



STATE OF PALESTINE

**Palestine**

**A STATE UNDER  
OCCUPATION**

**The Government of Palestine's Report to the  
Ad Hoc Liaison Committee**

March 19<sup>th</sup>, 2013  
Brussels, Belgium





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## The Challenge of Realizing Statehood

Since the AHLC convened in September last year, two quite different developments have occurred, highlighting the gap between the aspirations of Palestine and the international community on one hand and the reality imposed by Israel on the other hand. The overwhelming majority of states have recognized the legitimate rights of the Palestinian people to statehood and self-determination by supporting the enhancement of Palestine's status in the United Nations as a non-member observer State. Unfortunately, Israel's continued illegal occupation irreversibly forecloses the possibility of establishing a Palestinian state on the ground, making peace based on the two-state formula implausible, if not impossible.



When the United Nations' General Assembly voted on 29 November 2012 to grant Palestine non-member observer State status, it acknowledged broad international recognition for the State of Palestine. As a non-member observer State Palestine now has the ability to access various international organizations, treaties and instruments, including: international finance modalities, human rights treaties, humanitarian law conventions, and international legal instruments, among various others. This elevated status thus has the potential to slightly level the playing field between Israel and Palestine.

The strong international support for Palestinian statehood, asserted at the United Nations General Assembly, has also signaled the need to transform the “Palestinian National Authority” into the “Government of the State of Palestine”, although this Government remains with no effective control over the majority of its territory in the West Bank, including occupied East Jerusalem. The new appellation has already been streamlined throughout all government institutions.

At this point in time, the most pressing need is to realize Palestine’s sovereignty and independence free from Israeli occupation, to turn international support and recognition into reality on the ground, and to prevent an irreversible slide into an apartheid-based one-state reality, as outlined in our previous report.

Realizing a sovereign and independent state implies consolidating and safeguarding the vast accomplishments already made. More specifically, the accomplishments pertaining to the implementation of the Program of the 13th Government, “Palestine – Ending the Occupation, Establishing the State”, and our respective national plans. Our achievements in establishing the institutional foundations for the State of Palestine were recognized at the AHLC meeting in September 2011. This recognition of institutional preparedness for statehood preceded the United Nations’ political recognition of statehood. Both international recognitions constitute the foundation for realizing a sovereign and independent State of Palestine, one that is free from the chains of the occupation and prepared to take its natural place among the community of nations.

As we have repeatedly pointed out, we will not stop at the achievements already accomplished, but will continue our institutional reform and consolidation in spite of the political and financial crisis. Currently, the Government of the State of Palestine is formulating a new development plan that will succeed the current Palestinian National Development Plan 2011-2013. In the course of preparing the new plan, we will consult with the private sector, civil society and our international partners. In cooperation with our national and international partners we will also establish concrete short-term benchmarks (especially for “Area C” including East Jerusa-

lem) on a sectoral basis in order to expedite the materialization of Palestinian sovereignty.

Moreover, in October 2012 local elections were conducted in a fair and representative manner throughout the West Bank. In February 2013 the Central Election Commission was also able to update the voter registry in the West Bank and the Gaza Strip, receiving some 451,000 additional applications for voter registration. We hope that voter registration will pave the way for reconciliation and the reunification of the West Bank and the Gaza Strip.

### **Investing in Area C and East Jerusalem**

To achieve a sovereign, independent and democratic state, free from occupation, and to implement the national plan, however, requires more than building institutions in “Area A” and “Area B”. A prosperous, sovereign and independent Palestine requires international support to allow us to capitalize on progress achieved to date and help us reach the full potential of development in those parts of Palestine currently categorized as “Area C”, including East Jerusalem. Our aspiration has been to establish a sovereign and viable State of Palestine on the 1967 border, which is impossible without full access to that 64% of the West Bank that remains under full and direct Israeli military control, the so-called “Area C”. “Area C” is an integral part of the State of Palestine, the backbone of the Palestinian economy, and true sovereignty thrives or dies with control over it.

**Realizing a sovereign and free State of Palestine implies immediate and full transfer of those parts of the State of Palestine currently designated as “Area C”, including East Jerusalem, to the Government of the State of Palestine, which has the sovereign right to these lands according to international law and repeated UN resolutions, including the most recent one, enhancing the status of Palestine to that of a non-member observer State.** Until such time, we demand the following basic actions vis-a-vis the Government of Israel:

## Prohibited/Restricted Roads in Palestine

Prohibited/restricted roads comprise 2,116km, or 21.2% of all roads.

Road restrictions by area/classification:	%
Settlements (including East Jerusalem)	47.45
Roads in areas sealed off by Separation Barrier	36.38
Military-only roads	9.68
Roads closed to Palestinian Traffic	6.32
Roads in Israeli controlled Hebron (H2)	0.16
Total:	100

Source: OCHA

- Immediate and full access to the road system in those parts of the State of Palestine currently designated as “Area C” – such as access roads for remote communities and main highways throughout the West Bank from which Palestinian villages are either disconnected or blocked off for all practical purposes, as well as effective ability of the Government of the State of Palestine to establish and maintain road connections in all of its territory.
- Immediate and complete removal of all checkpoints within the West Bank, including those isolating East Jerusalem;

- Immediate and complete halt to all acts of military aggression, such as dispossession and demolition of Palestinian property within the territory of the State of Palestine;
- Full and transparent accountability of Israel for all its citizens' actions in the occupied State of Palestine, including violent transgressions by military personnel and settlers targeting Palestinian communities and their property;
- An immediate halt to obstructing Palestinian land registration in "Area C";
- Facilitation for the development and adoption of master plans in "Area C".

### **Harnessing the Economic Potential of those Parts of the State of Palestine Currently Categorized as "Area C", including East Jerusalem**

The combined measures and priority projects listed above are essential to unleash the economic potential inherent in "Area C", which is central for a prosperous, sovereign

### **Selected Priority Projects for Realizing a Prosperous and Sovereign State of Palestine**

Within this report the Government of the State of Palestine would also like to highlight some specific projects that it considers crucial for achieving full sovereignty and economic growth. These projects are mainly located in those parts of the State of Palestine currently designated as "Area C", as well as in the Gaza Strip. These projects are a national priority as they would significantly improve Palestine's GDP and the standard of living.

Selected priority projects include, but are not limited to:

#### **Agriculture**

- Development of Agricultural Water Resources – West Bank (mainly "Area C");
- Access to and Development of Agricultural Lands – West Bank (mainly "Area C");

#### **Water**

- Water Supply for the Southern and Central West Bank (mainly "Area C");
- Desalination Plant – Gaza Strip;
- Development of Production Wells;

## Trade & Transportation

- Palestine International Airport – West Bank (“Area C”);
- Seaport – Gaza Strip;
- Essential Road Networks – West Bank (“Area C”);
- Development of Public Transportation through Public-Private Partnerships – National;
- Bonded Warehouses & Logistics

## Tourism

- Rehabilitation and Development of Archaeological Sites and Historical Buildings – West Bank (including “Area C”);
- Development of Cultural Infrastructure – National;

The above projects are synchronized with the strategic objectives spelled out in the Palestinian National Development Plan 2011-13 and the policy objectives defined in our AHLC report from September 2012. The above projects require financial support from our international partners. For further details please refer to Annex 2 of this report or contact MoPAD.

and independent State of Palestine.

Although under the constant limits and degradation of Israel’s occupation, the Government of the State of Palestine is working to harness the full potential of the Palestinian people and its natural resources.

