirements and respond to private sector needs. Finally, the PSI reviewed cooperation and mutual recognition agreements with counterpart Arab institutes to facilitate the access of Palestinian products to Arab markets.

Labour

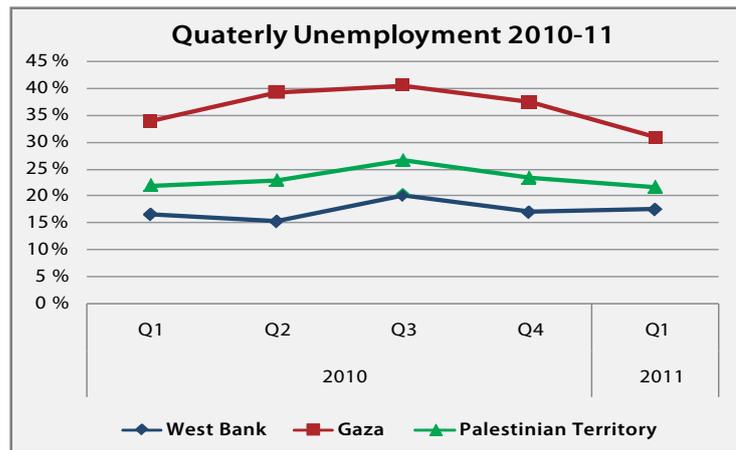
Labour force participation during the second quarter of 2011 stood at 42.7%, compared to 41.5% in Q1 of 2010. Participation in the labour force in the West Bank continues to be higher than in Gaza, 45.3% and 38.1% respectively. Female participation in the labour market climbed to 16.2% in Q2 of 2011, increasing by 2.1% compared to Q1 of 2010.

According to the 2010 Labour Force Survey, labour force participation stood at 41.1% in 2010, compared to 41.6% in 2009. Female participation decreased from 15.5% in 2009 to 14.7% in 2010. The survey results also reveal that unemployment in the Palestinian territory dropped from 24.5% in 2009 to 23.7 in 2010, a decrease from 17.8% to 17.2% in the West Bank and from 38.6% to 37.8% in Gaza.

Note: Figures in this box refer to the whole year.

¹³ Palestine Monetary Authority, Report submitted to MoPAD, 31 May 2011.

Unemployment, broadly defined¹⁴, dropped from 29.9% in Q4 of 2010 to 24% in Q2 of 2011. In line with the definition of the International Labour Organisation (ILO)¹⁵, unemployment decreased from 23.4% in Q4 of 2010 to 18.7% in Q2 of 2011, an overall drop of 4.7%.¹⁶



The difference in unemployment rates between the West Bank and Gaza remains substantial.

Unemployment in Gaza stood at 25.6% in the second quarter of 2011 in contrast with 15.4% in the West Bank. Unemployment mostly affects youth aged between 20-24 years. In Q2 of 2011, unemployment within this age group reached 32.9%, which is the highest unemployment rate among all age groups.¹⁷

To help reduce high unemployment, as expected in the Program of the 13th Government, the Employment and Social Protection Fund has been activated by the Ministry of Labour (MoL). To provide the labour market with qualified and trained cadres, the MoL organised training courses on leadership and small enterprise management, targeting graduates of vocational training centres.

The MoL has also established a new labour market information system for which software programs are being developed; the system is being linked to the MoL civil registry data. The database will include information released by the Palestinian Central Bureau of Statistics (PCBS), by the Chambers of Commerce, Industry and Agriculture, and by the Ministry of Education and Higher Education (MoEHE) on graduates from the higher education institutions.

The MoL has signed agreements with various local and international bodies in the fields of labour, employment, social protection, vocational training, and workers' rights. Funding has been received for the construction of three vocational training centres in the West Bank, including in East Jerusalem, and the Gaza Strip. Finally, the MoL agreed with the Higher Judicial Council (HJC) to establish specialised labour courts which started operations in early May 2011.

14 Unemployed individuals who seek employment, as well as those who have been discouraged and do not seek employment.

15 Unemployed individuals above the age of 15, who seek employment.

16 PCBS, 2011, *Labour Force Survey: April-June 2011 Cycle, Q2 2011*, Press Release on the Labour Force Survey, Ramallah, Palestine.

17 PCBS, 2011, *Labour Force Survey: April-June 2011 Cycle, Q2 2011*, Press Release on the Labour Force Survey, Ramallah, Palestine.

Agriculture

In Q1 of 2011 the value of the agriculture sector rose by a remarkable 7.5% in absolute terms¹⁸, in comparison to the first quarter of 2010.¹⁹ Also in Q1 of 2011, the agriculture sector accounted for 10.6% of total employment.²⁰

According to the **assessment of Spain** (the donor Co-chair of the Agriculture Sector Working Group),²¹



Olive harvest

...Over the past couple of years, and thanks to the efforts and mind openness of MoA in addition to its cooperation with other national and international stakeholders, the agriculture sector witnessed significant improvement in terms of its positioning vis-à-vis other sectors.

Occupation continues to have a serious impact on the agricultural sector. Some of the impacts are the destruction of wells and other water infrastructures from the IDF and the attacks from settlers in the areas next to settlements. On the other side, the restrictions on the availability of water for the Palestinians and specifically for agriculture, have made the MoA to look for alternative water resources, mainly waste water that is being treated in Israel but not returned at the moment from the Gol. ...

Complementing the Program of the 13th Government, which emphasizes the great potential of agriculture to contribute to economic growth, the Ministry of Agriculture (MoA) has focused on improved management and optimised utilisation of natural resources to develop and empower this sector. In Q1 of 2011, the Ministry reclaimed and rehabilitated a total of 386 *dunums* of farmland, constructed and rehabilitated some 50 kilometres of rural roads, and constructed 55 rainwater collection wells. In cooperation with the Palestinian Water Authority (PWA) and the Palestinian Energy Authority (PEA), 53 agricultural wells were rehabilitated and electrified.

As part of the Government programme to support farmers facing aggression and land grabs by Israeli settlers, the MoA finalised a project to subsidize fuel costs for the operation of 18 agricultural wells behind the Separation Wall in Qalqiliya. The Ministry also established a Legal Service Unit with the goal of protecting Palestinian farmers against Israeli offenses and settler violence. The MoA is following up on and supervising implementation of several projects, including the Al 'Auja dam which was completed in August 2011; development of irrigation systems; implementation of the Green Palestine project through which more 1.5 million trees have been planted; and construction of 30 kilometres of rural roads in various forested areas.

18 PCBS, 2011, *Press Release: Preliminary Estimates of Quarterly National Accounts (Q1 2011)*, Ramallah, Palestine.

19 The overall contribution of the agriculture sector to the GDP declined by 1.5% in the same time due to the growth of the total GDP;

20 PCBS, 2011, *Labour Force Survey: January-March 2011 Cycle, Q1 2011*, Press Release on the Labour Force Survey, Ramallah, Palestine.

21 Spain, donor Co-chair of the Agriculture Sector Working Group, *Achievements of the Palestinian Authority's Ministry of Agriculture (MoA)*, report presented to MoPAD on 6 September 2011.

Through their agricultural services, MoA directorate offices have provided agricultural guidance and plant protection services to farmers throughout Palestine. Veterinary services were delivered and a number of animal diseases were monitored and treated. The Government has also supported activities carried out by the National Centre for Agricultural Research.

To consolidate the legal framework of the agriculture sector, the MoA finalised laws, regulations and by-laws. Instructions on the utilization of treated wastewater in agriculture were approved and a list of common instructions for agricultural vehicles was published in collaboration with the Ministry of Transport (MoT). Currently, the Council of Ministers is in the process of approving a number of agriculture-related regulations, including the *Regulation on Fodders*, *Regulation on the Circulation of Veterinary Medicines*, and *Regulation on Nature Protection*.

