



Palestinian National Authority

**Equitable Development:
Moving Forward Despite the Occupation**

The Palestinian National Authority's Position Paper to the
Ad Hoc Liaison Committee

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Brussels, Belgium

Foreword

Four years ago, the Palestinian National Authority (PNA) embarked on a rejuvenated reform and development agenda, building on the efforts of previous governments and Palestinian civil society, to complete the institutional framework of the State of Palestine. The Palestinian Reform and Development Plan (PRDP) 2008-10 prioritized the delivery of safety and security to citizens, along with stabilization of the government's finances, as a means to improve economic and social conditions. The PRDP envisaged parallel actions at the political level to complete negotiations with Israel and formally establish the State of Palestine on the Palestinian territory occupied in 1967.

We have made significant strides forward in implementing the PRDP, ushering in a period of safety, security, stability and, ultimately, confidence in Palestinian governance. By the summer of 2009, the right governance conditions were undoubtedly in place for rapid and sustainable economic expansion and social development that would have been possible in the context of Palestinian sovereignty. However, lack of progress on the negotiations track – and indeed continued expansion of settlements, construction of the Separation Wall and the military assault on Gaza – critically undermined the core objective of the PRDP, namely to realize the two-state solution, thereby contributing to ending the Arab-Israeli conflict, and beginning to reverse the damage to the political, economic and social fabric of the Middle East.

Refusing to give up on the two-state solution, the 13th Government of the PNA released a new program in the summer of 2009, *Palestine: Ending the Occupation, Establishing the State*. Its guiding principle was to complete institutional preparations for statehood, despite the occupation, in order to end it. We sent a message to the world that the emergence of the State of Palestine was in the interest of international peace and stability; and that Palestine would make a positive contribution to the shared goal of peace and human development. Simultaneously, we emphasized that our program would reinforce the effort aimed at completing peace negotiations.

In September 2011, the Ad Hoc Liaison Committee (AHLC) endorsed the collective view of the PNA, the UN, the World Bank and the IMF, that the performance of our governing institutions already compared favourably with other countries in the region and beyond. The AHLC's position was recognized by the Middle East Quartet in its statement of 23rd September 2011. These views, coupled with the recognition of Palestine as a sovereign state by more than 130 UN member states, as well as by UNESCO, reinforce our belief that we are now ready for sovereignty over the state of Palestine on the June 1967 borders, with East Jerusalem as its capital.

As we move beyond the 13th Government Program, we are mindful of the need to continue our momentum towards sovereignty and to keep the prospects for the two-state solution alive. We are committed to a just, lasting and comprehensive peace in the Middle East through negotiations. We believe that there are further positive steps forward that can be taken prior to, and in parallel with, negotiations consistent with the two-state vision. These include, first and foremost, the fostering of political, economic and social unity across Gaza and the West Bank (including East Jerusalem) and the sustainable development of the 62% of the West Bank that currently lies under the full control of the Israeli military. Without excusing the obligations of

Israel as the occupying power, we believe that constructive work can and must be done in these areas to ensure Palestine's political independence and economic viability from the first day of its birth – a day beyond which Palestine and Palestinians will no longer be synonymous with conflict, but rather a success story in the quest for peace, tolerance and democracy in the Middle East and beyond.

March 2012

Salam Fayyad

Prime Minister

Equitable Development: Moving Forward Despite the Occupation

In the Program of 13th Government of the PNA, *Palestine: Ending the Occupation, Establishing the State*, we set ourselves the task of completing the process of readying our governing institutions for sovereignty and independence by September 2011. The underlying philosophy of the program was to proceed constructively with a bottom-up process of institution-building in the hope and expectation that parallel progress in peace negotiations would culminate in the establishment of the State of Palestine.

Our efforts have borne fruit, improving socio-economic conditions and quality of life in those geographical areas in which the government is able to operate. With strong support from the international community we have now reached the point at which the UN, the World Bank, the IMF and the AHLC have acknowledged the readiness of our institutions for statehood and the high quality of services we provide relative to comparator countries in the Middle East and beyond. Our regular reports to the AHLC tracked our progress; and our achievements have received acknowledgement and endorsement from the UN and international financial institutions at successive AHLC meetings.