In its last AHLC report of September 2012, the Government outlined 11 action points (see annex 1) that require implementation, in close cooperation with the international community, in order to achieve the equitable development of all of the land of the State of Palestine.

Subsequent to the policy outlined in the September 2012 AHLC report, the Government commissioned a study analyzing the economic potential of the Palestinian economy with a particular focus on the blocked resources of so called “Area C”. Unsurprisingly, the study concludes that the people of Palestine have a strong human and economic potential that can be fully harnessed once Palestinian sovereignty and self-determination is realized. An analysis of the Palestinian geography and production factors suggests that tourism, ICT, real estate, and business services have an especially high potential

since they require intensive skilled labor, but comparatively little capital and energy, as well as few natural resources. Additional sectors with potential for growth include stone quarrying and agriculture, although both are highly dependent on access to resources located in “Area C”.

The potential of the agriculture sector is commonly and dramatically underrated. As Israeli settlements, Israeli-only roads, land-theft for Israel’s separation wall, and “seam” territory have expanded, the contribution of agriculture to the GDP has declined from 15% in 1995 to some 6% in 2012. These official figures on the contribution of agriculture to the GDP, however, do not reflect the actual importance of the sector in terms of informal employment (estimated at 39% of the total workforce) or its impact on other sectors. Furthermore GDP figures do not take into account the enormous lost potential of agricultural development in “Area C”, which currently lies idle due to Israeli restrictions and settlement expansion.

**To sum up, if the Israeli occupation of and restrictions on «Area C» were terminated, and if water resources were dis-**

## **Unleashing the Potential of Palestinian Agricultural Growth in “Area C”**

Between 2000 and 2007 the value of agricultural production almost doubled and the sector still has tremendous potential for additional growth. If Palestinians had unhampered access to their lands currently designated as “Area C”, revenues from agriculture could be exponentially higher. At present some 63% of Palestinian agricultural lands are located in “Area C”. Some 85% of grazing lands in the West Bank are closed to Palestinians as a result of their location in “Area C” in proximity to settlements, within military firing zones, or beyond the Separation Barrier. “Area C” is at the very heart of realizing agricultural development and economic viability of Palestine.

Access restrictions to land are not the only constraint to realizing the economic potential in “Area C”. Due to Israeli imposed restrictions on Palestinian water resources protected irrigated agriculture comprises only 2.3% of the cultivated land in the West Bank. These 2.3%, however, contribute around 50% of total plant production, hinting at the huge potential for agricul-

ture in Palestine. Irrigated land is on average 15 times more productive than non-irrigated land. At the same time Palestinian water resources are diverted to Israeli settlements that make up for some 30% of irrigated land in the West Bank (irrigated land controlled by Israeli settlements is mostly located in the Jordan Valley).

Agriculture is the third largest employer in Palestine. While the formal workforce in agriculture is around 15%, of the total workforce, the informal agricultural workforce constitutes up to 39%. Within a free and sovereign Palestine agriculture would significantly expand employment beyond its current 15%, absorbing mainly laborers who would be unable to obtain alternative employment.

As the Government of the State of Palestine has emphasized repeatedly at the AHLC, economic stagnation and fiscal crisis cannot be separated from sovereignty and full access to Palestinian lands currently designated as "Area C". In order to unleash Palestine's economic potential we require the support of the international community along the action points outlined in our September 2012 AHLC report.

**tributed in a fair and equitable manner based on principles of geographic location of those resources the Palestinian agricultural sector could drastically expand its production. This would occur mainly by reclaiming and irrigating all lands suitable for agriculture, and by developing high value crops in the Jordan Valley.**

**The potential additional value of production derived from such an expansion is considerable. Conservative estimates quantify the additional potential for agricultural production in "Area C" alone at USD 2.25 billion per year. This reconfirms the huge potential for the growth of agro-business in "Area C" as a cornerstone of Palestinian national sovereignty and economic development.**

«Area C» furthermore harbors substantive economic benefits beyond agriculture: If Palestinians possessed sovereign access to and use of their resources, additional substantial revenues could be generated. The added value derived from the natural resources of the Dead Sea (the Palestinian part of which is fully located in «Area C») would

amount to USD 1.1 billion annually (translating into approximately 11% of the GDP for 2012), while the additional value of tourism at the Dead Sea would amount to a further USD 0.14 billion. Moreover, approximately USD 0.6 billion could be generated from quarrying and mining in «Area C» (translating into app. 6% of the GDP for 2012).

In order to support residents of “Area C” and their economic survival the Government of the State of Palestine is currently conducting an assessment for some 100 communities in “Area C”. An overall strategy for “Area C” will complement and consolidate the Government’s efforts towards stimulating economic activity in “Area C” and towards harnessing its resources.

## **Prohibiting Palestinian Water Development in “Area C”**

Water development in “Area C” currently requires the approval of the Joint (Israeli-Palestinian) Water Council and the Israeli Civil Administration, ICA (a branch of the Israeli military). Israel thus maintains what is in effect a double veto over Palestinian water projects located in “Area C”. ICA permits are characterized by long delays and frequent rejections. Since 1967, not a single new well has been approved by Israel in the Western Aquifer. This past year in particular has seen a sharp increase in ICA permit delays, as well as the introduction of new bureaucratic requirements. Both appear to be the result of a calculated policy on Israel’s part to pre-empt and counter growing international condemnation of Israeli policies in “Area C”. The aim is to further raise the bar for ICA permit approvals so as later on “major concessions” can be offered should political pressure be applied on the ICA to modify its permit criteria. Within this context, “concessions” on the part of the ICA would merely entail the restoration of the status quo. Any Palestinian water infrastructure lacking the required permits is immediately slated for demolition by the Israeli military.

Israel currently exploits 90% of the joint trans-boundary water resources in the West Bank for exclusive Israeli use, including for use in Israeli settlements, and allocates a mere 10% for Palestinian use. As a result, Palestinian water consumption in the West Bank is limited to an average to just 70 liters per capita per day, below the 'absolute minimum' of 100 liters per capita per day recommended by the World Health Organization, and far below the average of 300 liters per capita per day in Israel.

In the Gaza Strip the quality of water is steadily deteriorating due to the Israeli siege. Alternative water sources could not be developed, while the aquifer on which the Gaza Strip relies for its water supply will be unusable by 2016, and irreversibly damaged by 2020.

## **Thwarting the Two-State Solution – Continued Dispossession, Settlement Expansion and Gross Human Rights Violations**

Developing those lands of the State of Palestine currently designated as "Area C" has been an uphill struggle against successive Israeli governments determined to eliminate the very possibility of a two-state solution.

The most recent manifestation of Israeli hostility toward a two-state solution is Prime Minister Netanyahu's announcement that Israel will begin construction of housing units in the area between the Palestinian capital of East-Jerusalem and the illegal settlement of Maale Adumim<sup>(1)</sup>. The area is known as "E1" to the international media and as "Bab Ash-Shams" to Palestinians. This provocation of Palestinians, violation of international law, and barrier to just peace was explained by the Israeli government as a response to Palestine's request to the UN to be granted the status of a non-member observer State. In re-

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1 Infrastructure works, such as roads, as well as a large scale police station have already been completed;

ality, however, plans for large-scale housing construction in “E1” have been ready for the past decade and have only been prevented by massive international pressure. The UN vote served Israel as a welcome excuse to finally launch this destructive project ahead of Israeli elections. If the settlement of “E1” is realized, it will foreclose Palestinian and international efforts towards realizing the vision of a two-state solution. Construction in the Bab Ash-Shams/“E1” area, which is designated as “Area C”, would complete the Israeli wedge of settlements that stretches from occupied East Jerusalem down to the Dead Sea, thus separating the northern from the southern West Bank, and destroying all hope for a free, sovereign and viable State of Palestine.