Restructuring the Agriculture Sector

The MoA has contributed to the Government's vision of administrative and institutional reform by enhancing the performance and quality of the agriculture sector in general, and of the Ministry in particular. An institutional needs assessment was carried out and a three-year action plan developed to build the Ministry's institutional capacity. An executive plan for the whole sector was finalised, based on the Agriculture Sector Strategy 2011-13. The executive plan prioritises the implementation of institutional interventions in the agriculture sector, agricultural services, natural resources and plant and livestock production on the national and regional level.

In line with the vision of the Agriculture Sector Strategy 2011-13, the institutional capacity of the agriculture sector is receiving particular support. The MoA has established the Agriculture Advisory Council as well as seven agricultural councils (specialising in palms, vegetables, grains, milk, cattle, horses, goats, and bees). Six service councils have been created: the Palestinian Council for International Agricultural Cooperation, the Palestinian Food Security Council, the Palestinian Agricultural Marketing Council, the Agricultural Water Management Council, the Palestinian Fund for Risk Prevention and Agricultural Insurance, and the Council of Land Development and Green Palestine. Furthermore, six coordinating committees were established: a coordinating committee with civil society organisations; a coordinating committee with foreign organisations; a coordinating committee with agriculture cooperatives; a coordinating committee with agricultural unions, syndicates and popular committees; a private sector coordinating committee; and a coordinating committee with women's organisations and associations.

Tourism

In Q1 of 2011, there were some 132,000 hotel guests. 36% came from EU member states, 14% from other European countries and 15% from the USA and Canada. Over the reporting period hotel occupancy increased by 6% in comparison to Q1 of 2010, but dropped by 22% in comparison to Q4 of 2010. The decline vis-à-vis Q4 2010 can be attributed to seasonal tourism by Christian pilgrims to Bethlehem.²²

In 2010, approximately 577,000 guests stayed at hotels throughout the Palestinian territory, staying on average slightly more than 2 days. 37% of tourists arrived from EU member states, 16% from other European countries, and 13% from the USA and Canada. In comparison to 2009 the number of guests increased by 28% and overnight stays by 23%.

In March 2011, a total of 97 hotels were in operation in Palestine. These held 5,159 rooms with a capacity of 10,818 beds. This is an increase on 2010, when 95 hotels, with 4,898 rooms and 10,520 beds, were in operation.²³

As articulated in its 13th programme, the Government is working to increase Palestine's tourism by a better exploitation of its competitiveness. The Ministry of Tourism and Antiquities (MoTA) has sponsored and organised many festivals and events in collaboration with LGUs and civil society organisations, including specialised associations and bodies. The MoTA also took part in international tourism fairs in France, Italy, Scotland, Ukraine, Brazil, Britain, Canada, Spain, and Germany. A number of training courses have been offered to tourist guides in the West Bank, inspection visits have been conducted of travel offices and hotels, and multilingual information materials have been produced to introduce major Palestinian tourist sites.

To preserve Palestinian national identity and cultural heritage in the face of the Israeli occupation, the Government is protecting and maintaining cultural heritage sites. The Palestinian Cultural Heritage Database is now operational and MoTA staff is in the process of listing, examining, photographing and entering data about national archaeological artefacts, including those discovered during organised, rescue-oriented excavations and those that had been seized.

In cooperation with UNESCO, the MoTA set up a committee, with representatives from various museums in Palestine, to draft a national strategy for museums. In liaison with some donors, MoTA has continued to rehabilitate and renovate several museums, including the Ar Rawiya and Al Balad Museums in Bethlehem, archaeology museums in Ramallah and Tulkarem, and the Dura Museum. The lighting of Hisham's Palace in Jericho has been completed and the construction of the Yasser Arafat Museum project continues.

²² PCBS, 2011, *Press Release: Preliminary Estimates of the Hotel Activities Survey (Q1 2011)*, 2011, Ramallah, Palestine.

²³ Ibid.

Social Development

At a Glance

The 13th Government, over the past two years, has developed the capacity of social service institutions to provide effective, efficient and high quality services. These institutions are now fully prepared to operate and provide social services within a future State of Palestine. Reports released by relevant international bodies, including the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO)²⁴ and the World Bank²⁵, reaffirm that “governmental functions are now sufficient for a functioning government of a state.”

UNSCO assesses the achievements in basic services as follows,²⁶

...the PA has made significant progress in promoting the right to education for all. The health care system in the oPt is well developed in areas under PA authority; the range, quality and availability of public health services in oPt and key health indicators, such as infant mortality and life expectancy, are comparable to those in neighbouring states. Social protection was prioritised in the state-building programme. The high level of inter-ministerial engagement in this sector, as well as the constructive interaction with donors and UN agencies, reflects the PA's capacity to manage the inter-sectoral nature of this important portfolio....

The institutional achievements of the Palestinian state-building agenda are approaching their limits within the political and physical space currently available, precisely at the time that it is approaching its target date for completion. The UN and partners will continue to align programming to the recently released Palestinian National Development Plan to ensure continuous support to state-building.

The Government has accomplished significant achievements in advancing fundamental human rights and achieving the Millennium Development Goals (MDGs), particularly in universal education, healthcare, and the development of a social protection net targeting poor and vulnerable individuals and households. As a result, Palestine has attained an advanced status in education and health within the region.

As 2015 approaches, Palestine can report favourably on its MDG advancements. Enrolment rates in schools are at 97% with equal access for boys and girls, the adult literacy rate in the 15-29 age group stands at 94.1%, immunisation programmes cover more than 96% of the population and communicable and infectious diseases have largely been exterminated. Child and maternal mortality have markedly declined and medically supervised deliveries today exceed 98%. The Government has also enhanced the cash transfer system and increased its investment in the National Social Protection Programme. Now, some 85,000 households benefit from the Programme in both the West Bank and the Gaza Strip.

²⁴ UNSCO, *PA Progress and Achievements in Social Development Sector*, report presented to MoPAD, Ramallah, Palestine, 15 July 2011.

²⁵ World Bank, *Building the Palestinian State: Sustaining Growth, Institutions and Service Delivery*, Economic Monitoring Report to Ad Hoc Liaison Committee, Brussels, Belgium, 13 April 2011.

²⁶ UNSCO, *PA Progress and Achievements in Social Development Sector*, report presented to MoPAD, Ramallah, Palestine, 15 July 2011.

Responding to its responsibility to the social groups at-risk, the Government has earmarked investments to develop the infrastructure for youth and sports activities. Both measures will promote the equal participation of all age groups in Palestinian society.

Significant achievements have been made in reforming institutional capacities and the legal framework to safeguard women's rights and extend protection against all forms of discrimination. Most importantly, a Presidential Decree was promulgated to stop the admission of mitigating circumstances in "honour" killings, a crime which is now dealt with as common murder.

In spite of achievements in the education and health sector, poverty, unemployment and food insecurity still remain at unacceptable levels, especially in the Gaza Strip. This is primarily the result of Israel's constraints on movement and access, as well as the blockade imposed on Gaza for more than five years. Unemployment stood at 24% in the second quarter of 2011. Some 22% of households in the Palestinian territory currently live below the national poverty line. 1.4 million Palestinians, or 33% of Palestinian households, suffer from food insecurity, 22% in the West Bank and 52% in the Gaza Strip. 79% of Palestinian households in the areas of the West Bank currently designated as "Area C", which is under full Israeli control, suffer from food insecurity.

Education

The Program of the 13th Government emphasises that the essence of the educational process lies in developing tolerant, open and proud individuals who are capable of serving the homeland and competing in a vibrant labour market. To further bolster our vision, the Government has exerted considerable efforts to coordinate educational development with the private sector and civil society. In so doing, we sought to establish a democratic, modern and open state that empowers all its citizens.

