

Report No: 12760 XO

(2 Volumes)

**EMERGENCY ASSISTANCE
TO THE
OCCUPIED TERRITORIES**

Volume I: Investment Program

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**The World Bank
Washington, D.C.**

March 1994

MICROGRAPHICS

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CURRENCY EQUIVALENTS

(As of March 18, 1994)

Currency Units in use = New Israeli Sheqalim (NIS) and Jordanian Dinar (JD)

US\$1.00	=	NIS 2.99
NIS1.00	=	US\$ 0.33
US\$1.00	=	JD 0.704
JD1.000	=	US\$ 1.42
JD1.000	=	NIS 4.26
NIS1.00	=	JD 0.230

FISCAL YEAR

(January 1 to December 31)

ABBREVIATIONS

AHLC	=	Ad-Hoc Liaison Committee
CA	=	Civil Administration
CBS	=	Central Bureau of Statistics
CHE	=	Council for Higher Education
EAP	=	Emergency Assistance Program
EU	=	European Union
EIB	=	European Investment Bank
GDP	=	Gross Domestic Product
GNP	=	Gross National Product
HV	=	High Voltage
IDF	=	Israeli Defence Force
IEC	=	Israel Electric Corporation
IFC	=	International Finance Corporation
ILO	=	International Labor Organization
IMF	=	International Monetary Fund
JD	=	Jordanian Dinar
JWU	=	Jerusalem Water Undertaking
JEDCO	=	Jerusalem District Electricity Company
kV	=	kilo volt
kVA	=	kilo volt ampere
LV	=	Low voltage
MCM	=	Million cubic meter
MW	=	Mega watt
MVA	=	Million volt ampere
NGO	=	Non-Governmental Organization
NIS	=	New Israeli Sheqalim
OT	=	Occupied Territories (West Bank and Gaza)
PECDAR	=	Palestinian Economic Council for Development and Reconstruction
PEPA	=	Palestinian Environmental Protection Authority
PHC	=	Palestinian Housing Council
PLO	=	Palestine Liberation Organization
PMO	=	Project Management and Monitoring Office
RPIU	=	Road Program Implementation Unit
TA	=	Technical Assistance
UNICEF	=	United Nations Children's Emergency Fund
UNDP	=	United Nations Development Program
UNRWA	=	United Nations Relief and Works Agency
USAID	=	United States Agency for International Development
WFP	=	World Food Program

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Preface

On October 1, 1993—following the historic September 13 accord between Israel and the PLO—a donors' conference took place in Washington, D.C. to mobilize international support for economic and social development in the Occupied Territories. Participants in the conference felt strongly that there was an urgent need to deliver tangible benefits to the Palestinian population to reinforce the momentum towards peace. Towards that objective, participants pledged over US\$2 billion in financial assistance and asked the World Bank to provide the framework and technical underpinning needed to use such assistance effectively.

Responding to the sense of urgency expressed by the donors, a World Bank mission visited the Occupied Territories from October 11 to November 22, 1993, following a brief visit to Tunisia to confirm the mission's objectives with the Palestinian leadership. In Tunisia, it was agreed that the World Bank mission to the Occupied Territories would seek to:

- provide a framework that would ensure effective use of donor assistance for meeting the immediate needs of the Occupied Territories;
- identify technical assistance needs for building the Palestinian capacity to design and manage economic development programs; and
- lay the groundwork for effective use of donor assistance over the longer term by identifying technical studies related to high priority policies, programs and projects.

Representatives from Denmark, the European Commission (EC), the European Investment Bank (EIB), Japan, Norway, Switzerland, and the United States Agency for International Development (USAID) participated in the mission. United Nations (UN) agencies—in particular the United Nations Relief and Works Agency (UNRWA), the United Nations Development Programme (UNDP), and the United Nations Children's Emergency Fund (UNICEF)—were also actively involved in mission work. UNDP and UNRWA seconded several experienced staff members from their local offices to the mission. Representatives of other donors were also consulted regularly and were kept abreast of developments. Extensive contacts were maintained with the local and international Non-Governmental Organizations (NGOs) active in the Occupied Territories. The mission also worked closely with a number of visiting delegations, including those from the UN, UNRWA, World Food Program (WFP), International Monetary Fund (IMF), International Labor Organization (ILO), UK, and Sweden.

The mission received excellent cooperation from the Palestinian and Israeli authorities. The Palestinians set up a highly professional and dedicated Counterpart Team to work with the mission. Mission members travelled extensively in both Gaza and the West Bank, meeting a broad spectrum of Palestinians concerned with issues of transition and socioeconomic development. On the Israeli side, the mission had extensive contacts with the Bank of Israel, the Civil Administration in charge of the Occupied Territories, and Israeli Ministries of Finance, Foreign Affairs, and Environment.

This report is based on the findings of the above mission. It relies heavily on descriptions and broad sectoral strategies elaborated in the World Bank study, *Developing the Occupied Territories: An Investment In Peace* (1993). The report is in two volumes. Volume I of the report describes the main issues affecting the various sectors of the Palestinian economy and presents proposals for investments designed to address those issues. It also describes the external financing requirements of the public sector—including the start-up and transitional expenditures of the new Palestinian administration. Volume

II provides a detailed description of the complementary technical assistance package needed to support project preparation and to help with institution building for overall development.

An earlier draft of this report was discussed with the Palestinian and Israeli authorities by a follow-up Bank mission to the Occupied Territories during December 8-12, 1993. That was followed by further discussions at the first Consultative Group meeting for the Occupied Territories held in Paris on December 16, 1993. The draft report has been revised, as appropriate, to reflect comments and suggestions from the Palestinians and the Israelis, and from the Consultative Group.

Because of the many uncertainties affecting the Occupied Territories at this stage, it is important that the investment and technical assistance programs proposed in this report should be treated as indicative rather than as a blue print. To remain relevant and useful, the report will require regular updates in light of the unfolding peace negotiations and the actual implementation experience.

I. Overview and Summary

1.1 The economy of the Occupied Territories (OT) is under severe strain. Income levels have stagnated over the past decade; unemployment and underemployment levels are unacceptably high; public infrastructure and social services are grossly overstretched; the fragile natural resource base is threatened with serious damage; and many local bodies and institutions are experiencing financial crisis. The origins of the present crisis lie mainly in the skewed pattern of past development, which resulted in serious distortions in the economy of the Occupied Territories. Structural imbalances in the economy are manifest in its heavy dependence on outside sources of employment, an unusually low degree of industrialization, a trade pattern heavily dominated by trade with Israel, a large trade deficit, and serious inadequacies in the provision of public infrastructure and services.

1.2 The September 1993 Agreement on the Declaration of Principles and the prospect of significant development assistance from the international community provide a window of opportunity for addressing the structural ills of the Occupied Territories' economy. This report is intended to provide an effective framework for channeling donor assistance to the Occupied Territories to help meet the immediate needs of the Palestinian people and to help launch the OT economy on a path of sustainable growth.

Program Objectives and Approach

1.3 The overarching goals of the Emergency Assistance Program are to provide tangible benefits to the Palestinian population quickly, equitably, and effectively, while laying the foundation for sustainable development over the long term.

1.4 The design of the proposed Assistance Program has been heavily influenced by three considerations. First, the OT are inheriting very weak and fragmented institutions with little capacity for the design and implementation of developmental programs. Currently, most policy-making and senior administrative positions in the Civil Administration (CA)^{1/}—the main administrative body within the OT—are in Israeli hands. Reconstituting the current CA into an effective Palestinian administration will be slow and complicated. Moreover, the Palestinian Economic Council for Development and Reconstruction (PECDAR), recently created to coordinate aid and manage development activities, will require time in order to develop systems and procedures for its efficient operation. Municipal institutions also have limited capacity to plan, implement and manage major investment programs. UNRWA, UNDP and the NGOs have supplemented the limited implementation capacity of public institutions in the OT in the past; however, the future role and mandate of the UN organizations and the NGOs is still to be decided by the Palestinian authorities.

1.5 Second, there are unusually large uncertainties concerning a number of issues critical to economic development in the OT. These include: (a) uncertainties regarding the outcome of the on-going bilateral negotiations, particularly the modalities and the timetables for the transfer of authority to the Palestinians; (b) uncertainties regarding the speed with which appropriate institutions can be created in the OT; and (c) uncertainties related to the lack of adequately prepared technical studies to underpin investment decisions.

^{1/} Created by an Israeli Military Order in 1981. According to the Declaration of Principles, the CA is to be dissolved following the inauguration of the Palestinian Governing Council.

1.6 Lastly, the experience with implementation of emergency operations in other parts of the world suggests several important lessons; their effectiveness largely depends upon the availability of sufficient implementation capacity, strong support among the intended beneficiaries, the effectiveness of donor coordination, and the simplicity of the program's objectives and content.