Peace negotiations, on the other hand, have stalled and they continue to be undermined by continued implementation by Israel of policies that nurture the growth of settlements on occupied land; build a wall to establish *de facto* borders; alter the character of East Jerusalem, isolate Palestinians in Gaza, seize Palestinian land and natural resources, deal violently with non-violent Palestinian protests, fail to restraint settler violence against our citizens, property, and places of worship; and maintain the practice of engaging in military incursions into Area “A”. These violations of international law – which continue despite repeated calls by the international community to stop them – create facts on the ground that prejudice final status negotiations, and are inimical to the prospects of continued viability of a just peace agreement.

The stalled peace process, on-going occupation and the separation of Gaza from the West Bank, including East Jerusalem, have engendered uneven development and service delivery across Palestine. Citizens in Gaza, East Jerusalem and other areas of the West Bank beyond the reach of government services have not yet reaped the full benefits of economic growth and public investment delivered under the PRDP 2008-10 and the Program of 13th Government. If allowed to continue, this state of affairs, which fuels frustration, hopelessness and fragmentation of Palestinian politics and society, will soon terminally undermine the viability of the two-state solution. Nevertheless we will continue to adhere to our commitment to the two-state solution as a means to end the occupation and gain our independence. Though our constructive policy program was not met with a similarly positive and forward-looking response from Israel, we recognize that we cannot stand still. To do so would be tantamount to giving up on our quest for the state of Palestine.

We will, therefore, continue to pursue a ‘building from the ground-up’ approach to preparing for statehood, by working to create initial conditions that are conducive to the rapid economic and social development of an independent Palestine, with particular emphasis on geographical areas that lie outside the so-called ‘Area A’ and ‘Area B’ in the West Bank. We will work harder to support and follow the example of communities who, with the help of the government, as well

as national and international NGOs and international development partners, have shown great determination to remain steadfast in their homes and on their land in areas that lie beyond Palestinian government control. The risks involved are quite clear, most tangibly demonstrated by the Israeli army's program of demolition of homes, schools and other structures that underpin livelihoods. But we must venture against these risks in order to maintain momentum towards independence. We strongly encourage our international partners to join in this endeavour, despite the risks, and employ all tools at their disposal at the diplomatic level to enable development beyond 'Area A' and 'Area B', including the sustainable reconstruction of Gaza and rebuilding of Palestinian institutions and infrastructure in East Jerusalem.

Over the coming months, in line with the National Development Plan (PNDP) 2011-13, we will place particular emphasis on three core policy objectives:

- To tackle proactively the growing phenomenon of inequitable socio-economic conditions and quality of life driven by constraints on our ability to implement our development agenda throughout the land within the June 1967 borders – in particular, Gaza, East Jerusalem, the 'seam zone', the Jordan Valley as well as all other parts of the so-called 'Area C'.
- To build on and sustain the strengthening of our governing institutions in order to maintain safety, stability and good governance and extend their reach throughout Palestine. Particular emphasis will be placed on strengthening local government institutions as a key component of the overarching strategy to address uneven development and service delivery. Emphasis on quality over quantity will also feature more prominently in our implementation of institutional reform as we seek to contain the overall size and cost of the public sector.
- To take concrete steps to foster the economic viability and fiscal self-reliance of an independent Palestine, with a particular focus on access and freedom of movement throughout the occupied Palestinian territory and between Gaza and the West Bank, including East Jerusalem, and on Palestinian rights to enjoy the benefits of all the natural resources and economic potential of the land within the June 1967 borders. We must move forward boldly with far-reaching and visionary investments that will enable Palestine to realize the full potential of all of its land and natural resources, taking account of our strategic goal of building a knowledge-based economy, and focusing on sectors with high export potential and in which we enjoy a competitive advantage.

We will pursue these objectives in the firm belief that they are unequivocally in the interests of all Palestinian citizens. In doing so, recognizing that our regional cooperation is essential if our society and economy is to flourish over the long-term, we will make a determined effort to work together with neighbouring countries.