To systematically and comprehensively address challenges in universal education, the Ministry of Education and Higher Education (MoEHE) developed a Sector Wide Approach (SWAP) jointly with like-minded donors. The MoEHE has started to implement the Joint Financing Arrangement (JFA), which involves four donors and allocates a total amount of US\$ 35 million annually for the next three years. A report released by the



Beit Sira School

Education Sector Working Group Co-Chair confirms that the MoEHE's determination and effective implementation of the Education Development Strategic Plan (EDSP) 2008-12 has enabled the Ministry to win the trust and support of the international community.²⁷

According to the assessment of **France** (the donor Co-Chair of the Education Sector Working Group),²⁸

Following the successful launch of two major sectoral strategic documents in 2008; namely, the Education Development Strategic Plan - EDSP (2008-2012) and the National Teacher Education Strategy; the Ministry of Education and Higher Education (MoEHE), with the support of national and international partners, has made steady progress in the implementation of these plans, despite increasing political and financial uncertainties....

On the whole, MoEHE has shown its determination and professionalism in implementing the EDSP and for this reason enjoys strong support from the donor community. Specific issues, however, remain to be addressed: planning for education in Area C and East Jerusalem; affirming leadership in higher education; and strengthening the Technical and Vocational Education and Training sector, as well as inclusive and early childhood education.

Government efforts in education infrastructure over the past years have led to improved education enrolment and literacy rates. Available statistics indicate a near universal enrolment rate of 97% in primary education. The adult literacy rate in the age category of 15-29 years

²⁷ French Government, donor Co-chair of the Education Sector Working Group, *PA Progress in the Education Sector*, report presented to MoPAD on 15 July 2011.

²⁸ Ibid.

stands at 94.1% and female enrolment in various educational phases has exceeded male enrolment. In the upcoming period, the Government will focus its efforts and investment on improving the quality of education as an essential pillar for building a knowledge-based society within our independent State of Palestine.

According to MoEHE statistics, a total of 2,577 schools provided education services in Palestine by the end of 2010, including 1,917 in the West Bank and 660 in Gaza. Out of these, the Government supervises 1,921 schools, or 74.5%. The United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA) supervises 325 schools, or 12.7%, while 331 schools, or 12.8%, are operated by civil society organisations.

To maintain high enrolment rates and meet the rising demand resulting from natural population growth, the Government has continued to invest in the education infrastructure. During the second half of 2011, the MoEHE built and furnished 254 new classrooms, implemented maintenance works in seven schools, and adapted fourteen school buildings to serve students with special needs. To scale up ICT capacities, the MoEHE established thirty computer labs and connected seventy-seven others to the internet.



Vocational school under construction, Nablus

Since the quality of education largely depends on the professional standards of teachers, the MoEHE has continued to implement the National Teacher Education Strategy. In the first half of 2011, the Ministry provided training to 18,000 teachers and principals. It also trained 324 teachers in therapeutic education and 450 supervisors in educational supervision techniques. Since early childhood and preschool education is so significant, the MoEHE has drafted terms of reference for an Early Childhood Commission and updated data on kindergartens. Paying special attention to students' mental and physical health, the Ministry implemented several extra-curricular campaigns, events and activities.

The MoEHE, and the educational establishment in general, successfully organised high school (*Tawjihi*) examinations, overcoming many obstacles in the process. In spite of all difficulties and impediments, we succeeded in safeguarding a consolidated and integrated educational system in the West Bank and Gaza Strip, thereby protecting the future of hundreds of thousands of students. The Government is in the process of revising the *Tawjihi* examinations to encourage creative thinking and avoid a memorisation-based learning pattern. Thus the content of future examinations will differ considerably from the current system. The new examination system will be in place by 2013.

To ensure quality output of higher education, the MoEHE has developed education programmes throughout governmental universities and colleges and finalised the Higher Education Database to help and support relevant decision-making. As part of its effort to promote pioneering activity and enable youth to launch their own projects, the Ministry has continued its extensive efforts to introduce leadership education at higher education

institutions and in a pilot project has, for the first time in Palestine, offered this discipline as a course at the Palestine Technical University. To align higher education outputs with labour market needs, the Ministry has continued to coordinate, through meetings and workshops, with various economic and production sectors, as well as with university research centres.

In the course of scaling up the quality of technical and vocational education and training (TVET), MoEHE introduced the Agriculture Diploma Programme and developed TVET-related ICT and human resources programmes. The Ministry has also enhanced TVET infrastructure. Work is underway to construct two new vocational schools in Ramallah and Nablus and maintenance is underway at five additional vocational schools. Computers were provided to four vocational schools and office and logistics equipment to another ten schools.

Despite these achievements, we still look forward to more progress in our educational system. Based on the PNDP 2011-13 objectives for education and higher education, we aim to substantially upgrade education modalities and outputs, aligning them with labour market needs. When we have achieved statehood, we will continue to bolster education in order to consolidate our State's socio-economic foundations and contribute to the comprehensive development of our homeland.

Higher Education in Palestine

A total of 49 higher education institutions are currently operating in Palestine. These include 14 universities (comprising ten public universities, three private universities, and an open university). Palestine also houses 16 university colleges and 19 community colleges. A total of 900 academic programmes are offered and taught in these universities and colleges. In the 2010/11 academic year, 196,525 students were enrolled at Palestinian higher education institutions, including 56% females and 44% males. The average student-instructor ratio is 27:1. Undergraduate students major in various specialisations as follows: 74% in humanities and social sciences, 9% in natural sciences, 8% in engineering, 8% in health and medicine, and 1% in agriculture and other disciplines.

Health

The Government has been working diligently to ensure easy access to quality healthcare services for all Palestinian citizens by improving primary and public healthcare. The goals set out in the PNDP 2011-2013 will also bring us closer to realising the Millennium Development Goals by 2015.

By the end of 2010, a total of 706 primary health care centres were in operation throughout the West Bank and Gaza Strip. Thus, on average, a primary healthcare centre serves 5,734 residents. Of these, the Government manages 453 centres, or 64.1%; NGOs manage 194 centres, or 27.4%; and UNRWA 59 centres, or 8.5%. In addition eighty-three hospitals provide secondary and tertiary healthcare services, with the Government supervising twenty-five hospitals. Twenty-two hospitals are privately owned, twenty-six are operated by NGOs and one hospital is managed by UNRWA.

To deliver sustainable healthcare services, the Government has continued to considerably invest in developing the network of primary healthcare centres. In the first half of 2011, construction of Ministry of Health (MoH) directorate offices in Hebron, Bethlehem, Jericho, Dura and Jenin was begun or completed. In addition to a tertiary healthcare facility in Jenin, the MoH inaugurated a number of clinics in Hebron and Bethlehem. A number of healthcare centres throughout the governorates were renovated, construction of clinics in the northern Jordan valley was initiated, and tertiary services were introduced across healthcare centres. In addition, the Ministry finalised construction of the National Public Health Centre, the Genetic Testing Laboratory, and emergency and delivery sections at the Huwwara healthcare centre. The Ministry has set up a number of mobile clinics to ensure access to healthcare services in areas isolated by the Separation Wall and so-called "Area C", in which Israel imposes obstacles on MoH operations.

Palestine Medical Complex: A Distinctive Healthcare Centre in Palestine

To help provide improved, sustainable and quality healthcare services, the Government established the Palestine Medical Complex in Ramallah in 2009 to provide a wide range of internal medicine and paediatric services. The Complex comprises five facilities: (1) a general hospital with a capacity of 154 beds; (2) a children's ward with a capacity of 60 beds; (3) a ward for cardiology and specialised surgeries with a capacity of 45 beds; (4) an emergency section; and (5) blood dialysis services.