1.7 The above considerations, combined with the objectives of rapid and widely dispersed benefits, suggest a number of implications for the design and implementation of the Emergency Program. Specifically, the Program should:

- emphasize short-gestation, rehabilitation and maintenance activities that make better use of existing infrastructure;
- support investments that will help correct existing imbalances in access to services, particularly in rural areas;
- concentrate its efforts on areas where the living standard is especially low (as in Gaza);
- support a temporary "works program" to alleviate immediate unemployment pressures;
- postpone investments for which optimal designs depend on the outcome of ongoing bilateral negotiations;
- initiate feasibility studies and thorough technical analysis to provide the basis for longer-term investments;
- make use of all locally available capacity for program implementation, including the UN system, NGOs, universities, and research institutes;
- emphasize training and institution-building, particularly for the management of development programs;
- adopt implementation arrangements which maximize the use of local inputs, particularly unskilled labor. However, where necessary, outside expertise should be tapped to supplement local capacity;
- institute mechanisms for efficient procurement, accounting, monitoring, and reporting, to ensure effective use of funds; and
- ensure sufficient flexibility to permit ready incorporation of changes dictated by the unfolding peace negotiations, the actual experience of implementation, and the results of the various feasibility studies and technical analyses.

1.8 The process employed in assembling the Program was designed to build broad Palestinian ownership of the Program. First, the Bank mission (Attachment I) and the Palestinian counterpart staff (Attachment II) collaboratively established broad sector strategies using the recently completed Bank OT Report and the Palestinian National Plan as the starting points.^{2/} Second, investment and technical assistance (TA) proposals were solicited from a broad range of institutions active in the OT. Third, a core Program was determined using general and sector specific criteria. Finally, consultations were held at various levels with the Palestinian authorities to refine the Program composition and size.

1.9 Altogether, some 2,600 investment and technical assistance proposals with an estimated total cost of US\$2.8 billion were reviewed. Besides creating the basis for a sound program, these proposals facilitated the assessment of the Occupied Territories' overall needs, priorities, and the readiness for implementation. In addition to considerations regarding implementation capacity and funding constraints, the following general criteria were used to prioritize proposals:

- consistency with agreed sector strategy;
- technical, economic and financial feasibility;
- priority in the eyes of the beneficiary community;
- immediate, positive impact on living conditions and employment for broad segments of the population;
- maximal use of local inputs; and
- positive environmental impact.

1.10 Because the proposals varied in their degree of preparation, readiness for implementation, and adequacy of supporting documentation, a core set of activities that satisfied the above-mentioned criteria and also were sufficiently ready for implementation was identified. Activities with clear priority that were ready for immediate implementation would be carried out in the first year of the Program, while others were scheduled for the second and third years. Of the large group of proposals not selected, many required additional preparatory work or presented questions of appropriate timing. The fact that a proposal was not included in the core plan, however, does not necessarily mean that it should be excluded from financing at some later time.

1.11 Most proposals came from agencies with experience in designing and implementing investment programs, such as the larger municipalities, long-established NGOs, UNRWA, and the Civil Administration. While every effort was made to ensure that proposals were received from all interested organizations, smaller municipalities and villages and some groups of NGOs appeared to be under-represented in the initial submissions. Therefore, the mission designed umbrella projects that would allow the support of small investments in a number of sectors (power, water and wastewater, agriculture, solid waste, transport, urban planning). Such projects would be prepared during the early stages of the Program and implemented towards its end.

2/ Matrices summarizing the proposed sector strategies are shown in Annex 1.1.

Program Components

1.12 The Program provides support for investment in: (i) public infrastructure; (ii) the private sector; and (iii) the creation of a central public administration. In addition, the Program includes provisions for the maintenance of important NGOs through the funding of incremental operating expenditures during the period of transition. The choice of these components reflects the need to produce tangible benefits in the short-term while laying the foundation for sustainable growth. While the public infrastructure component will provide benefits to most Palestinians, its impact in terms of employment will become significant only in the latter part of the Program. Similarly, while over the longer-term the private sector will be the main engine of economic growth for the OT, its contribution in the short-term is likely to remain modest, because of inadequacies of the financial system and a constraining regulatory environment. Thus, the need for up-front poverty alleviation and employment creation programs which would be phased out as economic activity picks up. The Program uses implementation capacity available in NGOs to expand the program impact, and to reach the large population of refugees through UNRWA, notably in Gaza. Hundreds of NGOs perform generally useful functions; many have lost traditional sources of support in recent years. Additional support to NGOs is proposed under the Program, with a major focus on women and children, education and health care.

Public Sector Investment

1.13 The Program focusses on infrastructure and human resources, where the public sector is expected to play a major role for some time to come. Infrastructure needs remedial attention, both to improve the quality of life and to stimulate private sector investment. The Program's immediate goal would be to upgrade, repair, and maintain existing facilities. New construction, however, particularly during the later stages of the program, would also be important.

1.14 The Program's initial focus on maintenance and repair reflects the broad impact of such investments, both on services and employment. In sectors with long-term needs for institutional restructuring (power, water and wastewater, telecommunications), implementation arrangements should also plant the seeds for later adjustments. In others, technical assistance will provide analytical support to help with institutional and policy decisions and the preparation of longer-term strategic planning, institutional development, and investment implementation.

1.15 The Program recognizes that future economic growth and well-being in the Occupied Territories depends significantly on the development of its human resources. The human resource development strategy is to maintain essential services while initiating institutional, policy, and structural reform. In the area of health, for example, where present services are generally adequate, emphasis should be placed on preserving existing infrastructure while fundamental policy choices are being debated and chosen. In education, on the other hand, the key issue is quality, which should be addressed immediately, even as options for institutional change are being analyzed.

1.16 Transport. The key issues in the transportation sector (roads and highways outside the municipalities) are insufficient capacity, the deterioration of the existing network, lack of institutional capacity and inappropriate funding arrangements. The short-term strategy for the sector would address the problem of physical deterioration by implementing a three-year road rehabilitation program. Traffic studies, followed by investment to expand traffic capacity, are needed to address the problem of congestion. Initial steps would be taken to create a highway administration: determination of a structure

for planning, management, and regulation of the transport sector, and creation of the institutional capacity to carry these services through. A unit (attached temporarily to PECДАР) would implement this part of the Program and form the nucleus of a future highway administration. Given the deficiencies in existing institutions, technical support is also proposed in the form of outside consultants to jump-start the program. Total investment costs for the program would be about US\$73 million. Key actions for the next six months include preparation of a road-rehabilitation program, creation of an implementation unit, and execution of contracts for maintenance and reconstruction of roads.

1.17 Water and Wastewater. In the area of domestic water supply and waste water, there is a need to improve water resource management; to improve water-supply delivery; to strengthen the institutional, financial and regulatory framework; and to improve sewage collection, treatment and reuse. In the short term, the strategy would be to focus on water resource management in Gaza, where the situation is acute, to strengthen regulatory controls, institute effective conservation practices, and develop contingency plans that would help guarantee basic potable water supplies. The Program would focus on the rehabilitation, extension, and construction of municipal water and sewerage works, rural water-supply expansion, and the drilling and equipping of new wells for municipal water. In addition, technical assistance would be provided to help with planning future investments, developing a regulatory framework, and restructuring of the sectoral institutions.

1.18 Implementation would be the responsibility of the local municipalities and two autonomous utilities. Village works would be executed by PECДАР in conjunction with NGOs or UN agencies, as appropriate. At the municipal level, technical assistance would be provided through individual, locally-contracted consultants. Some expansion of municipal engineering departments is also envisaged.

1.19 Total investment in the domestic water supply and waste water sector is estimated to cost US\$111 million. Immediate action is needed to select a panel of local consultants to support municipalities in preparing procurement documents for the tendering of works. Design and implementation of a groundwater monitoring system for Gaza would be another priority for the immediate future.

1.20 Solid Waste Management. There is a need to improve public health and living conditions and to protect sensitive groundwater regimes by improving collection of solid wastes. In the short term, it is proposed to increase public awareness; improve collection coverage of existing services; increase the collection vehicle fleet; select and develop a number of cost-effective collection, transfer, and disposal sites; and adopt protective design standards.

1.21 The proposed medium-term strategy would be to expand or develop sanitary land-fills for use by municipalities and villages. The program would require investment in collection and transfer equipment, land acquisition (leasing), civil works, and equipment for sanitary landfills. Transfer and disposal sites would be carefully selected to avoid contaminating groundwater resources. Implementation would be carried out by a unit attached to PECДАР. This unit would coordinate and assist municipalities and villages, which in turn would operate new equipment and facilities. Equipment and works would be procured in bulk.

1.22 Total investment in solid waste management is estimated at US\$57 million. Consultants need to be hired immediately for design work and to procure trucks and containers for selected municipalities in Gaza and the West Bank. Land acquisition for waste transfer and disposal sites also needs to be initiated immediately.