Equitable Socio-Economic Development

Implementation of the PRDP 2008-10 and the 13th Government program has brought improvements in the quality of life and socio-economic conditions of citizens living in those areas of the West Bank that lie within our *de facto* jurisdiction. However, the majority of citizens living in Gaza, East Jerusalem and the 62% of the West Bank described as ‘Area C’ (which is totally controlled by the Israeli military) continue to labor under higher levels of poverty and unemployment, and in a state of general human insecurity largely caused by the Israeli occupation and its capricious control regime. Nothing short of an end to the occupation can deliver equity and justice. However, we cannot simply wait for the conclusion of peace negotiations to reverse this de-development and destruction of livelihoods. We believe it is now essential that we press forward with the development of these neglected geographical areas, whilst continuing to assert the rights of Palestinian families to remain steadfast in their homes and on their land.

We hope that, given its commitment to the two-state solution, the international community will work more determinedly with us to eradicate this injustice and inequity, and the untenable fragmentation along arbitrary and unilaterally imposed geographic divisions. For obviously, a viable state cannot emerge against a backdrop of discrimination, unfairness, and socio-economic discontinuity.

Activation of Development Plans

- Recognizing that reunification and development of all the land occupied in 1967 is critical to establishing a viable state, we will continue to press for the implementation of the National Early Recovery Plan for Gaza and the Strategic Multi Sector Development Plan for East Jerusalem, and for a territorial link that enables free movement between Gaza and the West Bank, including East Jerusalem.
- We will work more closely with our friends in the international community, including both governmental and non-governmental organizations, to step up investment in neglected areas to assist families, farmers and other businesses. Experience has shown that this will not be by any means a straightforward task in the face of an occupation regime which actively promotes expansion and economic growth of settlements, whilst demolishing Palestinian homes and public infrastructure. However, we are confident that, with the support of our international partners, progress can be made, thereby building confidence and contributing positively to a just and lasting peace. This approach would be consistent with the Busan Partnership for Effective Development Co-operation in which donor countries committed to “approaches that aim to manage - rather than avoid - risk”.
- With continued support and input from international NGOs, Palestinian NGOs and grassroots organizations, we will help marginalized communities prepare development plans focusing on basic services such as education, healthcare, recreation and sports facilities, water supply and sanitation.
- We will also continue to push major development projects forward – including roads, international gateways, wastewater treatment plants, wells and water networks – despite

all the obstacles imposed by the occupation. At the same time, we will work to strengthen the role of the Environmental Quality Authority in projects to ensure that development is conducted in a manner that takes into account its environmental impact. We believe that these efforts will create jobs, make a positive contribution to human security and peace in the region, and can in no way be, or be construed, but as supportive of the peace process.

Rights, Justice and Steadfastness

- We will continue to call upon our international partners to be more proactive in promoting compliance with international law and signed agreements.
- We will establish closer links with organizations dedicated to bringing humanitarian relief and development to neglected communities that lie beyond our *de facto* jurisdiction, working with them to raise the level of international funding and support for such communities.
- We will continue to provide funding and other assistance to rebuild homes and infrastructure damaged by Israeli military action and settler violence.
- The social safety net will be enhanced to provide special allowances to bolster the steadfastness of people on their land. These will include:
 - Financial support for families residing in marginalized communities who need to pay exceptional costs in order to send their children to school and get the healthcare they need
 - Financial support to offset the rising costs of agricultural inputs, including fodder, and lack of basic infrastructure.

Institutional Strengthening

We will continue to strengthen our governing institutions, improving their efficiency and effectiveness in order to deliver good governance and improved services to our citizens at a reasonable and sustainable cost for years to come. This will entail measures to further upgrade the capability of ministries and agencies at the central and local level, with increasing focus on strengthening the capacity of local government units to ensure the delivery of quality services to all citizens wherever they reside. At the same time, we will strive to ensure accountability, transparency and proper checks and balances on the executive branch of government by facilitating the work and development of the judiciary, the legislature and independent oversight bodies whilst at all times respecting their independence. Our policy priorities are:

Efficiency and Effectiveness of the Public Sector

- Continued modernization of the legal framework governing the functioning of the public sector, including the finalization of revisions of the Civil Service and Pensions Laws and the promulgation of a Civil Service Code of Conduct promoting a sustainable culture of dedication to ‘public service’ amongst government employees and providing greater incentives for good job performance.
- Planning for downsizing of the public sector to a scale that is affordable and meets the long-term needs of independent Palestine. This will take into account major changes that will come with sovereignty and a united Palestine on the June 1967 borders, including increased private sector employment as barriers to economic activity are lifted, as well as elimination of duplications that have arisen through the separation of Gaza and the West Bank.
- Progressively reducing the overall proportion of budgetary resources allocated to the security sector whilst increasing investment in capacity building.
- Improving government systems and procedures (including e-government initiatives and decentralization) in order to increase the efficiency and timeliness of service delivery.
- Responsible investment in public infrastructure (including schools, healthcare, police stations and courts) based on service delivery needs throughout Palestine and taking into account on-going running costs. This will be based on more effective, centralized planning of investment, working in a closer coordination with international partners.

Strengthening Local Government

- Efforts to enhance the performance and accountability of local government units, including amalgamation of some of the smaller entities and provision of capacity-building assistance through the Municipal Development and Lending Fund (MDLF) will continue. The MDLF plays a vital role in supporting the implementation of our institution-building and reform agenda at the local government level in a comprehensive and coordinated manner and remains the preferred vehicle for externally financed investment in developing local government in Palestine.

- Alongside continued improvements in public financial management, accountability and transparency at the local government level, we will continue to promote fiscal decentralization, reduction in net lending and delivery of better services to customers at a reasonable cost.
- Special emphasis will be placed on empowering and strengthening local government, with a view to ensuring its active engagement in preparing and implementing development plans in underserved localities, including in particular those situated outside ‘Area A’ and ‘Area B’, with active community participation.
- Facilitating preparations for local elections will remain a priority. The conduct of free and fair elections at the local level remains a vital element of our strategy to ensure that a sustainable system of democratic governance prevails in Palestine.

Justice, Integrity and Accountability

- Sustain investments in the justice sector in order to complete the modernization of infrastructure, systems and technical capacity needed to deliver equitable access to justice for all citizens without discrimination on any grounds whatsoever.
- Facilitate and promote the anti-corruption agenda spearheaded by the Anti-Corruption Commission working with the public prosecution service and the specialized court for corruption crimes.
- Continue to institutionalize human rights protection in both the justice and security sector by building the capacity of dedicated human right units as well as completion of the process of limiting the jurisdiction of military courts to serving military personnel.
- Strengthen the system of checks and balances in government by advancing preparations to activate the Constitutional Court.

Economic Viability and Self-Reliance

The Government's long-term economic strategy is to build a strong, knowledge-based economy that is well integrated with regional and global markets assuring the sustainability and independence of a sovereign Palestine, and capitalizing on high educational standards amongst Palestinians living in the homeland and overseas. This strategy is underpinned by a commitment to sound economic management and private sector led growth, working in partnership with Palestinian and international businesses. Its ultimate realization depends upon unfettered access to Palestinian land and natural resources, the lifting of embargos and restrictions on movement and access, and the elimination of barriers to international trade and travel currently imposed on Palestinian businesses and individuals.¹ Nevertheless, we believe that substantial investment now, particularly in key sectors such as agriculture and tourism which offer the promise of early-stage economic growth and job creation, are an essential element of preparation for statehood. Our policy priorities are:

Sound Economic Management

- Maintain progress towards balancing the national budget and reducing reliance on external aid to fund the recurrent budget through on-going public financial management reforms aimed at increasing public revenues and containing public expenditure. These include measures to broaden the tax base and improve compliance, as well as concrete steps towards pension and civil service reform.
- Building on its landmark achievements in ensuring a high standard of regulation and supervision in the financial sector, complete preparations by the Palestinian Monetary Authority to take on the role of an independent central bank responsible for monetary policy, with the issuance of a national currency.
- Establish a well-defined, market-oriented trade regime backed by sound management of borders and crossing points and capable customs authorities. Core objectives will be to minimize tariffs and diversify Palestine's export markets.
- Ensure that the tax regime and government expenditure policies (including a comprehensive social safety net) result in a fair distribution of the benefits of economic growth and tackle current, unacceptably high, levels of poverty and unemployment.
- Continued focus on, and strengthening of, public-private partnership aimed at driving up the quality of services and encouraging the private sector investment needed to, over time, reduce public expenditure.