In 2011, the Palestine Medical Complex successfully conducted 17 kidney transplants, marking a significant step towards reducing expensive referrals abroad. While kidney transplant surgery costs US\$ 17,000-30,000 abroad, it can be performed at the Palestine Medical Complex for less than US\$ 5,000.

According to the assessment of **UNSCO**,²⁹

*[the] health care system in the oPt is well developed in areas under PA authority; the range, quality and availability of public health services in oPt and key health indicators, such as infant mortality and life expectancy, are comparable to those in neighbouring states.*³⁰

Preventive healthcare has been a focal point of MoH activity because the prevention of diseases is the single most effective health intervention and has the potential to dramatically reduce secondary and tertiary healthcare needs. The Ministry has implemented numerous public awareness and sensitisation campaigns, and developed a policy paper for health education and health services in schools. Work is currently underway to develop a policy for psychological health services and for oral and dental education. As part of its effort to curb epidemiological transition, the MoH recently inaugurated the Chronic Diseases Centre, which specialises in the prevention and treatment of chronic illnesses. To further complement primary healthcare services, the Ministry has introduced reproductive health care and psychological and community health services within primary healthcare services.

29 UNSCO, *PA Progress and Achievements in Social Development Sector*, report presented to MoPAD on 15 July 2011.

30 UNSCO, *PA Progress and Achievements in Social Development Sector*, report presented to MoPAD on 15 July 2011.

Following its nation-wide achievements in primary healthcare and public health services, the Government is now focusing on improving the quality of secondary and tertiary healthcare services by developing the network of facilities and human resources. In tertiary health infrastructure, MoH finalised construction of new sections of the Jenin Hospital, renovated several sections of hospitals in Jericho, Beit Jala, and Nablus, and expanded Salfit Hospital. Work has started to construct and equip the Tubas Government Hospital, build an additional storey at Yatta Hospital, and finalise construction at MoH central warehouses. Moreover, at the Al Watani Hospital in Nablus, the Ministry launched a new dialysis unit and provided five extra dialysis devices. At the Hebron Government Hospital the MoH completed renovation works and inaugurated the second division of the X-ray section. The Ministry also launched a CT scan section at the Qalqiliya Hospital.

To further develop the capacity of healthcare practitioners, MoH brought together 150 dentists at the 11th dental excellence training course, allowing them to obtain licences to practice. Training was provided to several MoH staff in quality control, financial management, and health sector leadership. At the Ibn Sina College, the Ministry launched a specialised professional diploma for paediatricians in screening and treating new-borns. Another important programme of the MoH focuses on inviting specialists from abroad to conduct specialized surgeries in order to offer on-the-job training to Palestinian medical cadres.

To consolidate governance and institutional capacity in the health sector, the Ministry finalised and approved its strategic plan on the development of quality health services. Additionally, MoH compiled a study on the cost of medical services performed by various health providers, to better inform decision-making on outsourcing specific services. The study will also help identify and assess costs of health insurance packages. In cooperation with the PCBS, the MoH finalised a national health assessment for 2008-10.

Social Protection

The Government's reform of the social safety net aims to alleviate poverty and protect poor and vulnerable households. Within this safety net, the Cash Transfer Programme and other targeted mechanisms were developed to increase service coverage for poor households and improve targeting of truly needy persons. More than 85,000 poor households now benefit from cash assistance. The Ministry of Social Affairs (MoSA) is currently working to integrate entitled households in Gaza into the Cash Transfer Programme. An EU report indicates that the MoSA will achieve this goal during the second half of 2011.³¹

According to the assessment of the **European Union Representative Office** (the donor Co-chair of the Social Protection Sector Working Group),³²

The poverty-based Cash Transfer Programme (CTP) introduced in June 2010 is well established in the West Bank, with the Ministry of Social Affairs regularly updating the database of targeted households to ensure that only the truly needy receive assistance.

³¹ European Union Representative Office, donor Co-chair of the Social Protection Sector Working Group, *PA Progress in the Social Protection Sector*, report presented to MoPAD on 15 July 2011.

³² *ibid.*

The level of contribution from the PA budget to the programme has steadily increased...showing commitment on the part of the PA to the most vulnerable segments of Palestinian society and at the same time ensuring a greater sustainability of the programme.

As a response to this increasing level of transparency, the EU has also aligned its payment modalities in favour of this programme via the PA financial system using a sub-account in the Single Treasury Account in line with the aid effectiveness principles.

To promote transparency in assistance delivery, the Government began transferring assistance to beneficiaries' bank accounts in June 2011, thereby replacing cash hand-outs. In order to enhance coordination between partners and utilize available resources most efficiently, MoSA is currently finalising the National Poverty Register, which will be accessible to all partners upon completion.

To improve incomes and address the causes of poverty, the Government has launched the second phase of its empowerment programme for poor households. This programme will enable 12,000 households affected by poverty to establish their own income-generating enterprises through the provision of loans and training. A total of 4,800 households will benefit from the programme towards the end of 2011.

MoSA released its Action Plan 2011-13 to help it perform its assigned duties within the National Social Protection Strategy. The action plan is instrumental in promoting the Ministry's institutional and human capacities. As part of its efforts to develop service related infrastructure, the Ministry finalized renovation works at the Dar al Amal juvenile offender institution and completed construction of the Sheikha Fatima Centre for the Disabled and the Halhul Vocational Rehabilitation Centre.

In line with the Government's approach of providing protection to vulnerable groups and

Reforming the Cash Transfer Programme: Towards Social Security

As articulated in the Program of the 13th Government, social protection will be provided by a reformed and enhanced social safety net. In compliance with the decision of the Council of Ministers from 23 February 2009, which concludes that cash assistance programmes (namely the Special Hardship Cases and Social Protection Net programmes) should be integrated within a single programme, MoSA has developed a strategic framework for the Cash Transfer Programme. This programme aims to enhance its targeting capacities and bridge remaining gaps in delivering assistance. Within the programme, a total sum of NIS 600-1,800 has been provided to each household living under the extreme poverty line every three months. To improve transparency in the Cash Transfer Programme, the Ministry has adopted a mechanism to transfer assistance to beneficiaries' bank accounts. Since June 2011, MoSA has opened a total of 46,000 bank accounts for beneficiaries in the West Bank. Before this, beneficiaries used to receive assistance in the form of cheques from MoSA offices.

To consolidate targeting criteria, MoSA has signed Memoranda of Understanding with partner institutions, including the World Food Programme (WFP), the Food and Agriculture Organisation (FAO) and UNRWA. The Ministry has continued to cooperate and partner with other active social protection institutions for an optimal investment of available resources, effective and efficient resource management, and proper targeting on grounds of integrity, transparency and equity.

alleviating the impact of poverty and food insecurity, in-kind assistance was distributed to poor households in cooperation with international organizations. Over the past 6 months a total of 200,000 households benefited from in-kind assistance in both the West Bank and the Gaza Strip. In addition the Government provided a one-time emergency cash grant to approximately 5,000 people in the West Bank and Gaza Strip who were faced with a social crises or attacks by Israeli forces and settlers.

Recognising the importance of fully integrating persons with special needs into society, MoSA sponsored a self-empowerment programme targeting handicapped people. To assess the scope of needs, the Ministry carried out a national disability survey in cooperation with the PCBS. The first such survey at the regional level, it will pave the way to develop an ID for people with disabilities, which will entitle its holders to defined services depending on the type and gravity



Sheikha Fatima Centre for the Disabled, Hebron

of their disability. MoSA also supported disabled persons to establish their own income-generating enterprises by providing loans and training programmes and has issued a total of 556 customs exemptions for disabled citizens to purchase a car. As part of its Community-based Professional Rehabilitation programme (CPR), MoSA provided training and employment to 136 persons with special needs.

The Ministry has also continued to deliver social care and rehabilitation services to other vulnerable groups, including senior citizens, battered women, orphans, minors and school dropouts.