1.23 Power. The Occupied Territories' power sector is characterized by distribution-network overloads that cause high losses and frequent power interruptions. Parts of the power network are also in poor condition, and institutional arrangements in the sector are not conducive to improving maintenance or distribution efficiency. Sector organization is fragmented and uneconomic, with high technical losses, theft, and uncollected revenues leading to poor financial performance.

1.24 In the short term, the goal would be to increase the efficiency and the capacity of distribution networks. The future institutional structure of the sector also needs to be studied—including the possible creation of regional distribution companies and a central transmission utility, which would begin by centralizing network maintenance management. Finally, technical and non-technical losses in the system need to be reduced.

1.25 The Program would support investment and technical assistance to rehabilitate and expand the system. The investment program for Gaza would cost about US\$32 million. Given the nature of the works, it would be implemented most effectively under a single, turn-key contract. For the West Bank, similar programs, valued at US\$76 million, would be implemented. Immediate steps need to be taken to acquire consultants' services to help prepare procurement documents, assist in procurement, and supervise construction. Central depots for system maintenance should be selected, and studies to examine institutions should also be initiated.

1.26 Municipal Roads and Facilities. Insufficient funding in the past, and poor maintenance of municipal roads and facilities, has led to high urban-transport costs, poor accessibility and safety, a high incidence of flooding, and deterioration of existing assets. While many municipal facilities need improvement, municipal planning and implementation capacity is modest and funding sporadic. Therefore, the sector strategy is to strengthen the ability of municipalities and villages to plan and implement both maintenance and new construction of roads and other facilities, supported by a program of investment in infrastructure maintenance and rehabilitation. Technical assistance, furthermore, would help improve the processes used to plan, budget, and implement both works and services. The investment program would cover municipal road repair and construction, selective replacement of storm-water drains, and improvement in roads and access works. In addition, under the Program, municipalities and villages would be provided access to budget support to increase their technical staffs. Implementation would be by local municipalities, which would receive technical assistance from a panel of prequalified consultants under PEC DAR coordination.

1.27 Works would be generally procured in small lots and would total US\$84 million over three years. Local consultant should be selected immediately for the PEC DAR consultant panel in order to assist municipalities in preparing procurement documents for maintenance works.

1.28 Housing. The housing sector is characterized by relatively high average housing quality in urban areas and low quality housing in refugee camps and rural areas. Especially in the camps, housing conditions are crowded. Key issues in the sector relate to property rights and registration, the high cost of and restricted access to serviced land, land use and planning laws and regulations, and the limited autonomy of local municipalities over housing and real estate taxes. Other housing issues include the virtual absence of credit for financing of real estate; the questionable sustainability of the housing program envisaged by the Palestinian Housing Council (PHC); the weak policy and institutional environment; and the future of the refugee camps.

1.29 The strategy in the short term would be to assist the ongoing UNRWA program for improving housing in the camps; to support expansion of housing for low and moderate income households being undertaken by the PHC—suitably modified to minimize and adequately target subsidies—and to facilitate the provision of credit to financial institutions to develop a program to finance completion of private houses. The key objective would be to create an institutional, regulatory, and policy framework that is supportive of private development. Many of these activities are related to bilateral negotiations or involve the creation of new policies or the upgrading of existing institutions. All of this will take time, as will the resolution of the land problem.

1.30 To the extent possible, the UNRWA program would be based on self-help and implemented with UNRWA staff. The total cost of the UNRWA program would be about US\$30 million, most of it to be invested in Gaza. In addition, the Program includes US\$80 million for support to the private sector housing through the financial system. Immediate steps should be taken to initiate refurbishment of housing in the camps.

1.31 Telecommunications. The telecommunications sector is particularly affected by uncertainties created by the transition. The key issues are the limited Palestinian capacity to manage existing telecommunications equipment after the transition in Gaza and Jericho, and the large unmet demand for telephone services. Other issues exist in a number of areas: how existing assets will be transferred, the future relation between the Palestinian and Israeli networks, and the nature of the telecommunications utility (private/public) and future regulatory requirements.

1.32 The short term strategy in the telecommunications sector would be to establish a management contract for Gaza and Jericho, train Palestinian workers, define—with the help of technical assistance—the institutional structure and basic policy options for the sector, install a new digital exchange system and additional lines in Jericho, and expand the Jericho and the West Bank network to accommodate 10,000 new subscribers. Initial investment would be small, and in the future, most investment should be private. Technical assistance would help prepare a regulatory framework and the transfer of authority over utilities from the Israelis to the Palestinians.

1.33 The public sector investment program would be limited to about US\$13 million. Should additional public sector support be needed, however, it could be obtained in the form of long-term finance through the financial sector. Immediate steps are needed to procure management consultant services to manage operations of telecommunications equipment after the transition, train local staff, study the organization of the telecommunications sector, and prepare specifications for the equipment to be procured and lines to be added.

1.34 Education. Education is provided by the Civil Administration (which serves 60 percent of pupils), UNRWA (25 percent), and by private parties. The current system has been severely affected by the drop in foreign contributions to the private preschool and university systems. The quality of education is generally unsatisfactory; education infrastructure is wearing out; and pupils have been highly affected by interruptions related to closures, curfews and strikes. In addition, inadequate attention is being given to vocational training. In the long term, the core educational issues are quality and relevance. The Program would focus on sustaining the current system until fundamental institutional and operational changes could be made. It would also help prepare for the transfer of authority, and improve the financial basis of the sector. Finally, it would strengthen vocational education and improve links between schools and communities.

1.35 The Program would improve the teaching and learning environment by upgrading laboratory and library facilities, physical plant and equipment. The total costs of the infrastructure and equipment would be US\$80 million. The Palestinian administration, UNRWA and NGOs would implement the Program. The upgrading of school infrastructure would begin immediately, with support from a panel of local consultants to be selected by PEC DAR. A preliminary school mapping exercise is needed before construction of new schools can begin, and would also start immediately. Immediate action is also needed to initiate funding for universities, and preschools operated by NGOs, and to provide technical assistance to help improve financial management in selected schools.

1.36 Health. Health care in Gaza and the West Bank is provided by the Civil Administration, UNRWA, NGOs, and private clinics. Each has radically different approaches, with UNRWA focussing on primary care and the Civil Administration on more sophisticated procedures at much higher costs. NGOs, depending on their outlook, do both. The proliferation of service providers suggests that an unsustainable fraction of GDP is now committed to health care. In addition, the voluntary sector has been seriously affected by the collapse of foreign contributions, resulting in staff reductions and deterioration of equipment and facilities.

1.37 The Palestinian authority will need to create an effective, affordable health care system out of the current pluralistic one. In the short term, the most appropriate strategy would be to focus on limiting expansion of facilities while maintaining essential services, supporting emergency repairs, initiating policy studies to prepare for alternative institutional arrangements, and assessing the feasibility of health insurance. Future policies would focus on controlling health care costs and improving internal efficiency rather than expanding the system—particularly at the hospital level.

1.38 Responding to the needs and demands of the Palestinian people for health care will require great discipline if the program is to be economically sustainable. It will mean emphasizing primary health care and limiting the use of unproven, high technology procedures. Preserving the substantial investment made in the more efficient parts of the system (notably by supporting those NGOs that have relied heavily in the past on financial assistance from foreign sources) should have high priority in the short term; support for recurrent costs of these organizations is the main component of the Program. To rectify past neglect in maintenance of existing facilities, the Program would also provide support to maintenance of facilities operated by both voluntary and public sector organizations.

1.39 Primary health care in some rural areas is seriously deficient, and thus would be selectively reinforced. The sector would also begin coordinating the services of UNRWA and the Civil Administration and developing a financial and regulatory framework—including a health insurance scheme. Support would be provided for restoration of equipment in about fifty health facilities, to be implemented by UNRWA, the Palestinian administration, and several NGOs. Selectively reinforcing the existing health care system will require upgrading about sixty-five primary health care facilities. Total cost of the investment program is estimated at US\$18 million. Steps should be taken immediately to make arrangements for the provision of emergency financial assistance to qualifying private, voluntary hospitals and health clinics.

1.40 Agriculture. In the agricultural sector, the combination of expanding production and declining external markets within a highly constrained regulatory and natural-resource framework is clearly unsustainable. The agricultural sector produces more than it can sell and in Gaza uses unsustainable amounts of water. Other related issues are restrictions on internal transport, the modest pace of technological improvement, the need for adjustment of the regulatory framework, and the need for better

natural resource management. Trade, regulatory, and natural resource management issues are directly related to ongoing bilateral negotiations. For public services provided by the Civil Administration and NGOs, lack of funding is also a problem. As in other sectors, general policy and the future shape and role of public institutions and NGOs need to be clarified.