International activists escorting children to school to protect them from settler violence. Tuba;

Courtesy: Comet – Middle East  
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Bab Ash-Shams/“E1” is just one part of the overall settlement enterprise meant to bury the two-state solution forever. Since the approval of settlement plans and the tendering of housing units is a telling indicator of future construction there is little reason to be optimistic. In 2012, the Israeli government increased tenders for settlement construction in Palestinian lands currently designated as

“Area C” (including occupied East Jerusalem) by more than 250% compared to 2011. Also from 2011 to 2012, Israel more than tripled its approvals of plans for housing units in “Area C” of the West Bank (excluding occupied East Jerusalem). In concrete figures this means that in 2012 the Government of Israel has issued approvals at various stages for plans to construct 6,676 new housing units throughout the West Bank (excluding occupied East Jerusalem) and in the same period has issued tenders for

3,148 more housing units in Palestinian areas (including occupied East Jerusalem). Moreover, Israel has “legalized” 10 more settlement outposts and tolerates without sanctions the establishment of 4 new settlement outposts that are currently still considered as illegal under Israeli occupation law. Altogether at least 1,747 housing units were completed in “Area C” of the West Bank last year (excluding occupied East Jerusalem), including 317 housing units in settlement outposts considered illegal under Israeli occupation law.<sup>(2)</sup>

In its advance report to the UN Human Rights Council “the independent international fact-finding mission to investigate the implications of the Israeli settlements on the civil, political, economic, social and cultural rights of the Palestinian people throughout the Occupied Palestinian Territory, including East Jerusalem” inter alia reaches the following conclusions related to Israeli settlement activity on Palestinian lands and its devastating impact on livelihoods and the vision of a two-state-solution<sup>(3)</sup>:

“The establishment of the settlements in the West Bank including East Jerusalem is a mesh of construction and infrastructure leading to a creeping annexation that prevents the establishment of a contiguous and viable Palestinian State and undermines the right of the Palestinian people to self-determination.”

“The settlements have been established and developed at the expense of violating international human rights laws and international humanitarian law, as applicable in the OPT as notably recognised by the 2004 ICJ Advisory Opinion.”

“The settlements are established for the exclusive benefit of Israeli Jews; settlements are being maintained and developed through a system of total segregation between the settlers and the rest of the population living in the OPT. This system of segregation is supported and facilitated by a

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2 The figures in this paragraph were compiled and published by Peace Now (“Summary of Year 2012 in Settlements” and “Settlements & the Netanyahu Government: A Deliberate Policy of Undermining the Two-State Solution”)

3 The report will be formally presented to the Human Rights Council on 18 March 2013;

strict military and law enforcement control to the detriment of the rights of the Palestinian population.”

“The existence of the settlements has had a heavy toll on the rights of the Palestinians. Their rights to freedom of self-determination, non-discrimination, freedom of movement, equality, due process, fair trial, not to be arbitrarily detained, liberty and security of person, freedom of expression, freedom to access places of worship, education, water, housing, adequate standard of living, property, access to natural resources and effective remedy are being violated consistently and on a daily basis.”

“The Mission has noted that the identities of settlers who are responsible for violence and intimidation are known to the Israeli authorities, yet these acts continue with impunity. The Mission is led to the clear conclusion that there is institutionalised discrimination against the Palestinian people when it comes to addressing violence. The Mission believes that the motivation behind this violence and the intimidation against the Palestinians as well as their properties is to drive the local populations away from their lands and allow the settlements to expand.”

“The Mission is gravely concerned at the high number of children who are apprehended or detained, including for minor offences. They are invariably mistreated, denied due process and fair trial. In violation of international law they are transferred to detention centres in Israel.”

In stark contrast to the booming construction in Israeli settlements, 604 Palestinian owned structures were demolished in “Area C” (including East Jerusalem) in 2012, thereby displacing 880 Palestinian citizens.<sup>(4)</sup> Figures from spring 2013 indicate that Israeli occupation authorities are well placed to outpace their last year’s achievements in ruining Palestinian livelihoods, especially in occupied East Jerusalem. Similarly striking is the discrepancy between the tolerance extended by the Israeli government to settlement outposts that are considered illegal under Israeli law and the harsh, rapid and unlawful crackdown on Palestinian protest camps opposing settlement construction in “Area C”.

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4 OCHA Report “Humanitarian Monitor”, December 2012

Other Israeli violations of basic human rights, which are a major concern for the Government and the citizens of the State of Palestine, are the denial of the right to a fair trial, as well as the denial of visitor rights for Palestinian prisoners. Palestinian prisoners are routinely sentenced under so-called “administrative detention” for indefinitely renewable periods of six months. “Administrative detention” is handed out by administrative orders and requires neither an indictment nor a trial. The defendant is not presented with any evidence against him/her, nor does the defendant know the period of his/her imprisonment since “administrative detention” is indefinitely renewable. This arbitrary instrument, which contravenes the most basic human rights, has been used for decades against thousands of Palestinians.

Palestinian detainees have increasingly reverted to hunger strikes in recent years as the sole available means of protest against this practice and against the denial of visitor rights. In November 2012 the administrative detainees Jafar Ezzedin and Tariq Qa’adan entered into a long-term hunger strike.

Palestinian prisoners, who were freed under a prisoner swap in 2011 and then subsequently re-arrested, have refused food for months. Samer Al-Issawi, who has been on hunger strike since July 2012 (224 days as of time of writing) and Ayman Sharawna were re-arrested under an Israeli military order that permits freed prisoners to be returned to prison to serve out the remainder of their full term based on secret evidence and in the absence of a court hearing.

On 23 February 2013 Arafat Jaradat, 30 year old father of 2 children, died in Israeli custody with broken ribs, a bloody nose, a cut on his lower lip, and bruises on the front and back of his torso. He was arrested earlier in the week for the alleged crime of throwing stones.

Currently, Israel holds approximately 4,700 Palestinian prisoners, including some 190 children and over 200 persons under administrative detention. According to the latest UNICEF report published February 2013, “the ill-treatment of children who come in contact with the military deten-

tion system appears to be widespread, systematic and institutionalized throughout the process, from the moment of arrest until the child's prosecution and eventual conviction and sentencing."

The State of Israel maintains the occupation of Palestine by gross violation of human rights. Therefore, the Government of the State of Palestine calls on the international community to protect the fundamental human rights of all Palestinians, including Palestinian prisoners as guaranteed by international human rights treaties and the Fourth Geneva Convention, and to bring to justice the perpetrators of human rights violations.

The outrageous denial of basic human rights to prisoners, which comes on top of the daily discriminations, dispossession of property, and occupation of land infuriates Palestinians and sparks regular protests throughout the West Bank, including East Jerusalem. The Government of the State of Palestine stands in full solidarity with the hunger strikers, as well as with all who take non-violent action against the violation of human rights and dispossession by the Israeli occupation regime.

### **At the Brink of Collapse – The Israeli Imposed Fiscal Crisis and its Implications**

The Government of the State of Palestine has been operating under conditions of permanent crisis since the year 2000. The Israeli government's lack of commitment to a negotiated two-state-solution based on International Law has manifested itself repeatedly in military campaigns, closures, blockades, imprisonments without conviction, forced displacement, land confiscation, settlement expansion, and the confiscation of Palestinian financial resources collected via Israel.