Youth and Sports

The younger generation represents the future potential and wealth of our society, and its full participation in political, social and economic life is indispensable for building a prosperous, independent State of Palestine. The Government has invested significantly in youth and children as they constitute the leaders of the future. Our ambition is to empower them with knowledge, skills and expertise that will qualify them for productive participation in the labour market and building the State. Of course, youth-related issues should not be viewed in isolation, but in conjunction with other development aspects, such as education, health and labour. To promote the creative potential of our youth and children, numerous summer camps were organized in the summer of 2011, which positively promoted the spirit of participation, cooperation, volunteerism, and a sense of responsibility amongst them. In addition to improving communications among Palestinian children and young people, these activities have also promoted a culture of openness and tolerance. Government policies are encouraging the creation of an environment conducive to active youth engagement.

Over the past six months, the Government has finalised construction and rehabilitation of fifteen football fields and twenty youth clubs. Work is currently underway to construct multi-purpose sports halls in Salfit, Beit Sahur and Abu Dis. The El Bireh and Dura international stadiums have been inaugurated, while the Feisal al Hussein International Stadium has been recognised as the home stadium of the Palestinian national football team by the International Federation of Football Association (FIFA), thereby allowing Palestine to play at home with international teams.

The Palestinian Olympic Committee organised several sports leagues, including football leagues at premier, sub-premier and cup level, a women's football league, and youth and junior football leagues. A women's volleyball league and junior basketball league were set up. Recent Palestinian sports achievements include: the Palestinian Olympic Football Team has reached the second qualifying round of the London 2012 Olympic Games and the Palestinian National Football Team has reached the second qualifying round for the 2014 World Cup Finals in Brazil. To further promote international cooperation and partnership, Palestine has concluded several international agreements on mutual cooperation in sports and youth-related activities.



Dura International Stadium, Hebron

Empowerment of Women

The socio-economic conditions of Palestinian women have tangibly improved over the past few years. Not only have women's enrolment rates risen, but they outnumber males in secondary and higher education. The health conditions of women have also improved and female participation in the labour market has seen a modest increase. The approach articulated in the Program of the 13th Government to empower Palestinian women to play a substantial role in the statehood process, side by side with Palestinian men, has positively impacted on the Government's overall achievements. However, a lot more needs to be done to empower women. The achievements so far are only a first step on the path towards building a Palestinian society in which women enjoy full and equal rights.

At the institutional level, the Government has taken steps to ensure the integration and mainstreaming of gender issues in the government agenda. A gender-sensitive budget was adopted and a national committee on combating violence against women was established, which developed the 2011-19 Strategic Plan on Combating Violence against Women. The Council of Ministers approved this Strategic Plan in early 2011.

Based on Council of Ministers recommendation, President Mahmoud Abbas promulgated a Presidential Decree in May 2011, annulling articles in the penal code which hitherto were

accepted mitigating circumstances for “honour” killings of women by male relatives, a crime which is now dealt with as such, and without any mitigation.

As part of the Government’s policy to prevent unintentional discrimination against women by public institutions in the planning and policy process, many ministries have integrated gender concerns into their development plans and programmes. To further consolidate community participation, two new Women’s Network Centres (*Tawasul*) were set up in Salfit and Tubas. The Government has also organised several training seminars to address local community needs in various areas of women’s empowerment.

Culture and Heritage

The Program of the 13th Government highlights the role Palestinian culture plays in upholding the unity of our society in spite of the persecution it has been subjected to over decades of oppressive occupation. The Program emphasises the Government’s commitment to working towards developing a spirited, resilient, creative and pluralistic national culture that is open to full interaction with other cultures from around the world.

According to the assessment of the **European Union Representative Office** (the donor Co-chair of the **Social Protection Sector Working Group**),³³

The PNA has shown an institutional commitment to supporting and protecting the rich, diversified Palestinian cultural heritage through effective and efficient planning, consolidated legal framework, adherence to applicable international standards, and proficient management of cultural resources in the oPt.

The Ministry of Culture (MoC) has continued to support and develop cultural life in Palestine through a package of programmes, including Culture for All, cultural contact and exchange, cultural heritage protection, and the development of physical, institutional and legal infrastructure. The Ministry targets thousands of Palestinians as beneficiaries, especially youth, children and citizens in marginalised communities.

Having identified the rejuvenation of cultural life and promotion of cultural contacts as a priority, the Government sponsored a range of cultural events over the summer in 2011, creating a distinctive cultural season that narrates the story of the Palestinian people and presents their original culture and heritage. These events included the 3rd Palestine International Festival, the Jerusalem Summer Nights Festival and festivals in Bir Zeit, Jifna, El Bireh, and Ramallah, as well as the Al-Quds culture fair in East Jerusalem. Organised across the Palestinian homeland, these events have challenged Israel’s policy of fragmenting our areas. They consolidated communication between our citizens and with the outside world by hosting many groups and individual artists from various Arab and foreign countries.

To support and stimulate artistic and literary creativity, on the side-lines of the National Culture Day, the MoC honoured the Cultural Personality of 2011 and launched the Palestinian exile literature and prisoner movement literature series. The Ministry also organised more than

33 Ibid.

65 events to honor and highlight artistic and literary achievements by Palestinian pioneers and innovators, and organized seminars to provide authors and artists with an opportunity to present their works. To promote artistic creativity among Palestinian youth, the MoC co-sponsored programmes to teach music, dancing, and other expressions of art.



Performance group "Raj'een", Al Bireh

To maintain and safeguard our national heritage, the MoC is working towards collating and documenting oral histories and narrations of Palestinian life. The foundations for the establishment of the National Register of Palestinian Heritage have been laid.

As part of its international cultural contact and exchange programme the Ministry concluded several agreements with Jordan, Bulgaria and Brazil. The MoC has also hosted authors and artists from various countries and provided assistance to Palestinian writers and artists to help them take part in international cultural events.

Infrastructure

At a Glance

In preparation for statehood, the 13th Government has made substantial progress in expanding and upgrading public infrastructure. Public transportation has been enhanced and regulated to promote traffic safety and efficient service delivery. Between May 2009 and May 2011, a total of 397 kilometres of inter-city and rural roads, as well as 1,263 kilometres of municipal roads, were paved or rehabilitated. Over the same period licensing revenues have risen by US\$ 90 million in the West Bank. Regional transportation schemes, technical specifications and standards for road design and construction were drafted.

The 13th Government has supported public-private partnerships by providing infrastructure to housing projects, which are currently under construction. Residential areas continue to be linked to utility networks. By now 99.8% of Palestinian households are connected to the electricity grid and electricity distribution networks were rehabilitated in 254 residential areas. Aiming towards renewable energy generation, the Government has initiated first steps for the construction of a 300KW solar power plant to supply the Jericho Agro-Industrial Zone. Water supply networks currently extend to 99.01% of all Palestinian households. The Government also obtained the approval of member states of the Mediterranean Union to install a large-scale desalination plant in Gaza, at an estimated cost of EUR 300 million.

The past two years also saw many positive developments in communication systems. Palestine was admitted to the international postal code system; the *Al Wataniya* mobile phone company was launched as the second mobile telecommunications operator in the Palestinian territory; and an information exchange project has been launched in cooperation with the Estonian Government.

In spite of these significant achievements, the Israeli occupation frustrates progress with its arbitrary policies, its refusal to grant necessary permits and its land confiscations. The siege on Gaza, the absence of territorial contiguity, the Separation Wall and its impact on communities, the intrusion of settlements and their accompanying infrastructure, all combine to prevent us from developing an adequate infrastructure network across Palestine. Israeli permits are required before engaging in any form of construction activity in the 60% of the West Bank currently designated as "Area C", causing endless delays. In one example, the Palestinian Water Authority (PWA) finally received Israeli permission to implement the Wadi az Zumar wastewater project in the West Bank after facing delays of more than 10 years. The project, which serves nine communities in the northern West Bank, includes the installation of sewerage networks and transmission pipelines. In the Gaza Strip, Israel continues to restrict imports of critical raw materials, equipment and machinery, all of which are required for infrastructure work.