1.41 The Program's short-term strategy is to prepare for the transfer of authority, to initiate steps for the adjustment of production patterns in the future, to maintain essential sector support services, and to improve existing infrastructure. Support to the private sector (through the funding arrangement elaborated above) would also assist the sector. The Program proposes US\$26.5 million to support public infrastructure rehabilitation and institutional development. In addition, US\$25 million would be directed to NGOs and the private sector to maintain existing support services and to promote on-farm investments.

1.42 **Environment, Cultural Resources and Tourism.** Serious environmental problems exist in the agriculture, water, waste-water, and solid waste sectors; environmental conditions in Gaza appear to be among the worst in the Middle East. Successful economic recovery will require effective integration of environmental, cultural and tourism resources into the development process. The Program strategy for the next three years is to focus technical assistance efforts on environmental and cultural resource management, establish administrative frameworks, and prepare practical plans for the management of physical and cultural resources. The three-year Program includes:

- development of an environmental planning and management framework and environmental capacity building;
- preparation of environmental laws and regulations, including procedures for environmental assessment;
- support for environmental education and public awareness programs; and
- development of a management framework, inventory, and applied-training program for cultural resources management.

1.43 In the tourism sector, the strategy would be to support the creation of a Tourist Authority, which would then encourage public-private partnership to expand the sector. To avoid the occurrence of environmental, cultural heritage, and social problems in tourism development, the Authority would first prepare a sector master plan.

1.44 A significant amount of this work would be undertaken by Palestinian institutions and experts, in collaboration with foreign specialists as required. This technical assistance, furthermore, would complement sector program actions undertaken to address major environmental threats to public health such as water pollution, solid waste disposal, and the use of pesticides. By providing necessary infrastructure services, these investments would also support tourism development.

Support to the Private Sector

1.45 Stimulating private sector investment and growth in the productive sectors and services is essential for sustainable development in the OT and, particularly, for generating employment opportunities. In view of the uncertainty that currently characterizes the investment and general business climate, investor confidence is low and interest in term investment (with the exception of investment in real estate),

subdued. Private sector investment is limited primarily to equity flows, with some investors able to obtain loans under bilaterally-supported credit programs channelled through a small number of new and relatively inexperienced credit institutions. The challenge of increasing private sector investment, starting from this base, is significant and must rely, *inter alia*, on the development of the financial system and related expansion of credit and other financial services, as well as external donor support in the initial stages.

1.46 The Program strategy would be to support the development of the financial system including the strengthening of credit institutions. In parallel, the program would include donor support to be channelled for private sector activities. Such support would be provided through an apex bank facility which would channel funds to local credit institutions for on-lending to support private investment. Such on-lending would support development of various sectors including agriculture, housing, industry and tourism. In some of these sectors, existing credit institutions (e.g., in agriculture) would need to be strengthened, and in other sectors, key policy issues (e.g., zoning laws in housing) would remain to be addressed before lending could take place on any significant scale. Consequently, progress in on-lending funds for private investment would be expected to build up in the later years of the program. Under the Program, support is included for US\$300 million starting from US\$50 million in the first year and rising to US\$150 million in the third.

Start-up Expenditures

1.47 The Program would provide support for central administration start-up expenditures and for the incremental recurrent expenditures of NGOs. A Palestinian budget for 1994 was prepared in late December 1993 and presented to a special Donor meeting on Transitional and Start-up Costs in January 1994; a budget gap requiring external financing was estimated at US\$158 million, of which US\$108 million was for the Palestinian central administration (ranging from installation and moving expenditures to investments for the police force). Support for the central administration is only expected to be needed in 1994.

1.48 In addition to the expenditures of the central administration, there are current expenditures of the NGOs that need to be financed from new commitments (i.e. over and above on-going programs). During the past 25 years, Palestinian society has developed a spectrum of institutions and organizations which supplement the services provided by the public sector and which are an important part of the social "safety net" in the OT. Over 1,000 NGOs exist at present. Many are affected by reduced budgetary support. While receiving substantial resources in the past, NGO accountability and transparency of funding have sometimes been lacking. However, given its important role, the NGO sector is an immensely valuable resource, particularly during the transitional period while new institutions are being developed to provide some of the essential public services. The Program would provide support for worthwhile activities of NGOs (in education, health and agriculture), and for general welfare activities, under conditions that enforce accountability, transparency and minimum professional standards. Requiring registration and audits, the Program would encourage the continuation of the traditional channel of direct funding to the NGOs, while applying new criteria for selection of activities, monitoring of implementation and enforcement of accountability. Steps are also needed to support youth and women's programs, to allow the pursuit of normal activities after years of conflict. The additional support to the NGOs is estimated at US\$117 million during 1994-96, starting at US\$50 million in the first year and tapering to US\$27 million in the third.

Technical Assistance

1.49 The Technical Assistance program, discussed in detail in Volume II, forms an integral part of the Emergency Assistance Program because it would help Palestinians prepare and implement investment activities and would further assist in the development of much of the policy framework needed to ensure these activities' sustainability. The Technical Assistance Program would consist of:

- immediate help with implementation of investments under the Emergency Assistance Program (including the Emergency Rehabilitation Project to be partly financed by the World Bank);
- studies to assist with preparations for the transfer of authority;
- training and institutional development to enhance the Palestinians' capacity for planning, coordination, and implementation of development policies, programs, and projects over the medium term;
- policy studies and technical analysis for priority macro and sectoral issues confronting the OT; and
- feasibility and environmental studies, and other work needed to prepare for priority investments.

The TA Program includes about 100 priority activities, phased over the 3-year period and with an estimated total cost of US\$76 million. Technical assistance would be funded in part from the recently established US\$35 million Trust Fund to be administered by the World Bank. The activities proposed for the Trust Fund are generally those which support the establishment of institutions and the design of sectoral policies. That should help create a coherent framework of sectoral strategies, policies and institutional development within which other TA activities could be anchored. Financing for other TA activities under the Program is expected to be provided directly by individual donors as part of their overall assistance programs to the OT.

Program Costs

1.50 The cost of the proposed Emergency Assistance Program, summarized in Table 1.1, is estimated at US\$1,200 million, of which about 41 percent would be spent in Gaza. Public investment support would constitute 50 percent of the Program, support to the private sector 25 percent, incremental and start-up expenditure support 19 percent, and support for technical assistance 6%.

1.51 The overall size of the Program has been determined in relation to the likely external and internal financial resources available during the three-year program period, and to the likely overall capacity to implement foreign financed projects. Although assessment of the impact of implementation capacity and finance on the Program's size is largely judgmental, a size in excess of the proposed Program is likely to create considerable administrative bottlenecks, especially if many projects were to be financed in parallel by a multitude of donors. Since much investment is dependent on engineering studies carried out through technical assistance, the implementation of technical assistance may well be another constraint.

**Table 1.1 Emergency Assistance Program
Summary Cost**

	<u>Year</u>			<u>Area</u>		<u>Total</u>
	1994	1995	1996	GAZA	WB	
<i>US\$ million</i>						
<i>Public Investments</i>						
Transportation	19.1	28.3	25.5	26.5	46.4	72.9
Water and waste-water	22.3	39.0	49.8	44.3	66.8	111.1
Solid waste	13.0	18.2	25.8	25.1	31.9	57.0
Power	33.2	37.3	37.1	31.5	76.1	107.6
Municipalities	16.5	31.0	36.0	31.5	52.0	83.5
Housing	10.0	10.0	10.0	25.0	5.0	30.0
Telecommunications ^a	13.2	-	-	5.0	8.2	13.2
Education	27.0	25.0	28.0	35.0	45.0	80.0
Health	8.0	6.5	3.0	5.6	11.9	17.5
Agriculture	5.0	10.5	11.0	3.5	23.0	26.5
Subtotal	167.3	205.8	226.2	233.0	366.3	599.3
<i>Private Sector Support</i>						
Telecommunications	15.0	35.0	50.0	50.0	50.0	100.0
Housing	10.0	25.0	45.0	30.0	50.0	80.0
Agriculture	1.0	7.0	12.0	5.0	15.0	20.0
Industry	24.0	33.0	43.0	40.0	60.0	100.0
Subtotal	50.0	100.0	150.0	125.0	175.0	300.0
<i>Start-Up Expenditure Support</i>						
Central Administration Start-up	108.0	-	-	50.0	58.0	108.0
Incremental Support to NGOs	50.0	40.0	27.0	50.0	67.0	117.0
Subtotal	158.0	40.0	27.0	100.0	125.0	225.0
<i>Technical Assistance</i>						
Institution Building	8.0	12.0	7.0	11.0	16.0	27.0
Policy Studies	2.5	5.5	3.0	5.0	6.0	11.0
Project Prep. and Impl.	6.5	12.2	11.0	14.5	15.2	29.7
Feasibility Studies	0.7	3.5	3.8	3.5	4.5	8.0
Subtotal	17.7	33.2	24.8	34.0	41.7	75.7
TOTAL	393.0	379.0	428.0	492.0	708.0	1200.0

^a Assumes most investment in the telecommunications sector will be financed by the private sector.