As a result of the Palestinian people's steadfastness and determination, with the support of the international community, we have been able to withstand past crises, preserve the social fabric of Palestinian society, and prevent the collapse of the PNA – albeit not without enormous sacrifice and human suffering.

The current fiscal crisis is thus yet another illustration of how Palestinian society is being subjected to arbitrary measures instigated by a belligerent occupation regime. Like previous crises, the current fiscal crisis is imposed on the Palestinian people and its government. The current crisis, however, is distinct from previous crises in several aspects which exacerbate its impact: The recent confiscation of Palestinian owned revenues by the Government of Israel comes on top of an already severe fiscal crisis that was caused by a large shortfall of external support and has hindered the Palestinian government's ability to pay salaries and meet its obligations towards the private sector. Additionally, Israel's on-going siege of the Gaza Strip has cut-off a crucial source of the Palestinian government's revenues from imports and exports. Furthermore, Israel has been confiscating revenue transfers when the option of borrowing from private banks is no longer viable.

As Prime Minister Fayyad pointed out, the Palestinian government has been incapacitated as a result of the financial strangulation imposed by the Government of Israel. The Government of the State of Palestine along with the entire Palestinian population has been taken hostage by Israeli domestic politics as each pre-election government-coalition party competes to be perceived as more hostile towards Palestinians than its contestant.

The consequences are borne by our people across all aspects of life. Civil servants are heavily in debt because they have had to borrow money when their salaries were repeatedly delayed (frequent delays have been paid in tranches since June 2012). Many civil servants find it increasingly difficult to justify the expense of transportation to work when there is no salary. Repeated strikes are thus one consequence of the fiscal strangulation.

The absence of civil servants from work and the chronic shortage of financial resources has negatively impacted the education of some 776.000 Palestinian pupils whose schools have been periodically closed. The strikes have severely affected the curriculum and the Ministry of Education had to respond by adding additional school days to the current semester to

compensate for lost school days. If Israel continues to force the State of Palestine into a fiscal crisis irrevocable losses to the quality of education will occur. Moreover, the fiscal crisis has affected the health system where clinics and hospitals are barely able to provide emergency services, as well as the provision of basic services across a whole range of other sectors.

The latest economic fundamentals are a reflection of the fiscal crisis that strangles the PNA and penetrates all spheres of economic activity. According to the Palestinian Central Bureau of Statistics (PCBS), real GDP growth for the first three quarters of 2012 was 6.1%, compared to 12% during the same period in 2011. The reduced growth rate is mainly a result of Israeli failure to lift trade barriers and remove access restrictions. It is especially the failure to remove restrictions on the development of "Area C" and the siege on the Gaza Strip that chokes private sector induced growth. The most pronounced drop in GDP growth can be observed in the Gaza Strip where growth was almost halved in 2012. In 2013 the decline in economic growth witnessed over the past year will likely continue. Nominal growth rates will thereby hardly translate into an increase of real per-capita growth this year.

Triggered by low growth rates, unemployment in Palestine climbed to 24.3% in the third quarter of 2012 (compared to 22.4% in Q3 of the previous year). The increased unemployment rate is due in full to rising unemployment levels in the Gaza Strip which reached a staggering 31.9% in Q3 2012. The Gaza Strip thereby has one of the highest unemployment rates in the world. These negative trends were exacerbated by Israel's military offensive against the Gaza Strip in mid-November 2012 which was on top of the continued siege of Gaza. Israeli bombardments once again led to massive loss of life and the wide-scale destruction of the infrastructure.

Youth unemployment levels are especially worrying. In the Gaza Strip a mere 18% of youth aged 15-29 have found employment. Labor force participation rates of the youth in the West Bank and the Gaza Strip are nearly as low (ranging from 40% to 35% respectively) which indicates both a lack of economic opportunity and a high level of frustration.

Despite this crisis situation, we would like to thank those partners who have helped maintain the political vision of a two-state-solution by providing financial support to the Palestinian government, in particular budget support and support to recurrent expenditures even at times of political crisis with Israel and despite austerity measures in their own countries. The Government of the State of Palestine acknowledges this commitment with utmost gratitude. At the same time we call on the international community to take up its responsibilities to pressure the Government of Israel to release our revenues and to provide the financial support required to maintain basic functions and services under Israel's belligerent occupation of Palestine. In particular we count on the Arab states to activate the safety net they committed to establish at the Arab League summit last March in order to mitigate the impact of the Israeli piracy policy.

## Summary of the Official Development Assistance to Palestine for 2011 (in USD millions)

	Requested Funding from Donors	Actual Funding Received	Gap
<b>Budget Support<sup>1</sup></b>	1 261	823	438
<b>Development Support<sup>2</sup></b>			
• Economy	74	45	29
• Governance	142	102	40
• Infrastructure	142	83	59
• Social	142	106	36
<b>Total</b>	<b>500</b>	<b>337</b>	<b>163</b>
<b>Humanitarian* Support<sup>3</sup></b>	<b>839</b>	<b>711</b>	<b>128</b>

\*Note: Humanitarian Support includes the CAP, UNRWA's Emergency Appeal and funding to UNRWA's General Fund for the West Bank and Gaza Strip;

## Summary of the Official Development Assistance to Palestine for 2012 (in USD millions)

	Requested Funding from Donors	Actual Funding Received	Gap
<b>Budget Support<sup>4</sup></b>	1 455	761	694
<b>Development Support<sup>5</sup></b>			
• Economy	135	23	112
• Governance	207	40	167
• Infrastructure	248	137	111
• Social	283	114	169
<b>Total</b>	<b>873</b>	<b>314</b>	<b>559</b>
<b>Humanitarian* Support<sup>6</sup></b>	<b>738</b>	<b>656</b>	<b>82</b>

\*Note: Humanitarian Support includes the CAP, UNRWA's Emergency Appeal and funding to UNRWA's General Fund for the West Bank and Gaza Strip.

The Government of the State of Palestine is exploring every possible avenue to alleviate the impact of the Israeli imposed fiscal crisis, although we depend on the cooperation of the international community to address the root cause of the problem, namely the belligerent Israeli occupation of the State of Palestine. The spectrum of measures to counter the current fiscal crisis and to provide essential services can be segmented into four categories:

**Increasing revenues:** In 2012 domestic resources only accounted for approximately 30% of the Government's overall revenues. Under the ongoing occupation, Palestine's currently available domestic resources will not be sufficient to compensate for Israel's refusal to release Palestine's tax revenues. Given the inability to access domestic resources (such as agricultural lands located in "Area C") and the lack of control over external border crossings, it is unlikely that the share of domestic resources in relation to overall revenues can be significantly increased. Thus, even an extremely bold move on taxation and revenue collection cannot result in fiscal independence under current circumstances.

Clearance revenues, collected by the Government of Israel on behalf of the occupied State of Palestine are the principle source of revenues for as long as the Government of the State of Palestine is unable to directly levy these taxes as it lacks sovereignty on the ground. In 2012 clearance revenues accounted for approximately 70% of all revenues. These clearance revenues fell short of projections for 2012 because the agreement with Israel on February 2012 on principles for improved revenue, which we reported on in our previous AHLC report, did not result in enhanced practical arrangements, let alone projected revenue increases.