Transportation

Vital projects have been finalized by the 13th Government as part of its effort to provide integrated and advanced transportation solutions that respond to citizens' needs, ensure safety, promote economic development and facilitate competitiveness. The planning, organization, rehabilitation, and paving of road networks have been a major focus of attention: between May 2009 and May 2011 397 kilometres of inter-city and rural roads and 1,263 kilometres of municipal roads were paved or rehabilitated. Prudent transportation policies have resulted in an increase of US\$ 90 million in licence revenues generated by the Ministry of Transportation (MoT) between May 2009 and May 2011 in the West Bank. The Government is still unable to collect licensing fees in East Jerusalem and the Gaza Strip.

The MoT has also regulated governmental transportation. In line with a Council of Ministers decision, all government vehicles were returned to the institutions to which they belong and are no longer available for private use by civil servants. Now, each government institution has a limited number of vehicles that are used during official working hours only.

Eastern Entrance to Al'Eizariya



Road before rehabilitation



Road after rehabilitation

International gateways are a cornerstone of an independent State of Palestine, since they concretely embody our desire for freedom of access and movement. Preliminary designs for the Palestine International Airport in the Al Buqei'a area of East Jerusalem have been finalised. The new airport will include a passenger terminal, a cargo terminal, two airstrips, an aircraft parking area, boarding facilities, a helicopter landing pad, and other required logistical services. Work is underway to finalise an environmental impact assessment (EIA) and an integrated pollution prevention and control (IPPC) study for this vital gateway.

To enhance the legal framework of the transportation sector, the Government has adopted a set of regulations including the *Regulation on the Higher Council of Transportation*, *Regulation on Traffic Irregularities and Fines*, *Regulation on the Renting of Vehicles for Public Purposes by the MoT*, *Regulation on the Classification of Private Licences*. The bylaw to the *Traffic Law No. 5 of 2000* has been amended. As a milestone in enhancing traffic safety, the MoT has implemented a point-based system for traffic violations.

Energy

To establish an integrated national energy system, the Government has reorganized and regulated the energy sector. Besides the Southern Electricity Distribution Company and the Jerusalem District Electricity Company (JEDCO), the latter also provides electricity to the central West Bank, we have set up a Northern Electricity Distribution Company to replace LGUs as direct energy suppliers (although the electricity company is owned by the LGUs within their district). The Northern Electricity Distribution Company (NEDCO) started operation on 15 July 2010.

A unified electricity tariff system has been introduced to Palestine for the first time. To increase collection rates and reduce net lending by the central government, approximately 100,000 prepaid electricity meters have been provided to the regional electricity distribution companies and municipalities across the West Bank. At the same time, electricity distribution networks have been rehabilitated in 254 localities to enhance service delivery. One hundred and thirty-seven previously unconnected residential areas have now been linked to the public electricity network.

A major challenge was the restoration of the electricity grid following Israel's offensive on Gaza; but by the end of 2010, 99.8% of Palestinian households were connected to the national electricity network. Additionally, 50 wells and 75 industrial installations were electrified between 2009 and 2010.

Regulation of the Unified Electricity Tariff

The Palestinian Energy Authority (PEA) has developed a unified electricity tariff to be applied by all electricity distribution companies as well as municipalities which continue to handle electricity supply. The new tariff system will create a common investment environment and eliminate the concentration of investment projects in areas where electricity prices are lower. Overall, the system will reduce electricity prices by 15%-30% for average users. In line with the Government's social policies, the new tariff system takes into account social hardship situations and the basic tariff for low consumption is very consumer friendly. The rates are designed to increase in correlation with rising consumption.

The tariff supports the productive sectors, including industry, agriculture and tourism. Jointly with the Electricity Sector Regulatory Council, the PEA will carry out quarterly comprehensive reviews of the electricity tariff to ensure economic feasibility and avoid negative impacts on net lending. To consolidate targeting criteria, MoSA has signed Memoranda of Understanding with partner institutions, including the World Food Programme (WFP), the Food and Agriculture Organisation (FAO) and UNRWA. The Ministry has continued to cooperate and partner with other active social protection institutions for an optimal investment of available resources, effective and efficient resource management, and proper targeting on grounds of integrity, transparency and equity.

To ensure a reliable energy supply and uninterrupted services, and with an eye to renewable energy generation, the Government has finalised a package of projects over the past six months. Following an assessment of renewable energy sources in Palestine, standards and regulations regarding the use of renewable energy were defined and progress has been made towards setting up a 300KW solar power plant for the Jericho Agro-Industrial zone. Work is currently underway to rehabilitate medium voltage transformation station in Al 'Eizariya and

Beit Sahur within JEDCO's area of operation. The Al Karkun transformation station in Nablus and the Jenin transformation station, both in the NEDCO area of operation, are currently under construction. The Al Karkun station is in its final phase of completion and will provide electricity to several neighbourhoods in Nablus. By alleviating pressure on other transformation stations, electricity distribution will be more balanced, avoiding service disruptions.

Of equal importance is the rationalization of energy consumption. To achieve this goal, an energy consumption survey has been launched to assess electrical appliances available in the West Bank. The survey will both raise public awareness and attain a better understanding of available energy-saving electrical appliances. To promote more efficient energy consumption, an energy audit for industrial installations is being implemented. In cooperation with the Ministry of Education and Higher Education (MoEHE), the Palestinian Energy Authority (PEA) has launched a sensitisation programme, with workshops in schools in Ramallah and Nablus, targeting energy consumption patterns. In line with the Arab Guiding Framework for Improving Energy Efficiency, preparations are underway to develop a national plan on the efficient use and rational consumption of energy in Palestine.

Environment

Implementation of the Environment Sector Strategy 2011-13, developed by the Palestinian Environment Quality Authority (PEQA), is going well and a number of achievements have been made in environmental conservation and protection over the past two years. PEQA developed an action plan to support implementation of the Environment Sector Strategy 2011-13. Currently, the PEQA is making preparations for an environment report as part of the Palestinian national spatial plan. In collaboration with the MoPAD, the PEQA's performance and structure have been assessed.

Several environment protection policies and a report on nature reserves in Palestine have been completed, and the national anti-desertification strategy has been finalised. A study on the environmental impact of the construction of the Separation Wall has been compiled. A national committee on climate change, to be chaired by the PEQA, has been established and has already held regular meetings with representatives of government bodies, civil society organisations and the private sector.

The PEQA participated in developing a national solid waste strategy and a comprehensive hazardous waste management plan and has begun to: (1) compile a list of hazardous waste and substances, and (2) develop an emergency plan for hazardous waste management. In cooperation with the Ministry of Local Government (MoLG), the PEQA drew up an action plan for solid waste management.

Within its mandate, PEQA also reviewed environmental impact assessments (EIAs) for several projects. After satisfactory assessments, the PEQA has approved the Ramallah & El Bireh Solid Waste Management project, the Rawabi Wastewater Treatment Plant, and facilities at a number of industrial installations, quarries, and petrol stations.

To bolster the legal framework for environmental protection, the Council of Ministers approved regulations on the processing of stone, marble and ready-mix concrete.

Solid Waste

In spite of numerous Israeli-imposed constraints, progress has been made in solid waste management. The Council of Ministers approved the National Solid Waste Management Strategy supported by a package of laws targeting environmental conservation, as discussed above, and public health. Complementary to the PEQA's action plan, regulations on solid waste management and policy guidance for tariffs and collection were approved.