Financing

1.52 Given the likely fragility of the public finances of the new Palestinian administration during the transition period, the donor community will need to finance the proposed Emergency Program entirely with external resources. Also, because the OT's debt service capacity is likely to remain limited for some time to come, external financing of public sector expenditures will need to be on highly concessional terms. Finally, given the unique circumstances of the OT and the inexperience of the newly created Palestinian institutions, the donors will need to keep their procedural requirements simple and to administer their aid programs with more than usual flexibility.

1.53 A consultative group meeting for the Occupied Territories was held on 16 December 1993 in Paris. During the meeting, financial pledges were given or confirmed for a total of US\$2.3 billion for the five-year transition period ending in 1998. This assistance was to finance free-standing investment projects or sector programs, technical assistance through the Bank's Technical Assistance Trust Fund, and budget support. At the CG, US\$578 million was pledged for 1994, a figure which has subsequently grown to US\$722 million (Table 1.2) due to some donors front-loading their overall pledges. Funds pledged for 1994 and 1995 (US\$1,221 million) are in aggregate sufficient to cover the requirements of the proposed Emergency Program (Table 1.1). The mix of loans and grants also appears satisfactory with over 85% of the assistance being in the form of grants or loans on highly concessional terms. The priority now is to match donor pledges to specific sectoral projects and programs in a timely manner to ensure that the Program can be delivered as planned.

Implementation Arrangements

1.54 The effectiveness of the assistance pledged by the international community will depend on Palestinians rapidly organizing a capacity to allocate, coordinate and use donor resources efficiently. For that purpose, the Palestinian Economic Council for Development and Reconstruction (PECDAR) was established on October 31, 1993 by the Palestinian leadership. In addition to its aid management and investment implementation functions, PECDAR is intended for a transitional period to also provide the nucleus for economic policy formulation, overall expenditure programming, training policies and other functions of economic self-government. As and when independent self-governing institutions are created for these purposes, PECDAR will transfer the corresponding functions and staff to those institutions.

1.55 **Structure and Operations of PECDAR.** PECDAR's governing body is the Board of Governors, which appoints the Managing Director and the Office Directors, provides overall policy guidance for PECDAR activities, sets general Program priorities, establishes personnel and administrative policy (including procedures for procurement, accounting, and auditing), and approves PECDAR's budget as well as individual projects. It is expected that PECDAR's procedures will be fully defined in the immediate future. The broad organizational arrangements were approved by the Board of Governors on January 11, 1994. Key staff have been appointed since that date and offices and other facilities are being mobilized.

1.56 The Managing Director formulates policy, submits PECDAR budget to the Board, presents to the Board individual projects for which Board approval is required, approves individual contracts smaller than a specified amount, approves major decisions by Office Directors, and is responsible for the management of PECDAR as a whole. An internal auditor, legal advisor, and procurement advisor would be attached to the office of the Managing Director.

Table 1.2 Indications of Additional Donor Pledges
US\$ million

<i>Countries/Institutions</i>	1994	1995	1994-1998
Algeria	4.0	3.0	10.0
Arab Fund (AFSED)	30.0		30.0
Australia	8.4	1.0	10.0
Austria	2.3	2.3	11.7
Belgium	3.0		3.0
Canada	5.6	2.3	7.9
Denmark	34.0	6.0	40.0
Egypt	0.3		0.3
European Union	90.2	60.0	300.0
European Inv. Bank		60.0	300.0
Finland	2.0	4.0	6.0
France	14.1		14.1
Germany	12.3	3.0	16.6
Greece	3.0	3.0	15.0
Iceland	0.5	0.4	1.3
IFC	15.0	30.0	120.0
India	0.5	0.5	1.0
Indonesia	1.0	1.0	5.0
Israel	15.0	15.0	75.0
Ireland	1.0	1.0	5.0
Italy	16.0	16.0	80.0
Japan	100.0	100.0	200.0
Jordan	12.5		12.5
Kuwait	25.0		25.0
Netherlands	6.9		6.9
Norway	35.0	30.0	150.0
Saudi Arabia	100.0		100.0
Spain	12.0		12.0
Sweden	7.1	6.5	40.0
Switzerland	15.2	5.0	40.0
Turkey	2.0	25.0	52.0
UNDP	5.0		5.0
United Arab Emirates	5.0	5.0	25.0
United Kingdom	7.5		7.5
United States	100.0	100.0	500.0
World Bank	30.0	20.0	50.0
TOTAL	721.4	500.0	2277.8

Source: AHLC Secretariat

1.57 PECDAR would have an office for administrative and support services, and five functional offices:

- **Economic Policy Formulation and Project Review.** This office would include eight to nine economists experienced in economic analysis and macroeconomic forecasting, public expenditure programming, and project evaluation methodology. The office would help formulate—or direct the formulation of—economic policy options, and current and investment expenditure programs. It would also review proposed sector strategies and project selection and evaluation criteria for economic and social soundness.
- **Aid Coordination and Facilitation.** As the focal point for relations with donors regarding the design and preparation of all official aid, this office would contain five to six professional staff organized along donor lines. To avoid duplication, this office should receive and transfer information from donors in a timely fashion and act as facilitator rather than as a regulator of contacts.
- **Program Management and Monitoring Office (PMO).** Located in both the West Bank and Gaza, this office would be staffed by about 12 professionals, with overall responsibility for Program implementation and monitoring. The PMO would rely, to the extent possible, on existing institutions and agencies—municipalities, UNRWA, UNDP, UNICEF and NGOs—to execute the Program. PMO would only get involved in project implementation where no other appropriate agency was available, or where projects were large or they spanned municipal jurisdictions.
- **Non-Project Technical Assistance, Training, and Capacity Building.** This office would contain three to four professionals accountable for managing non-Project technical assistance, reviewing training needs, screening donor proposals and disseminating information. As in the case of the PMO, this office would act as much as possible by subcontracting.
- **NGOs and Special Programs.** The office would contain five-six professionals and would be responsible for dealing with matters relating to the non-governmental organization as well as for providing the overall framework for dealing with UN agencies. It is also likely to be responsible for directing special programs and activities (such as the program for the rehabilitation of detainees), and formulation of policies to encourage private sector development.

1.58 **Aid Management.** Donor coordination and management would be carried out by PECDAR at three levels. First, PECDAR would appoint specific operational staff to work with specific major external donors. Second, PECDAR would define strategies for overall and sectoral investment in the Occupied Territories and evaluate financing proposals. Third, PECDAR and the Secretariat of the Ad-Hoc Liaison Committee—recently established with assistance from the World Bank and the EC—would coordinate donor action. For donor coordination to be successful, several conditions need to be fulfilled. First, the donors themselves need to recognize the destabilizing effects of uncoordinated and uncontrolled aid activities. The formation of the AHLC Secretariat points to the recognition of this fact by the donors. Second, a single Palestinian agency should be responsible for aid coordination. The establishment of PECDAR reflects an equivalent desire by the Palestinian authorities to have a single channel for aid. Lastly, PECDAR will need a clear policy regarding donor coordination that takes into account sectoral needs and donor requirements and specifies the sectors and projects to receive foreign aid.

1.59 Program Management and Monitoring. Program implementation would be carried out mainly by the municipalities, the Palestinian central administration, NGOs (both local and foreign), and a variety of UN-related agencies (including UNRWA, UNDP and UNICEF). With circumstances in the Occupied Territories changing rapidly, PEC DAR's relations with these implementing agencies will require periodic review. Municipalities carrying out projects would be closely monitored by PEC DAR, particularly with regard to procurement and disbursements. In some sectors (such as power, telecommunications, and intercity roads), PEC DAR would have interim implementation authority until permanent sector institutions could be established.

1.60 Management and procurement consultants recruited internationally would assist PMO with overall programming and budgeting; the development of operating procedures and systems; project screening; contract evaluation; the monitoring of contracts, projects, and programs; payment certification; data processing and accounting; ensuring that projects are in compliance with financial, auditing, and other project covenants; and reporting on the Program and on individual projects.

1.61 Because some implementing agencies need assistance with project preparation and supervision, technical support would be provided through PEC DAR under the Program. PEC DAR would approve a panel of experienced, reputable, local engineering (civil, structural, and mechanical) and architectural firms. These firms would then assist implementing agencies in identifying, preparing, contracting, and supervising infrastructure rehabilitation and improvement projects suitable for financing under the Program.