Nevertheless, the Government has initiated domestic reforms in revenue collection that mainly aim at enforcing existing legislation more fully. With a focus on tax revenues the Government has adopted a package of measures, including the collection of income tax advances and an income tax rate increase for higher income persons from 15% to 20%. As a result, in 2012 income tax revenues increased by 39% and significantly exceeded budgeted revenues. Furthermore, the Government established a depart-

ment at the Ministry of Finance to increase compliance of large taxpayers. The government has also increased the purchase tax on vehicles from 50% to 75%, in an effort to increase domestic revenues.

Overall revenues, however, fell short of budget projections for mainly two reasons: the slowdown in economic growth triggered lower tax revenues; and, more importantly, the Government's inability to settle its arrears caused a decline in tax payment morality in the private sector. Fiscal reforms do not take place in a vacuum and it is increasingly difficult to demand that citizens meet their obligations when their Government cannot meet its basic obligations.

**Decreasing expenditure levels:** Salaries for civil servants account for the bulk of public expenditures. Introducing rapid cuts would undermine the delivery of basic services and provoke political instability in the current climate where the private sector is not able to absorb the workforce, especially unemployed youth. Although an adjustment of expenditure levels is necessary to secure sustainable financing for the payroll, such an adjustment would need to take into account the social and political realities, as well as the full potential of the Palestinian economy, especially the economic potential of "Area C". Cuts in expenditures must be conducted in a sensitive manner that takes into account the political reality and actual living costs in the occupied State of Palestine. Similar to an increase in revenues, additional fiscal austerity measures will not significantly impact the overall fiscal deficit, and neither will a combination of revenue increases and austerity measures be sufficient to reduce the budget deficit to a sustainable level. Based on current political constraints, there is no realistically conceivable combination of increased tax revenues and decreased expenditures that can eliminate the financial gap expected in 2013.

As part of its efforts to decrease wage expenditures, the Government has limited new hiring. The slight increase in net hiring can mainly be attributed to recruitment in the education and health sector, which is required in order to keep up with demand due to population growth. In August 2012 the Government introduced a freeze on hiring and promotions in the public sector. This brought wage expenditures closely in line with budget projections.

Unfortunately, “**net-lending**” (i.e., the central Government’s involuntary payments to Israel for unpaid utility expenses owed by local Palestinian governments and utility companies to Israeli utility companies) severely outpaced budget projections. It is important to understand that the fiscal crisis was not compounded by the upsurge in net-lending, but vice versa: the fiscal crisis caused the increase in net-lending. Citizens, especially civil servants who have not received regular salary payments, have withheld the payment of utilities in “compensation” for outstanding wages. Similarly, local government units, which have not received their own revenues from the central treasury as a result of the fiscal crisis balanced their accounts by withholding the collected utility revenues in full awareness that the Government of Israel would deduct them from its revenue transfers to the central treasury of Palestine and thereby deepen the fiscal crisis of the central Government. Net-lending, similar to most fiscal reforms, is being held hostage to the fiscal crisis – a vicious cycle that can only be broken by the end of Israel’s belligerent occupation and full Palestinian sovereignty.

Net lending amounted to NIS 547 million in Q4 2012, marking a significant increase over the levels reached in Q3 2012 and over Q4 2011 by 117% and 207% respectively. For the whole year 2012, net lending reached NIS 1.07 billion, an increase of 114% over the year 2011, and being above the 2012 budget target by NIS 672 million

**Increasing donor support toward recurrent expenditures:** Over the past four years external support toward recurrent expenditures has decreased by some USD one billion. This reduction in donor support was not offset by Israeli measures to ease trade restrictions or improve access to Palestinian economic resources. Although an increase in donor support to recurrent costs is not sustainable in the long-term, enhanced international financial engagement is now crucial in the short and medium term to ensure the very survival of the Government of the State of Palestine. In light of Israel’s continuously expanding belligerent occupation, sustainable economic growth in Palestine remains elusive. We are thankful to those donors who have already strengthened their response to our fiscal crisis, and we call on all of our international partners, particularly those within the Arab region, to consider the implications of the current fiscal crisis and

a possible slide into institutional and political collapse. Financial engagement, however, needs to be accompanied by political pressure on Israel to end its siege on Gaza and stop its aggressive expansion in the West Bank at the expense of the long-term viability of the Palestinian economy.

**Broadening the revenue base:** Stimulating economic growth and productivity, and thereby expanding the bases for revenues, is the only viable way out of the imposed structural crisis which we have faced for the past two decades. The Palestinian economy cannot thrive under occupation, as the World Bank and the IMF have noted repeatedly. The economy cannot support the growing population unless Palestine can freely trade its goods at internal and external markets, and access its resources, especially those within Palestinian lands currently designated as “Area C”, including East Jerusalem. A prosperous and sustainable Palestinian economy requires a combination of developmental and political measures with a strong focus on realizing our legitimate political, economic and social rights throughout the State of Palestine.

The Government of the State of Palestine is working on the full spectrum of measures outlined above. Irrespectively, we require strong, immediate, and consistent pressure on Israel to automatically and regularly transfer Palestinian revenues collected by Israel to Palestine’s treasury, as well as to reinstate the presence of Palestinian customs officials at external border crossings in line with the Paris Protocol. As long as Israel continues to control Palestinian borders and to deprive the State of Palestine of its resources, Israel has the obligation to transfer our rightful revenues. The Government of the State of Palestine will not accept the current policy of political blackmail intended to dictate the Palestinian political agenda and abrogate Palestinian sovereignty.



## **Annex 1:**

# **Government of the State of Palestine Action Paper on “Area C”**

Currently 64% of the occupied West Bank, including East Jerusalem, is under full and direct Israeli military rule. Without regaining rightful Palestinian lands, there can be no viable and sovereign State of Palestine. Thus, in order to preserve the viability of the two-state solution, increased attention must be given to the Palestinian right to plan for and develop all of the occupied Palestinian territory equitably, which includes the areas fully controlled by Israel (namely “Area C” and East Jerusalem), Palestinian communities located therein, and catering for the natural growth of the Palestinian population and economy.

It is important to highlight that the term “Area C” in this paper refers to all areas of the West Bank that fell under full and direct Israeli military rule as a result of the June 1967 war and remained so ever since, including areas illegally annexed. Hence, the points of action in this report fully apply to East Jerusalem in all sense and purpose.

Areas under limited Palestinian self-government (so called “Area A” and “Area B”) are isolated enclaves within the West Bank, which itself remains occupied by Israel and is under the full control of its government and military. The establishment of a politically and economically viable State of Palestine is impossible without ending the Israeli occupation of the whole West Bank and Gaza Strip, including East Jerusalem. Significant natural resources, agricultural land, and basic infrastructure are located within “Area C.” For example, “Area C” is the State of Palestine’s main source of fresh water, natural gas, building material and minerals, thereby making it the potential industrial backbone of the Palestinian economy. “Area C” is critical for meeting the needs of a growing Palestinian population. It is crucial to redouble our efforts in this strategic area and to provide equitable development opportunities to all Palestinian communities.

To achieve its goals, the PNA will pursue four core policy objectives, which were mostly outlined in our position paper to the Ad Hoc Liaison Committee in March 2012:

- I. To proactively tackle the growing phenomenon of inequitable socio-economic conditions and poor quality of life, which is driven by constraints on the PNA’s ability to implement its development plan

throughout the whole of the occupied Palestinian territory, particularly the Gaza Strip, East Jerusalem, the so called “Seam Zone”, the Jordan Valley, as well as all other land located within “Area C”.