The Government has already started construction of the Al Minya landfill in the south and the Rammun landfill in the centre. Along with the existing Zahrat al Finjan landfill in the north, the PNA now operates sufficient landfill capacity to serve the West Bank. However, requirements in the Gaza Strip are not yet met: an environmental impact assessment (EIA) for a new Gaza-based landfill is underway.

As part of the effort to reduce environmental and public health hazards, the Government has launched several public awareness campaigns about solid waste and its impact on the environment and public health. The collection and documentation of data on irregular dump sites is underway, and instructions and directives on their closure and rehabilitation have been developed. Ten irregular sites have already been closed. The Wadi Ash Sha'ir solid waste transfer station near Tulkarem has started operating and solid waste transfer stations at Beita, Hebron, and Idhna have been provided with necessary equipment for their operation. As a pilot project, the newly established transfer station at Bir Zeit not only collects, but also sorts solid waste, allowing for recycling before transportation to the landfill. Other pilot projects for solid waste management are underway, a list of solid waste types has been published and an emergency plan to cope with hazardous waste has been compiled. Eleven street sweeping vehicles have been provided to major municipalities in the West Bank.

Our international partners have supported the Government's efforts to develop regional solid waste disposal facilities and have provided equipment to improve solid waste collection, transportation and disposal. Introducing a comprehensive recycling programme would enable us to scale this up, allowing Palestine to use resources more efficiently while also reducing the quantity of solid waste.

Water and Wastewater



North Gaza Wastewater Treatment Plant

Despite its limited control over Palestinian water resources, the Government has succeeded in developing more effective water and wastewater service delivery. Since water is an essential utility, a major focus has been on extending residential access to the water network, with 99.01% of Palestinian households now being connected. The PWA has drilled new wells, installed 134.5 kilometres of transmission pipelines and 750 kilometres of internal water networks, constructed 34 cisterns and mounted 68 water pumps. Sixty-four new projects are being implemented to connect residential areas that are not yet supplied to the networks.

The Government has endorsed the Integrated Water and Wastewater Sector Reform programme and is restructuring the sector including through new and revised laws and regulations and a capacity-building programme. The PWA has also started to restructure the water information system and database, and has implemented an automated system to exchange data and information on water sector projects to allow for improved monitoring.

Alleviating the Water Crisis in Hebron

The PWA has rehabilitated eight wells in the southern West Bank, increasing water supply to 27,000 cubic metres or 80% of the water quantity designated for this area. Per capita water consumption has risen to 70-75 litres per day from around 40-45 litres in 2010. The Government plan to distribute water to residential areas has been implemented in line with water quantity, demand and population size.

Work is underway to drill and rehabilitate wells and springs. Two new wells were drilled in the eastern aquifer and two others are under preparation. A project is being implemented to improve the water supply system in the Tulkarem governorate. The Government has also developed plans to upgrade the water sector in the Jordan Valley through a development plan, a drought crisis plan, a water resources plan, a feasibility study on groundwater modelling in the Eastern Aquifer and draft studies on the possibility of a Red Sea to Dead Sea Canal (including a socio-environmental assessment). To address the losses in the water network, on-going work is reducing water leakage in the Ramallah and El Bireh networks. In Gaza, the Government has worked to ensure the sustainable operation of sewerage projects to safeguard the future water supply.

A number of sewerage and wastewater infrastructure projects are in progress or nearing completion. These include the western Nablus sewerage network, a sewerage network for Cremisan near Bethlehem and the emergency sewerage project in Northern Gaza.

The PWA has received grants for the construction of wastewater treatment stations in the Jericho and Tubas (Tayasir station) Governorates. Approvals have been obtained for implementation of the Hebron sewerage network and construction of the Khan Yunis wastewater treatment plant, which includes a treatment unit, transmission pipeline, reuse system and capacity building component.

Gaza Desalination Plant

All 43 member states of the Union of the Mediterranean have unanimously approved construction of a large scale seawater desalination plant in Gaza. At a scheduled total cost of EUR 300 million, the plant will have a capacity of 100 million cubic metres (MCM) a year. Responding to the human and economic needs of the population, this vital project will address the increasing contamination of Gaza's coastal aquifer, which residents rely on for drinking water. Already more than 90% of the aquifer is heavily contaminated since demand by far exceeds supply. The large-scale desalination plant was the most feasible option to address Gaza's potable water needs within the scenarios the PWA compiled in a detailed study to address the water crisis.

According to **Germany** (donor Co-chair of the Water and Wastewater Sector Working Group),³⁴

Despite improvements in water supply infrastructure (loss reduction programmes, new conveyance and storage systems, networks, etc.), particularly in serving marginalised unconnected communities, the West Bank still suffers from inadequate water supply. Total supply is about 85 MCM (2010 est.)³⁵ per year. A further supply of 41-145 MCM per year is required to meet WHO supply standards. In Gaza, the supply situation is also problematic. Reliability of services is poor and 90% of drinking water supplied in Gaza is below WHO quality standards. Because of the extensive pollution and fragility of the coastal aquifer, it is likely that Gaza will have to depend in the longer term on other sources.

Concurring with the statement above the Government remains convinced that ending Israel's control over our water resources and equitable sharing of common resources are necessary to address water shortages and health hazards associated with the current scheme of wastewater disposal.

Housing

Despite Israeli constraints on spatial planning, expansion of municipal borders and limited construction licences, the Government is attempting to safeguard Palestinians' right to safe and affordable housing. A National Housing Team has been established to develop public-private partnership standards, which include public sector support to infrastructure

³⁴ GIZ, Donor Co-chair of the Water and Wastewater Sector Working Group, *PA Progress in the Water and Wastewater Sector*, Report presented to MoPAD, Ramallah, Palestine, 13 July 2011.

³⁵ Latest PWA figures.

linking prospective new housing projects with existing population centres. Work has been completed in Al-Ittihad neighbourhood in Ramallah and more work is now underway to construct the Ar Reehan neighbourhood in Ramallah, the Al Jinan neighbourhood in Jenin, the Rawabi model city near Atara town, and the Al Ghadeer neighbourhood near Ramallah.

To provide housing to households with low and medium income, the Government has developed a draft framework for the Affordable Housing Programme. On-going projects for low-income housing include the construction of twenty-two housing units in Nablus as well as a housing project with 100 units for poverty-affected female-headed households in Hebron. Construction work has started on seventy-four housing units in Qalqiliya, as part of a housing project for civil servants that was announced in early 2010. Moreover, the Government has implemented a programme to repair houses partially or completely damaged by Israel. Eighteen houses have been fully rebuilt as a result.

Following Israeli military assault on the Gaza Strip in 2008/2009, repair and reconstruction works for destroyed or damaged housing units were initiated. 535 housing units have been completed so far, while ongoing projects include the construction of another 3,590 housing units.



Rehousing Project, Rafah



Rehousing Project, Khan Younis

To regulate the legal framework for the housing sector, an ad hoc inter-ministerial committee, chaired by the Cabinet Secretary and including the Ministry of Public Works and Housing (MoPWH), was set up in late 2010. The aim of the committee is to develop a new *Law on Owners and Tenants* in order to advance housing and real estate leasing in Palestine. In cooperation with international organizations, the MoPWH has formulated a project to examine the housing situation, developed a draft housing policy paper, identified mechanisms needed to activate public-private partnership in the implementation of housing projects and set forth environmental standards and terms of reference for housing development initiatives. As part of upgrading and developing financial legislation and housing sector regulation, the Ministry has developed, in coordination with the Palestine Capital Market Authority, the *Draft Law on Mortgage Financing*, as well as a *Draft Law on Sales Quotes*.