1.62 The future capability of the Palestinian central administration is uncertain and difficult to assess. The Civil Administration currently plays a pivotal role in the Occupied Territories. According to the Declaration of Principles, the CA is to be dissolved following the inauguration of the Palestinian Governing Council and the Palestinian authorities are to take over responsibility for the administration of Gaza and the West Bank. Most of the 22,000 employees of the CA are expected to be absorbed into the new Palestinian administration. However, replacement of the Israeli staff, who occupy most of the senior administrative and policy-making positions in the CA, with Palestinians will take time and require an extensive process of internal consultations. In such areas as public finance, where virtually all of the higher level staff of the Civil Administration are now Israelis, considerable strengthening of public institutional capacity is needed. In other areas such as health and education, the transition could be relatively quick and the Civil Administration has capacity which, if appropriately harnessed, could contribute to the success of the Program. Given the uncertainties, only contingency plans can be made at this stage. It is proposed, therefore, that PEC DAR should pay early attention to developing modalities for smooth handover of developmental responsibilities from the CA to Palestinian institutions and integrating them in the planning and implementation of the Emergency Program as quickly as possible.

1.63 In some sectors—particularly health, education, welfare, and agriculture—NGOs and UNRWA play an important role in providing public services. Over a thousand local and international NGOs currently serve the area, and UNRWA serves about half of the OT population classified as refugees. Fundamental issues exist concerning the future role of the public sector and its relationship with the NGOs and UNRWA. Decisions on the future role of UNRWA are further complicated by their link to the question of the refugees. Future relations between PEC DAR and the UN agencies and NGOs need careful review to ensure that the institutional relations assist and do not constrain the efficient implementation of the Emergency Program.

1.64 UNRWA would be responsible for the implementation of all program components in the refugee camps in Gaza and the West Bank. These components include rehabilitation and improvement of the physical plant and equipment of UNRWA schools and procurement of essential books, equipment, health and teaching materials; rehabilitation and improvement of camp housing; and rehabilitation and improvement of camp roads and drains. Palestinian authorities and UNRWA are currently in the process of agreeing on a framework defining UNRWA's roles and responsibilities in implementing the activities under the Emergency Program; this framework needs to be finalized and agreed as a matter of priority.

1.65 While NGOs now perform a number of essential public functions, their role may change considerably in the long-term. They represent, however, an important reservoir of implementation capacity for the Emergency Program. Their performance in implementing projects in the past, however, has been mixed. To ensure that funds are used effectively and equitably, arrangements are proposed for ensuring technical competence of participating NGOs, transparency of access to funds, and accountability, while at the same time maintaining the pluralistic character of the NGO community.

1.66 To date, Palestinian municipalities and village councils have had little responsibility for the provision of public services. Strengthening their administrative capabilities would enable them to implement needed investments. In sectors responsive to consumer demands (such as power and water), services may be provided best by financially autonomous, commercially-oriented utilities subject to public regulation in the future.

1.67 **Procurement.** Goods, works, and services required for the Emergency Rehabilitation Project to be financed jointly by the World Bank and cofinanciers would be procured in accordance with the Bank's Guidelines for Procurement. To avoid a proliferation of procurement practices, bidding documents, and evaluation procedures—which would substantially increase administrative demands on local institutions—it is suggested that all donors involved in financing the Emergency Assistance Program adopt uniform procurement procedures keeping in view the considerations of transparency and cost-effectiveness.

1.68 In implementing the Emergency Assistance Program, the role of the local contracting and consulting industry will be important. Local firms can mobilize quickly and employ local labor. While current capacities are somewhat limited, the industry is likely to develop once work on the Occupied Territories expands. Skilled and unskilled labor in the Occupied Territories is plentiful and could be used for a number of maintenance, construction, and design activities. Palestinian firms from abroad and joint ventures between local and foreign interests may also develop rapidly, and construction and design capacity has the potential of expanding with demand. Accordingly, it is likely that under the Program many contracting and consulting jobs would be won by local parties.

1.69 **Accounting, Auditing and Reporting.** PECNDAR's accounting system would record all lending and borrowing transactions, grants and aid received from international donors, based on internationally accepted principles and practices. Recorded transactions, therefore, would give the complete picture of PECNDAR's state of affairs—including its financial position, operating results, and the financial performance of all PECNDAR-run projects and programs. Proper records would also facilitate PECNDAR's financial control over all its transactions and activities. For each fiscal year, PECNDAR would prepare two semi-annual reports on its activities. These financial reports would be available to the public. To ensure maintenance of accounts in a satisfactory manner and timely completion of accounts, PECNDAR would be staffed with suitably qualified accountants supported by appropriate technical assistance. PECNDAR's Board of Governors would appoint a qualified firm of chartered accountants—acceptable to

the principal donors—as external auditors. Audited accounts would be submitted to donors on an annual basis no later than six months after the end of each PECДАР financial year.

1.70 PECДАР would also provide, on a quarterly basis, consolidated reports (comprising, *inter alia*, the reports of the managing and procurement consultants and PECДАР's comments thereon) on project implementation progress covering: (i) projections for project financing and implementation; (ii) the status of project finances, procurement of consulting services, goods and works; (iii) training; (iv) incremental operating expenses and vehicles and equipment components; (v) statements of income and expenditure for the current and previous quarters; and (vi) monthly cash flow projections for the next two quarters. Any major variances from the budget would be explained and corrective measures proposed. These reports would be submitted to donors within one month of the end of the relevant quarter, and would provide the basis for monitoring the progress of the Program.

1.71 To ensure flexibility in the face of uncertain circumstances, while also ensuring effective Program implementation, PECДАР's role, structure and performance and the structure and progress of the Program would be reviewed periodically. This would be done in joint half-yearly reviews by donors and PECДАР's senior management (including, *inter alia*, managing and deputy managing directors, and director of PMO). At these joint reviews, any revisions necessary to improve Program implementation and to attain essential Program objectives would be made on the basis of mutual consent.

Benefits and Risks

1.72 The main impact of the public investment component of the Program would be the improvement in the delivery of such essential public services as power, water, sewerage, solid waste. A start would also be made in improving roads and reducing traffic congestion. The Program would also have a positive impact on employment—an estimated 40,000 person-years (the equivalent of about 13,000 full time jobs for the three-year Program period) of direct employment in construction would be created. Benefits would be significant and widespread, accruing to virtually all citizens of the Occupied Territories but particularly to low income families in the urban areas, camps, and villages. Women, young people, and those whose lives have been disrupted by the unsettled conditions would benefit most from the human resources component of the program. While considerable benefits would be targeted to municipalities, the agriculture, health, education, transport, and power programs would also benefit people in rural areas.

1.73 At the macroeconomic level, the OT economy is expected to recover from the recession of 1993, with the return to a more peaceful situation on the ground, the initiation of a public sector-led reconstruction program, and the recovery of private activity. Given the stark initial conditions, however, the labor market is likely to retain some slack in the short term and growth alone is unlikely to reduce poverty fast. Continuation of the current "works programs" would help contain the immediate unemployment.

1.74 After a recovery in 1994, improvements in economic performance in 1995 and 1996 would increasingly depend on the growth of institutional capacity in the public sector, the development of financial markets and institutions, and growth of the private sector. Given the large uncertainties that still characterize trade and monetary arrangements in the Occupied Territories, however, initial growth is expected to concentrate predominantly within non-tradable sectors.

1.75 Environmental Impact. Implementation of the proposed Program would have an overall significant positive environmental impact provided that all activities are subject to careful environmental review during their design and site selection process, environmental mitigation is included in projects as necessary, and technical, environmental and financial issues are properly addressed during implementation. Presently, there are no known project proposals whose implementation would result in involuntary resettlement; however, a number of activities will require the purchase of privately held land from its owners by local authorities. Some major investments which may be considered for implementation in the future, to be evaluated in feasibility and environmental studies supported under the proposed Program, may require involuntary resettlement of a limited number of residents. No known archaeological or historical sites would be affected by activities to be supported under the proposed Program at its present stage of definition.

1.76 The proposed Program would be implemented under highly unusual circumstances; its implementation faces considerable risks, many of which cannot be avoided. In order of importance, these are:

- **Political Risks.** The success of the Program requires stability in the Occupied Territories, steady progress in bilateral and multilateral negotiations, and a maturation of internal political processes. Instability in the Occupied Territories would hinder Program implementation. In particular, delays in bilateral negotiation would slow activities that depend on their outcome. Program success in providing tangible benefits to the Palestinian population could, on the other hand, reinforce the momentum for peace and thereby facilitate its own implementation.
- **Implementation Risks.** Delays in the consolidation of PECNDAR would significantly delay the Program. Key staff must be appointed and operating systems and procedures established. Key consultants—particularly the managing and procurement consultants and those assisting with project preparation and implementation—must be chosen. Implementation will require a well-functioning public sector able to direct, monitor, and implement a rapidly expanding program. Although the Program is tailored as much as possible to reflect estimated available institutional capabilities, any shortfall would have immediate repercussions for the subsector concerned, or—in the case of PECNDAR—for the entire program. The likelihood of major shortfalls in implementation capacity occurring across the board appears modest, although sectoral variations could be substantial and capacity constraints may affect individual sub-sectors; the impact would generally be restricted to delays in implementation in those sectors, except in the case of PECNDAR. Although every effort is being made to ensure its proper functioning, there remains some risk of major capacity constraints developing in PECNDAR. Inadequate flexibility on the part of the donors as well as uncoordinated aid programs could further accentuate this risk leading to significant delays in Program implementation and in realization of the full benefits from the Program. Regular monitoring and trouble-shooting by the AHLC of the donor assistance would be helpful in this regard.
- **Technical Risks.** While the feasibility of some Program components has been assessed, planned and ongoing studies of others may reveal technical, financial, legal, or socioeconomic issues that cannot be resolved within the time-span of the Program. Although individual components may prove unfeasible, however, the impact on the overall Program is likely to be quite modest.