Private Sector Development

- Continue to improve the investment climate through finalization of legislative and regulatory reforms that ensure the greater clarity and predictability needed to further

¹ The World Bank and IMF have, over the course of the last several years, repeatedly pointed to the extremely high growth and export potential of the Palestinian economy if and when it attains independence, sovereignty and unfettered access to the land and natural resources in all the territory within 1967 borders.

encourage private investment, including the enactment of a new company, competition and consumer protection legislation, along with sustained action to reduce bureaucratic ‘red tape’ and improve the efficiency of government services provided to businesses.

- Ensure that the justice system supports the business community through, inter alia, more timely and effective enforcement of court decisions, improvement of commercial dispute resolution, strengthened property and land rights registration and enforcement – whilst at the same time ensuring that businesses engaging in corrupt and anticompetitive practices are brought to account under the law.
- Support Palestinian businesses in delivering products and services into export markets through, inter alia, investment in facilities to validate compliance with applicable quality and safety standards, provision of research and development grants, establishing export marketing facilities locally and overseas. Furthermore, we will work with our international development partners to develop approaches to encouraging international companies to set up operations in Palestine and form partnerships with Palestinian businesses. This will not only help develop Palestinian businesses, but also provide international companies with access to a skilled workforce in Palestine and closer links to regional markets.
- Reorient investment in the education sector in order to: ensure that students receive a better quality of basic and higher education which prepares them for entry into the labor market; and also to fulfil our national aspiration of a vibrant, knowledge-based economy. The availability and quality of technical and vocational education and training (TVET) will be enhanced in a manner which addresses the perception that it is a ‘second class’ form of further education, and helps develop future leaders and human capital in the private and public sector with the advanced technical skills needed for Palestine to be competitive in the global economy.
- The agriculture sector will play a vital role in driving economic growth during the early years of independent Palestine, as well as providing much-needed income and food security for rural areas. External assistance, both technical and financial, should play an invaluable role in raising the competitiveness and export potential of Palestinian agricultural products. Wide-ranging public investment is needed to reduce input costs (e.g., rural transport infrastructure and irrigation), to deliver extension services and product safety/quality certification, and, in collaboration with the private sector, to provide export marketing, credit and insurance services to farmers.
- There is enormous scope to increase tourist traffic on both sides of the Jordan River in the wake of a just peace agreement and through regional cooperation. At a time of economic hardship for many countries in the region, this is a particularly tragic waste of potential. East Jerusalem and ‘Area C’ are particularly rich in historical and cultural heritage sites and a destination for niche tourism, including ecological, health, adventure and religious tourism. Investment now in the restoration and development of specific sites, including in our rightful share in the Dead Sea, coupled with the development of regionally-connected transportation infrastructure in ‘Area C’, could help bring in many more millions of tourists each year. This would in turn have a transformative effect on the regional economy and help usher in a new era in which Palestine and its neighboring countries are a destination attracting people from all over the world.

Upgrading Infrastructure

- Community-based projects, with increasing involvement of local government units in planning and implementation, will continue to deliver improvements in public infrastructure aimed at delivering better and more cost-effective transportation, water and energy services for both citizens and businesses – and hence lowering input costs for the private sector.
- Though expensive and, in the context of Israeli restrictions and demolitions, more risky, larger infrastructure projects must also proceed as part of Palestine’s preparation for statehood. National, regionally connected transportation and utilities networks will have to form the backbone of the economy of Palestine, as continued lack of progress in establishing them is leaving our economy further and further behind, diminishing the prospects of a growing, self-sustaining country that can contribute to regional peace and prosperity.
- We will continue with efforts to encourage investment in the housing sector in order to accommodate rising demand for housing throughout the homeland, including ‘Area C’. The experience of the *Rawabi* housing development demonstrates how private investment, public-private partnership and backing from international development partners can deliver a visionary project despite the challenges.