Information and Communication Technology

Better information and communication technology (ICT) are key to developing the Palestinian economy. Achievements in this sector include a strategy for ICT and postal services, the liberalization of the telecommunication market with the launch of the Al Wataniya mobile phone company as a second mobile telecommunications operator in the Palestinian territory (after required frequencies for operation were released by Israel following years of delay); and the launch of the Bit Stream Access service, which allows subscribers to choose their ADSL providers. The Ministry of Telecommunications and Information Technology (MoTIT) has licensed ten companies to provide internet services and has posted a *Draft Law for Electronic Transactions*, approved by the Council of Ministers, on its website.

As part of its efforts to promote international integration, the Government has succeeded in increasing Palestinian representation at the International Telecommunication Union (ITU). With the exception of voting rights, Palestine now enjoys all other entitlements of ITU membership.

Palestine has now joined the Arab States Research and Education Network (ASREN), which currently includes Egypt, Jordan, Syria, Algeria and Morocco. Other Arab countries are expected to join soon. Palestinian universities have been connected to the Euro-Mediterranean Network to promote scientific and academic research in Palestine.

The Government has adopted a unique postal logo and established 23 new post offices. Palestine is now part of the international postal code system, allowing for global direct mail exchange. The first phase of the postal coding system for residential areas has been finalised, which simultaneously establishes a modern postal address system. Palestine has also joined the Euro-Med Postal Organisation and has a bilateral postal exchange agreement with Jordan.

MoTIT has signed a memorandum of understanding with the Palestinian Telecommunications Company (PALTEL) and MoF to connect all ministries and government bodies to a unified electronic network. Nineteen central institutions have been linked with the government network through fibre-optic lines. MoTIT has also connected twelve post offices, including the Directorate General of the Post, through a Single-Pair High-Speed Digital Subscriber Line (SHDSL), which allows for the tracking of mail. In addition, thirteen MoT branch offices, thirteen police stations, two MoI branch offices, three public prosecution offices, twenty-three MoL branch offices, and fifty-one government bodies have been connected through the SHDSL. Over the past six months, an Academic Network of Palestinian Universities has been implemented to promote and support academic research at local universities.

With the aim of regulating the ICT market and stimulating competition, the Government tasked MoTIT to develop regulations for licensing companies to operate fibre-optic cables for ICT purposes. A national switchboard was established for the exchange of internet data on the national level. Services delivered by PALTEL were reassessed and a new price policy was adopted to guarantee high-quality service delivery. MoTIT has also issued a policy on competition and adopted ICT service quality standards.

In the telecommunication sector, the Government has issued new frequencies for radio and TV stations. This step was accompanied by shutting down unlicensed pirate stations that did not comply with telecommunication regulations. Sixty-eight radio and TV stations have been licensed by the PNA.

The MoTIT has launched the E-government Framework of Information Exchange (*Zunnar*)³⁶, which forms the basis for future e-government services, and an e-government information exchange project has been launched in cooperation with the Estonian Government.

³⁶ *Zunnar* is an interoperability framework that regulates compatible electronic data exchange between government bodies. *Zunnar* provides a suitable infrastructure to design and build prudent, effective and expandable e-government services.

Looking Ahead

The efforts of the Government over the past two years in executing the Program of the 13th Government, *Palestine: Ending the Occupation, Establishing the State*, have produced tangible achievements. Our institutions are now fully capable of exercising security in their areas of operation, administering justice, providing quality public services and promoting an investment-enabling economic environment. The output of our public financial management and economic reform endeavours will enable us to build a strong economy and finally move from dependence on external aid and revenue transfers to self-reliance. As recognised by the international community, we are “prepared to assume the functions and responsibilities of a sovereign state”³⁷. This State of Palestine will be established on the June 1967 borders, with East Jerusalem as its capital.

The 13th Government could have achieved even more if it had not been confronted with the policies of the Israeli occupation regime, which often times frustrated our state-building efforts. Our inability to implement all required development initiatives across the homeland is a result of continued Israeli control over East Jerusalem and over so-called “Area C” (comprising some 60% of the West Bank). Similarly the fragmentation caused by the Separation Wall and settlements, the restrictive movement and access regime, and the continued siege on Gaza, significantly compromise our ability to provide services to all our citizens. Realistically, genuine and sustainable development cannot occur without ending the occupation and establishing an independent, sovereign, and viable State of Palestine.

The high levels of unemployment and poverty are a major strategic challenge, and have compelled the Government to expand its social protection net as well as to increase investment in programmes targeting poverty-affected individuals and households. In spite of our investment in programmes that are meant to facilitate a transition from a welfare-oriented to a development approach, our efforts continue to be obstructed by the ongoing occupation. To shift from relief to development assistance requires that we be able to exercise full control over our natural resources, realize freedom of movement for persons and goods, and manage our own international gateways.

Israeli practices have prevented us from implementing countless projects vital for socio-economic development in Palestine. Israel continues to deny permission for major projects, including the rehabilitation of the Gaza commercial port, the fishing port, and Yasser Arafat International Airport in Rafah.

In the West Bank we were prevented from commencing construction of the Palestine International Airport in the Al Buqei’a area of East Jerusalem, and from establishing regional connection points for our electricity network to serve communities in “Area C”. But not only were development initiatives which would be considered routine in other countries denied, Israel also went to great lengths to destroy already existing public and private infrastructure that was established with the support of the international community. Examples include the demolition 342 Palestinian-owned structures in the West Bank during the first half of 2011 (including 125 residential buildings, thereby displacing a total of 656 citizens)³⁸, the

37 European Union Representative Office, donor Co-Chair of the Governance Strategy Group, *Statement on Progress in Governance*, report presented to MoPAD on 26 July 2011. Similar statements were issued in April 2011 by the IMF, the UN, and the World Bank.

38 UNOCHA, *Humanitarian Fact Sheet on Area C of the West Bank*, July 2011

demolition of 82 structures in East Jerusalem in 2010 (since 2000 alone, the Israeli authorities have demolished more than 800 Palestinian-owned structures in East Jerusalem)³⁹, and the destruction of water wells in Al 'Aqrabaniya village in the Nablus Governorate and Kafr Dan village in the Jenin governorate. Transportation infrastructure is also not immune from destruction: Al-Hurriya Road (Freedom Road) near Qarawah Bani Hassan (Salfit Governorate) village was demolished twice by Israeli authorities, once in November 2010 and the second time in March 2011.



First destruction of Al-Hurriya Road (Freedom Road)

These examples are by no means exhaustive, but give some idea of what it means to pursue development in the face of a hostile occupation.

The legal and legislative reform initiatives of the PNA are grounded on a rights-based approach to public service access and have tangibly progressed over the past few years. In the provision of public services, cooperation with the private sector, civil society and international organisations has been strengthened. However, more efforts are required to promote coordination and partnership to further improve service delivery to all our citizens within the independent, sovereign and viable State of Palestine.

Shortfalls in the quantity and timing of external budget support, coupled with the general unpredictability of aid flows, impact negatively on the ability of the Government to implement its agenda of promoting stability and development across all sectors. Recent experience shows that progress in development can be made, but only if there is financial stability. Therefore, the Government, through the implementation of the Palestinian National Development Plan, will focus on promoting more fiscal stability and independence over the upcoming three years in order to reduce reliance on external aid. We believe we can achieve these goals by strengthening the national economy, promoting investment, and supporting the private sector. We will continue to implement financial reforms within the public sector and local governance. This will primarily focus on rationalised expenditure, reduced net lending and revenue enhancement, including through an expanded tax base.

Although we have finalised preparations for statehood, our efforts will not come to a halt at this point. We realise that many more challenges lie ahead even after the establishment of an independent Palestinian state. Institutional development and reform are continuous processes. Most importantly, the adverse impacts on our economy and society that are the legacy of more than four decades of occupation need to be eradicated, since they will not simply disappear with the establishment of the state.

39 UNOCHA, *East Jerusalem - Key Humanitarian Concerns*, March 2011



Building the State
of **Palestine**
A Success Story