- **Program Risks.** The final category of risks concerns the likelihood of major deviations from the Program as currently proposed. Implementation of activities with a questionable technical or financial feasibility, or unsustainable budgetary demands may occur, reflecting political objectives and pressures and availability of external or internal funding. While the likelihood of some "political" projects being financed appears considerable, these risks would diminish, provided PEC DAR operates as the technical institution as conceived and its decision-making processes are transparent.

1.77 Political risks in the Occupied Territories will be significant and difficult to manage. Success in implementing the Program, however, would contribute to the success of the peace process and help stabilize the Occupied Territories. Implementation risks can be minimized by allocating responsibility to existing institutions with known capacity and by contracting competent, internationally-recruited consultants to assist PEC DAR and the implementing agencies with key tasks. Finally, donors would be expected to monitor progress on the implementation of specific components closely. The Program is designed to be flexible and would be modified from time to time in light of implementation experience.

ANNEX 1.1: Sector Strategies Matrices

Table 1: Transport

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Parts of existing intercity road infrastructure are severely deteriorated.	Develop and begin implementation of a five-year program using local contractors and consultants to eliminate the backlog of road maintenance and provide urgently needed routine road maintenance.	Develop institutions to manage an adequately funded road maintenance system.	Investment: Execute contracts for maintenance and reconstruction of roads and equipment for road safety and analysis. TAs: Set up program implementation unit that would be nucleus of transport authority. Develop multiyear program for road expenditures.
Significant section of road system is congested.	Undertake traffic studies in most areas and develop relief strategies.	Prepare transport system development strategy.	TAs: Help develop long-term transport strategy.
Some villages lack all-weather access to highway system.	Upgrade connection of villages to road network.	Extend Village Access-Road Program. Develop rural roads program.	Investment: First stage of Village Access-Road Program. TAs: Help design and supervise Village Access-Roads Program.
Lack of institutions for strategic planning and sector management.	Set up road maintenance organization and determine structure for planning, managing, and regulating transport subsector. Begin preparation of transport system development strategies and evaluate major projects.	Establish institutions for sectoral policy and planning. Decide on whether or not to implement major projects. Develop the road maintenance organization into a Highway Authority.	Investment: Acquire equipment for program implementation unit. TAs: Help establish program implementation unit and carry out studies to define organizational and finance structure of the road sector and long-term transport (and regional) development strategy. Conduct feasibility studies of major roads, airstrips, and Gaza port (to be completed in 1995).
Lack of financing arrangements for the transport sector.	Prepare a financing plan for the five-year program consisting of a combination of grants, loans, and recurrent funds.	Develop arrangements to provide uninterrupted funding for the road sector through a system of road-user charges (fuel tax) and establishment of a dedicated Road Fund.	Investment: Provide preliminary financing plan for the road and transport program over three years and marshal further support from donors. TAs: Conduct maintenance study to review long-term financing of the road sector.
Lack of financing for private sector transport operators.	Encourage competitive development of the banking system.	None at this time.	TAs: Conduct support studies on the development of the banking system.

ANNEX 1.1: Sector Strategies Matrices

Table 2: Water Supply and Wastewater

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Poor water resource management. Imminent danger of damaging the Gaza aquifer permanently.	Focus on Gaza. Strengthen regulatory controls over aquifer. Institute effective conservation practices to reduce losses and manage demand. Develop contingency plan to guarantee basic potable supplies.	Develop coherent water resource management policies for OT as a whole, including waste water reuse policy for Gaza. Develop regional water resource management policy with Jordan and Israel.	Investment: Give priority to Gaza's immediate needs. TA: Help define water resource policy. Develop water conservation policies and practices. Support improved O&M practices.
Weak water supply delivery.	In Gaza and selected West Bank municipalities, implement program of priority network rehabilitation. Expand piped water coverage to selected villages.	Extend and consolidate program of priority network rehabilitation. Expand piped water coverage to all villages. Develop new wells in the context of an overall water resource management strategy. Consider desalination if economically feasible.	Investment: Rehabilitation and selective extension of municipal and village water networks (in Gaza, Rafah, Hebron, Ramallah, Qabala, Betunia, and Jerik, among others, and in selected villages). Construct new wells in selected municipalities and villages where resource, institutional, and political conditions permit. Provide urgently needed tools and equipment to support improved O&M.
Weak institutional, financial and regulatory framework for improving the management of water, sewage, and waste water.	In Gaza and selected West Bank municipalities, lay basis for long-term institutional reform. Undertake review of institutional and financial problems and options.	Create regional utilities by rationalizing and consolidating individual city utility departments. Establish effective cost recovery policies and systems. Establish regulatory framework.	Investment: Support JWU-Ramallah as a model regional utility. TA: Develop planning and regulatory framework, and initiate institutional reform at center. Establish unified water and sewage utility in Ramallah district. Develop proposals for creating similar agencies for Gaza and elsewhere in West Bank.
Weak sewage collection, treatment and disposal. Weak waste water management.	In Gaza and selected West Bank municipalities, implement program of priority network and treatment-plant rehabilitation. Review technical and financial reasons for poor operation of existing waste water treatment plants and develop waste water reuse strategy.	Develop and implement long-term, OT-wide program of improvement for networks, treatment plants, and waste water collection and reuse.	Investment: Rehabilitate and extend existing sewage networks and treatment plants to Nabulus, Salfit, Dlr Dibwan, Qaqilia, N. Gaza, Biet Hanoun, Al Birah, Tulkarem, and Anapla, among others. TA: Review waste-water treatment and reuse technologies and develop proposals consistent with local environmental, financial, and social constraints.

ANNEX 1.1: Sector Strategies Matrices

Table 3: Solid Waste Management

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Poor public health and community living conditions. Clandestine dumping.	Increase public awareness and participation through public education programs. Improve coverage of existing collection services. Select transfer and disposal sites. Adopt appropriate and environmentally efficient collection and disposal techniques. Explore potential for recycling.	Same as short-term but with widened coverage. Increase focus on recycling.	<p>Investment: In selected municipalities and villages in Gaza and the West Bank, supplement the existing vehicle fleet with new collection and disposal vehicles and provide containers for existing trucks.</p> <p>TA: Support the employment of local and foreign advisors for Gaza and the West Bank. Develop and implement effective public education and awareness program. Conduct studies to assess the collection, disposal, and regulatory requirements for hazardous waste. Evaluate market demand for recyclables and recovered resources from waste.</p>
Inadequate collection coverage and efficiency. Poor disposal of waste.	Increase collection vehicle fleet and improve fleet management. Select and develop several cost-effective collection, transfer, and disposal sites. Exploit the potential for economies of scale by encouraging municipalities and villages to share services, facilities, and disposal sites. Minimize transport costs by selecting transfer and disposal sites strategically.	Same as short-term but with increased focus on cost-recovery, privatization, and commercialization of service. Increase scope of recycling efforts. Explore feasibility of incineration.	<p>Investment: In selected municipalities in Gaza and West Bank, supplement the existing vehicle fleet with new collection and disposal vehicles and equipment. Provide containers for existing trucks.</p> <p>TA: Develop a planning data-base. Develop master plans for Gaza and Nablu. Conduct studies to improve institutional capacity, cost recovery, determine the feasibility of privatization and commercialization, and evaluate market demand for recyclables and recovered resources from waste.</p>
Threat to groundwater resources.	Select transfer and disposal sites with attention to environmental impact. Adopt protective design standards. Explore the potential for regional coordination and cooperation in the selection and operation of disposal sites.	Same as short-term but with increased focus on regional cooperation for environmentally conscientious site-selection.	Investment: Develop only those disposal sites that pose minimal threat to water resources (particularly in Gaza).