- II. To sustain and strengthen Palestinian governing institutions in order to maintain security, stability and good governance and extend their reach throughout the occupied Palestinian territory. 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.
- III. To take concrete steps to foster the economic viability and fiscal self-reliance of an independent State of Palestine, with a particular focus on freedom of movement and access throughout the occupied Palestinian territory, and between the Gaza Strip and the West Bank, including East Jerusalem. In addition, focus will be on the implementation of Palestinian rights over natural resources and the utilization of these resources in all of the occupied Palestinian territory to the benefit of the Palestinian population. This entails the ability to access and utilize these resources and develop all required and associated infrastructure on a local and national basis.
- IV. To support the steadfastness of our communities threatened directly by Israel’s settlement regime, including the Separation Wall and other related settlement enterprise infrastructure.

**Towards realizing these policy objectives, we request the following concrete actions from our international development partners:**

1. To maintain and communicate the position that all Israeli settlements in the occupied Palestinian territory are illegal under international law and that Israel, as the occupying power, should be held accountable for settler violence targeting Palestinian communities and their property, being responsible for preventing and/or stopping these attacks, as well as for bringing attackers to justice. Israel fails both tests of accountability.

2. To lend full political support to the PNA in opposing and challenging land confiscation and expulsion of its indigenous Palestinian population carried out by the Government of Israel (Gol) under any pretext, be it the razing of “unrecognized villages”, establishing army firing zones, expansion of settlements, or any other measures. Ensuring that Palestinian communities in “Area C” are not being displaced must be a priority in the overall approach to “Area C”.
3. To demand that the Gol rescind all permit regimes preventing or limiting Palestinian access to and development of “Area C”. In specific, and as a matter of priority, we request our international partners to:
  - Proactively engage the Gol to disband manned and unmanned checkpoints and other obstacles to movement, which prevent Palestinians from freely moving within the West Bank (the so-called “Seam Zone”, and Israeli settlement blocs).
  - Support the PNA in applying the rule of law throughout the West Bank, which includes enabling the Palestinian Civil Police (including the Judicial Police and police investigators), prosecution personnel, judiciary personnel and personnel of correction facilities to access all parts of the West Bank unhindered and without delay.
4. To clearly and unequivocally communicate to the Gol its responsibilities under international humanitarian law, and particularly the obligations pertaining to Palestinian communities in “Area C”. The rules of belligerent occupation strictly prohibit the Occupying Power from interfering with the economic activity of the occupied Palestinian territory (e.g. water, natural gas, mineral resources and quarries located in “Area C”) with a view to drawing economic benefits for itself. Rather, the Occupying Power has a duty to enable the development of occupied territory and its resources for the benefit of its indigenous population. Our international development partners should consider utilizing all available international fora to uphold these international laws, and to support Palestinian efforts to do the same.

5. To support Palestinian land registration in “Area C” by:
  - Demanding from the Government of Israel to transfer the record of the land registered in “Area C” to the PNA.
  - Demanding from the Government of Israel to enable the PNA to carry out land registration in “Area C”.
  - Providing technical and financial support towards land registration.
  
6. To exercise all efforts to prevent the demolition of Palestinian houses, property and infrastructure in “Area C”. Since 2000, more than 6,000 Palestinian houses and structures were demolished in “Area C” (this figure does not include East Jerusalem and destruction of wells and uprooting of trees), with a steep increase in demolitions over the past two years. This Israeli policy has forcibly displaced tens of thousands of Palestinians in stark violation of international humanitarian and human rights laws as reported, inter alia, by the UN High Commissioner for Human Rights. In this regard, we propose the following concrete steps for our international development partners to take:
  - Clearly mark project investments in “Area C” as donor investments;
  - Support legal procedures initiated by Palestinian communities to prevent demolitions;
  - Challenge demolitions vis-à-vis the GoI based on international humanitarian law;
  - Arrange for diplomatic presence and facilitate media coverage at the site of a demolition in the event that a demolition cannot be stopped;
  - Report demolitions of project investments to your Foreign Ministries and request that they submit a protest to the GoI;
  - Respond to Israeli measures affecting donor investments by demanding compensation from Israel for its destruction, and take legal and policy measures to that end;

- Jointly share risks: demolitions should neither prevent us, nor our international development partners, from providing services to communities in “Area C”. Hence, while we should cooperate towards preventing demolitions, we also need to bear the risks jointly and clearly demonstrate that demolitions will not diminish our determination to support the Palestinian communities in “Area C”. In that spirit, we also suggest the establishment of a “mitigation fund”, which would provide support for the reconstruction of destroyed homes and infrastructure.
7. Focus on the development and adoption of master plans for communities in “Area C” and master plans for the development of national infrastructure, as well as housing projects. Currently, out of the approximately 150 Palestinian communities fully located in “Area C”, 32 have submitted master plans over the past years, which have been awaiting Israeli approval ever since their submission. As of today none of those 32 master plans have reached the point of a public hearing. The tendering for the production of an additional 30 master plans is currently in the pipeline. The remaining communities do not have any master plans available. Today, only 1% of “Area C” is available for construction by Palestinians, albeit with many restrictions. No significant national infrastructure projects are being planned or implemented in “Area C”. Meanwhile, some 61% of the West Bank (excluding occupied East Jerusalem) is reserved for the expansion of illegal Israeli settlements and military firing zones. Towards addressing this issue, our international development partners are called upon to:
- Co-operate with the Ministry of Local Government (MoLG) on the prioritization and development of master plans;
  - Support the MoLG’s Strategic Action Plan, titled “Planning Support for Palestinian Communities in Area C”;
  - Support MoLG and Palestinian communities vis-à-vis the GoI regarding the approval process for master plans already in the pipeline;
  - Provide financial support for the development of new master plans as prioritized by the MoLG;

- Support the PNA vis-à-vis the Gol in demanding recognition of clear municipal jurisdiction boundaries in “Area C”;
  - Support and coordinate with the Ministry of Planning and Administrative Development (MOPAD) in the development of national plans and implementation of projects in “Area C”.
8. Support the implementation of approved master plans politically and financially. In this regard we request our international development partners to:
- Refrain from requesting additional approval from the Gol for activities related to the implementation of approved master plans;
  - Commence implementation of master plans once they are approved by the MoLG following six months from their submission to the Gol for approval (in the event that they are still pending formal approval by the Gol).
9. For development priorities (basic infrastructure and economic activity) outside areas with approved master plans, the lack of permits by the occupation regime should not be accepted as a barrier for the implementation of development projects. In 2011, following long delays, only 6% of construction permit requests in “Area C” were granted, indicating a clear policy of restricting Palestinian development. We thus request our international development partners to:
- Commence implementation of pending prioritized development projects 3-6 months<sup>(5)</sup> after they have been submitted to the Gol;
  - Commence implementation of pending large-scale infrastructure projects 15 months<sup>(6)</sup> after they have been submitted to the Gol;

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5 The timeframe is based on current donor experience;

6 The timeframe is based on current donor experience and internationally practiced procedures for the approval of large-scale infrastructure projects;

- Communicate the needs of specific projects to the Gol at various levels: Civil Administration, Ministry of Defense, Ministry of Finance, Ministry of Foreign Affairs, and any other Gol institution which would be relevant for the specific project.
10. While we are determined to move from a humanitarian to a development approach in "Area C", we realize that humanitarian engagement is still needed in light of discriminatory and restrictive Israeli policies. If certain donors embark on working within the existing permit framework for humanitarian projects, other development partners may be singled out and put at risk for not requesting permits. We thus urge all our international development partners to maintain a unified position and continue with the practice of implementing humanitarian activities without permits.
  11. While Israeli settlements, which are illegal under international law, enjoy the full provision of utility services, including telephone and internet, most basic utility services, such as water and electricity, are denied to the many Palestinian communities in "Area C". We thus call on our international development partners to demand from the Gol to facilitate the provision of utility services throughout the occupied Palestinian territory, in line with its responsibility as an occupying power under international law.
  12. The PNA, in cooperation with SIDA and UNDP, has devised a funding mechanism for support to "Area C". The mechanism, titled "Community Resilience and Development Program for 'Area C' and East Jerusalem", is led by the PNA and facilitated by UNDP. It enjoys the full endorsement of the Prime Minister. The PNA would hence like to encourage all international development partners to consider utilizing this mechanism for their programming.

October 2012



## **Annex 2:**

# **Selected Priority Projects for the Realization of the State of Palestine**

## DEVELOPMENT OF AGRICULTURAL WATER RESOURCES IN "AREA C" OF THE WEST BANK

### Overall Objectives of the Project:

- Increased agricultural productivity;
- Improved food security;
- Reduced unemployment;
- Higher incomes and living standards of small farmers;
- Increased capacity of the Ministry of Agriculture to develop the agriculture sector;

### Project Outcome:

Efficient utilization and conservation of agricultural water resources in order to enable sustainable and profitable agricultural production;

### Geographic Location:

West Bank (mainly "Area C")

### Estimated Costs:

USD 32.2 million

### Project Outputs:

1. **Water springs constructed and rehabilitated:** This includes the construction and rehabilitation of water basins, closed conveyers, removal of sediments in wells, drilling of wells, and provision of equipment and materials. This component will furthermore include the formation of Water User Associations;
2. **Availability of rainwater harvesting schemes:** Construction of small and medium sized collection ponds throughout the West Bank;

3. **Utilization of wastewater for agriculture:** This component includes the construction of carrier pipes from treatment plants to locations of reuse, the set-up of reservoirs for storage and distribution of wastewater, localized distribution networks, as well as support to farmers' irrigation systems;

## ACCESS TO AND DEVELOPMENT OF AGRICULTURAL LANDS IN "AREA C" OF THE WEST BANK

### Overall Objectives of the Project:

- Increased agricultural productivity;
- Improved food security;
- Reduced unemployment;
- Higher incomes and living standards for small farmers;
- Increased capacity of the Ministry of Agriculture to develop the agriculture sector;

### Project Outcome:

Deteriorated agricultural lands are reclaimed and rehabilitated, and are protected from confiscation by Israel;

### Geographic Location:

West Bank (mainly "Area C")

### Estimated Costs:

USD 77.4 million

### Project Outputs:

1. **Land reclaimed and rehabilitated** through integrated natural resource management. This programme component will be executed by the rural population, who are the owners and custodians of the

lands. Activities will include removing rocks, land clearance, construction or rehabilitation of terraces, fencing, construction of water cisterns, as well as planting trees.

2. **Availability of agricultural roads:** In order to ensure access between fields, villages and markets agricultural roads (6m width) need to be rehabilitated and constructed. During times of Israeli closures those agricultural roads can also serve as alternative routes for affected residents.
3. **Increased capacity for the Ministry of Agriculture:** The project also aims to strengthen the Ministry of Agriculture in managing and supervising land reclamation activities.

## WATER SUPPLY FOR THE SOUTHERN & CENTRAL WEST BANK – DEVELOPMENT OF DEAD SEA SPRINGS

### Overall Objectives of the Project:

- Alleviation of the chronic water shortage affecting the southern and central West Bank;
- Positive political implications through alleviating friction related to water resources;
- Economic growth through job creation in the construction and operation phase;

### Project Outcome:

Dead Sea springs developed along with supporting infrastructure to utilize untapped water resources for Palestinian consumption.

### Geographic Location:

Dead Sea – West Bank

### Estimated Costs:

USD 240 million

## Project Outputs:

1. **6 – 8 new production wells drilled along the Nabi Musa syncline** (also known as the Jericho syncline): These wells will produce ca. 11 million cubic meter of water for domestic Palestinian consumption, reducing the discharge into the Dead Sea by no more than 20% – 30%.
2. **Brackish water desalination plant established:** Currently much of the water from the Dead Sea springs is discharged without any real benefit derived to the surrounding environment. Aimed at utilizing this discharge, this proposal involves the construction of a desalination plant capable of desalinating the brackish water discharge, as well as purifying the available freshwater. The capacity of such a desalination plant will be approximately 22 million cubic meters per year.
3. **Water transmission system:** This will involve the construction of pipelines, reservoirs, booster pumps to carry the water to delivery points across the southern and central West Bank (including Bethlehem, Hebron, Jericho and Ramallah);
4. **Harvesting fresh water from the Dead Sea seabed:** This new technology, which has been explored in Gulf countries, would need further exploration.

## GAZA SUSTAINABLE WATER SUPPLY PROGRAM – LARGE SCALE SEAWATER DESALINATION PLANT

### Overall Objectives of the Project:

- Alleviation of the chronic water shortage affecting the Gaza Strip;
- Stabilisation and regeneration of the coastal aquifer, the only fresh-water source in Gaza;
- Positive political implications through alleviating friction related to water resources;
- Economic growth through job creation in the construction and operation phase;

### Project Outcome:

Large scale seawater desalination plant constructed along with supporting infrastructure to supply non-hazardous drinking water to the population of the Gaza Strip.

### Geographic Location:

Deir al-Balah – Gaza Strip

### Estimated Costs:

USD 455 million

Project Description	Cost Million USD	Disbursement schedule					
		2012	2013	2014	2015	2016	2017
Desalination plant (M\$)	230	1.0	9.0	50.0	80.0	50.0	40.0
Power plant (M\$)	40			5.0	20.0	15.0	
Main carrier (M\$)	140		5.0	60.0	50.0	25.0	
NRW-reduction (M\$)	35		2.0	10.0	10.0	10.0	3.0
Implement. Cons. (M\$)	10	0.5	3.0	2.0	2.0	2.0	0.5
<b>Total investment cost</b>	<b>455</b>	<b>1.5</b>	<b>19.0</b>	<b>127.0</b>	<b>162.0</b>	<b>102.0</b>	<b>43.5</b>

## Project Outputs:

1. **Large scale seawater desalination plant constructed:** The Desalination Plant (most likely a seawater reverse osmosis plant) will provide 55 million cubic meters per year in the first phase. In later phase the design of the plant will allow for a capacity of 110 million cubic meters.
2. **Power supply for seawater reverse osmosis:** Seawater desalination is an energy intensive technology, which requires a secure and reliable power supply to provide uninterrupted water to consumers;
3. **Main carrier / water transportation system:** This will involve the construction of pipelines, reservoirs and other distribution facilities;
4. **Reduced transmission losses (= non-revenue water, NRW, reduction) and improved efficiency of revenue collection:** Technical and administrative measure that will accompany the project and enhance its economic sustainability;

## REALLOCATION OF WATER RESOURCES IN THE WESTERN AQUIFER– DEVELOPMENT OF PRODUCTION WELLS

### Overall Objectives of the Project:

- Sustainable water supply;
- Positive political implications through alleviating friction related to water resources;
- Economic growth through job creation in the construction and operation phase;

### Project Outcome:

Improved water allocation between agricultural and domestic use, as well as between different geographic locations of the West Bank.

### Geographic Location:

Dead Sea – West Bank

## Estimated Costs:

USD 22 million

## Project Outputs:

1. **Drilling 4 new production wells drilled south-west of Hebron:**  
These wells will produce ca. 7 million cubic meter of water for domestic Palestinian consumption.
2. **Water transmission system:** This will involve the construction of pipelines, reservoirs, booster pumps, etc.;
3. **Closing down of wells in the northern West Bank:**

## PALESTINE INTERNATIONAL AIRPORT – WEST BANK

### Overall Objectives of the Project:

- Palestinian air-services for passengers and cargo are reestablished following the demolition of Gaza International Airport by the Government of Israel;
- Freedom of access and movement;
- Economic growth through eased entry for tourists, pilgrims, potential investors, and businessmen;
- Economic growth through direct access to international export markets;
- Economic growth through job creation in the construction and operation phase;

### Project Outcome:

Palestine International Airport constructed in line with international aviation standards.

## **Geographic Location:**

West Bank – Al Buqei'a

## **Estimated Costs:**

USD 467 million

## **Project Outputs:**

1. **Feasibility study:** ToRs for the feasibility study are available;
2. **Land acquisition;**
3. **Aviation transport master plan;**
4. **Environmental Impact Assessment;**
5. **Geo-technical investigation study;**
6. **Airport design;**
7. **Main airport structures:** Main terminal building, runways, air traffic control tower, radar station, heliport, cargo area, maintenance hangar, fuel station, security facilities, fire brigade facilities, parking, sewage treatment plant, electric power infrastructure, etc;
8. **Support-infrastructure for the airport and its operations:** Storm water drainage system, water supply, electrical supply, telecommunication infrastructure, etc.;
9. **Furniture and equipment:** Furniture for all facilities, security equipment, vehicles, aviation navigation equipment, other machinery for airport operations;

## SEAPORT – GAZA STRIP

### Overall Objectives of the Project:

- Economic growth through open commerce via a seaport for the State of Palestine;
- Economic growth through direct access to international export markets;
- Economic growth through job creation in the construction and operation phase;

### Project Outcome:

Gaza Seaport operational in line with international standards.

### Geographic Location:

Gaza Strip – Sheikh Ajlien (south of Gaza City)

### Estimated Costs:

USD 120 million

### Project Outputs:

1. **Berths:** roll-on – roll-off berth, cargo/container berth, cement and dry bulk berth, increasing water depth to 12 meters, widening of terminal area, liquid berth;
2. **Container terminal and breakwater;**
3. **Central terminal for bulk cargo;**

An economic feasibility and a technical study are available for the Gaza Seaport. The Seaport Authority has further data on both aspects.

## ESSENTIAL ROAD NETWORKS – WEST BANK (MAINLY “AREA C”)

### Overall Objectives of the Project:

- Improved economic productivity through facilitation of movement for goods and people;
- Improved provision of essential services;
- Improved accessibility between communities in the West Bank;

### Project Outcome:

Roads, mainly located in parts of the State of Palestine currently categorized as “Area C”, will be rehabilitated.

### Geographic Location:

West Bank (mainly “Area C”)

### Estimated Costs:

USD 30 million

### Project Outputs:

1. **Rehabilitation of 22 roads with a total of 95km** based on the database for roads maintained by the Ministry for Public Works and Housing.

# DEVELOPMENT OF PUBLIC TRANSPORTATION THROUGH PUBLIC-PRIVATE PARTNERSHIP WEST BANK AND GAZA STRIP

## Overall Objectives of the Project:

- Improved citizens' mobility across the whole of the West Bank and Gaza Strip, including within and through "Area C";
- Economic growth by increased investment into an efficient public transportation system;
- Economic growth through job creation in the construction and operation phase;

## Project Outcome:

A regulated and efficient public transportation system available across the whole of the West Bank and Gaza Strip.

## Geographic Location:

National (West Bank and Gaza Strip)

## Estimated Costs:

USD 95 million

## Project Outputs:

1. **Regulatory capacity of Ministry of Transport strengthened:** Ministry of Transport will issue concessions for fixed-route passenger transportation and support bus operators in merging and bidding for concessions;
2. **Assistance to bus operators in renewing the vehicle fleet:** A bus leasing company will be established, which will also focus on the provision of depot and maintenance facilities;
3. **Establishment of a public transport support service company:** Such a company will provide and operate bus terminals, bus stops,

customer facilities (ticketing, passenger information), and assist in network planning, research and know-how transfer;

4. **Adjustment of road infrastructure to public transportation needs:** This will encompass the construction of bus lanes and other prioritization infrastructure across major cities;

## BONDED WAREHOUSES AND LOGISTICS

### Overall Objectives of the Project:

- Improved collection of taxes and duties;
- Economic growth by trade facilitation and reduced damage caused by storage;
- Economic growth through job creation in the construction and operation phase;

### Project Outcome:

Improved customs and trade management based on bonded warehouses for the storage of dutiable goods, including vehicles.

### Geographic Location:

West Bank

### Estimated Costs:

USD 10 million

### Project Outputs:

1. **Infrastructure works completed:** This will entail road networks, electricity and water networks, as well as communications and computer systems;
2. **Bonded Warehouses constructed;**

3. **Logistics equipment installed:** This includes alarm systems, surveillance cameras, fire detection and fire fighting systems, equipment for loading and unloading;
4. **Security arrangements,** whether provided by a private company or by the government;
5. **Completed installations to conduct technical tests, customs procedures;**
6. **Offices for the relevant government departments.**

## REHABILITATION AND DEVELOPMENT OF ARCHAEOLOGICAL SITES AND HISTORICAL BUILDINGS

### Overall Objectives of the Project:

- Strengthened potential for tourism in Palestine beyond the classical Christian sites;
- Preservation of historical and cultural identity;
- Reduced unemployment;

### Project Outcome:

Archaeological sites and historical buildings throughout the West Bank are restored and rehabilitated.

### Geographic Location:

West Bank (including "Area C")

### Estimated Costs:

USD 13.9 million

## Project Outputs:

1. **Archaeological sites are restored and rehabilitated:** Specific activities towards this output include clearance, excavation, rehabilitation and conservation works, as well as documentation, film production and archaeological studies;
2. **Historical buildings are restored and rehabilitated:** Specific activities towards this output include construction, rehabilitation, conservation and finishing works, supply of furniture and equipment, development of exterior courtyards, as well as enhancement of visitor accessibility;

## DEVELOPMENT OF CULTURAL INFRASTRUCTURE

### Overall Objectives of the Project:

- Strengthened potential for tourism in Palestine beyond the classical Christian sites;
- Preservation of historical and cultural identity;
- Reduced unemployment;

### Project Outcome:

Archaeological sites and historical buildings throughout the State of Palestine are restored and rehabilitated.

### Geographic Location:

National (including "Area C" and Gaza Strip)

### Estimated Costs:

USD 12.4 million

## Project Outputs:

1. **Cultural infrastructure in the Jerusalem district is developed and protected:** Specific activities towards this output include the restoration and rehabilitation of various archaeological and historic sites in villages around East Jerusalem, the production of guides and brochures, as well as capacity development for the Ministry of Tourism and Antiquities in the Jerusalem district;
2. **Cultural infrastructure in the Gaza Strip is developed and protected:** Specific activities towards this output include the restoration and rehabilitation of various archaeological and historic sites throughout the Gaza Strip, the development of the existing Gaza archaeological museum, the production of guides and brochures, as well as capacity development for the Ministry of Tourism and Antiquities in the Gaza Strip;
3. **Institutional capacity for the protection and promotion of archaeological and historical sites is strengthened:** Specific activities towards this output include the capacity development for the Ministry of Tourism and Antiquities along with its regional offices, as well as the production of guides, brochures and maps;