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Table 4: Power

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Sector organization is fragmented into many municipal departments of uneconomic size. Coverage of core management and operational functions is inadequate.	Study institutional options with a view to consolidation into two to four regional distribution companies. Begin by centralizing management of network rehabilitation at regional level—one operating center in Gaza and three on the West Bank.	Consolidate distribution. Establish institutional capability for managing transmission (bulk power purchases) and generation. Promote private sector investment in generation and distribution where feasible.	<p>Investment: Create central operating centers for managing network rehabilitation, which serve as nuclei of regional distribution companies.</p> <p>TA: Study institutional and regulatory options for public utilities with particular potential for private sector participation. Help define options and prepare implementation program.</p>
Distribution networks are overloaded, leading to high power losses and burnout of transformers. Low voltages damage consumer appliances. Frequent supply outages.	Rehabilitate distribution networks. Increase transformer capacity and reduce inefficient reactive power flows. Strengthen capacity for distribution, planning, and management of networks.	Implement a program of least-cost regional sub-transmission and distribution reinforcement that is responsive to local demands and provides utility-grade service quality.	<p>Investment: Investment in network rehabilitation, replenishment of stores, communications equipment, SCADA system, vehicles and computers.</p> <p>TAs: Provide consulting services for design and supervision of distribution investment programs and for distribution-planning study, including the training of local staff.</p>
High technical losses, theft of electricity, uncollected revenues, and management constraints cause inadequate financial performance.	Implement program to reduce both technical and nontechnical losses. Begin sector reorganization and management training.	Complete reorganization of sector and ensure that it enables power utilities to operate on a commercial basis.	<p>Investment: Finance distribution rehabilitation and acquisition of computers for customer and network management.</p> <p>TA: Conduct sector reorganization study (see above), loss-reduction study, and help with management and staff training.</p>
Sector bulk-power supplies depend on single supplier.	Prepare least-cost bulk-power expansion program with regional interconnections.	Participate in regional bulk-power pool that provides reliable supplies at least cost.	TA: Undertake power generation and power interconnections study that complements the ongoing Multilateral Working Group Regional Power Interconnection Study.

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Table 5: Municipal Roads and Facilities

Issues	Short-Term Strategy	Long-Term Strategy	EAP Actions
High urban transport costs and travel times. Poor accessibility and safety. High incidence of flooding. Destruction of existing infrastructure and services.	Begin coordinated program to affiliate, improve, and maintain existing main and secondary roads and drains in selected municipalities. Remove major traffic bottlenecks through better traffic planning, signals, channelization, road marking, and signage.	Same as short-term but involving more municipalities and widened system coverage.	Investment: In selected municipalities (initially in Gaza but later in main West Bank towns and villages) undertake repairs and rehabilitation of main and secondary roads and drains, short studies to improve traffic flow, and implementation of study recommendations. TA: Give support for project preparation. Help inventory and classify roads and drains and improve traffic circulation.
Improving municipal facilities (markets, slaughter houses, office, recreation facilities, etc.). Preserve existing municipal assets.	Focus initially on selected Gaza municipalities. Begin coordinated program to rehabilitate, improve, and maintain existing municipal buildings and facilities.	Same as short-term but involving more municipalities and widened coverage.	Investment: In selected municipalities and villages, initially in Gaza but later in main West Bank towns and villages, rehabilitate street lighting, key markets, abattoir, and other key municipal buildings. TA: Assistance with project preparation.
Strengthening municipal capacity to plan, finance, manage and maintain urban services and facilities.	Audit existing institutional arrangements, systems, and practices in four or five pilot municipalities, initially concentrated in Gaza. Prepare and implement municipal investment and development plans. Involve important community groups in determining municipal priorities and investment and development plans. Prepare regional investment, institutional, and structure plans for Gaza.	Same as short-term but involving more municipalities and widened coverage, drawing on the lessons learned from pilot cities. Implement regional investment, institutional, and structural plan for Gaza. Prepare regional, institutional and structure plan for West Bank.	TA: Conduct management audit of selected pilot municipalities. Prepare investment, institutional, and development plans for selected pilot cities. Prepare regional investment, institutional, and structural plans for Gaza.

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Table 6: Housing

Issue	Short Term Strategy	Long-Term Strategy	EAP Actions
Low quality of housing. Overcrowding in refugee camps and municipalities, particularly in Gaza. General overcrowding.	Support UNWRA reconstruction and rehabilitation efforts. Develop programs to encourage upgrading of low quality urban housing and to relieve overcrowding.	Review tenure situation of camp residents. Upgrade settlements and, where feasible, integrate them into larger community.	Investment: Provide support for UNEWA's house rehabilitation program in the camps and for construction of houses for low and moderate-income households. Target and minimize subsidies and involve private sector as much as possible. TA: Study options for improving camp housing and integrating camps into existing municipalities.
Low quality of village housing.	Develop sustainable village-housing improvement program.	Implement sustainable village home improvement program.	TA: Study options for improving quality and availability of village housing as much as possible using private initiative.
High cost and constrained access to developable, serviced urban land. Poor records on land registration and weak conveyancing system.	Review constraints on effective operation of land markets. Investigate use of state lands in Gaza for housing development. Review options for improving record and conveyancing systems.	Improve title and land registration and conveyancing systems. Reform urban planning laws and development regulations. Clarify role of local government with respect to housing-related infrastructure. Increase local authority over charges and taxes.	TA: Analyze impact of regulatory and fiscal constraints on land-market operation and development in selected municipalities. Assist municipalities to revise land-use plans and develop feasible options and incentives for increasing the availability of land. Identify priority areas and options for regulatory reform.
Lack of credit for housing construction and for mortgage finance.	Support development of the construction finance market as part of overall financial system development. Review options for improving access to mortgage finance and launch pilot scheme using the private sector to the extent possible.	Same as short-term but with increased focus on long-term mortgage finance and on integrating housing finance into strategy for the overall financial system.	Investment: Support PHC program, improve its sustainability. TA: Study the feasibility of a program to finance additions and completions to existing housing. Help design technical assistance program to familiarize financial institutions and decisionmakers with issues related to housing finance system and importance of integrating it into overall sector development.
Lack of an adequate institutional framework for housing policy development.	Examine options and define roles of key actors, including central and local government and the private sector. Develop consensus on appropriate policies, with emphasis on creating an environment conducive to private sector involvement.	Establish an institution with responsibility for policy development. Reform legal and regulatory framework. Continue support for private sector development of land and housing markets.	Investment: Develop and launch pilot mortgage-finance program for home improvement. TA: Provide assistance and training to key institutions and actors and help define and prioritize policy and institutional options for reform at central and local level.
Shortage of housing for returnees.	Develop program to facilitate the construction of housing for returnees using the private sector as much as possible.	Implement and refine program	TA: Conduct study on returnees' likely demand for housing and policy options for responding to this demand.

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Table 7: Telecommunications

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Little Palestinian capacity to manage telecoms after withdrawal of the Israeli Civil Administration.	Establish a management contract for Gaza and Jericho and train Palestinian staff in digital switching. Define permanent institutional structure for the sector, including the role of the private sector.	Establish permanent institutional arrangements with either private or government-run public utilities to implement the policies of the governing authority.	TA: Help with management and staff training and study public utilities' organization.
Large unmet demand for telephone service.	Implement new digital exchange in Jericho and expand connections in West Bank.	New company would install 50,000 additional lines for Gaza and 7,500 for Jericho by 1996. Increase service coverage to at least 15 per 100 by the year 2000 as compared with the present 2.9 per 100.	Investment: Expand Jericho telephone exchange.

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Table 8: Education

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Financial crises in private preschool and university systems following sharp drop in foreign assistance.	Provide support assistance to help fund recurrent budgets of the university and preschool system.	Introduce cost-cutting measures. Increase student fee. Diversify funding sources.	Investment: Provide funding assistance to universities and preschools. TA: Develop financial plans, strengthen education institutions' capacity for financial management.
Unsatisfactory quality of formal education.	Provide books, library materials, laboratory equipment, sports facilities. Improve student exit examinations. Increase preschool teacher training.	Revise curriculum. Prepare or purchase new texts and teaching materials. Revise and upgrade teacher training. Update students' exit examinations.	Investment: Purchase books, laboratory equipment, computers, and teaching aids. TA: Provide funding to create an institute for the review of educational objectives. Help prepare a curricular framework, develop teaching materials, upgrade preschool teacher training, and revise exit examinations.
Deteriorated education infrastructure.	Institute emergency school maintenance program.	Replace obsolete and inadequate schools.	Investment: Rehabilitate and improve existing school buildings and facilities. Add new classrooms where essential. TA: Prepare a school-mapping study to support development of education infrastructure master plan.
Assumption by the Palestinian authority of responsibility for the government education system.	Analyze the operational policies for the CA's education system. Define options for teacher qualification, personnel practices, and compensation policies.	Establish Palestinian institutions to manage, make policy for, and develop the sector. Merge the educational systems now operating under CA and UNRWA control.	TA: Conduct a study of institutional options and help develop Palestinian capacity to collect and analyze education statistics.
Underinvestment in vocational education leading to scarcity of selected technical skills.	Conduct a tracer study of graduates of vocational schools and universities. Review the offerings of vocational schools. Identify skill shortages. Develop new vocational curricula and train instructors.	Develop a market-responsive vocational and higher education system by establishing closer links between employers and schools. Establish mechanisms for design and rapid introduction of new training activities.	TA: Help develop a program for the routine assessment of employment history of graduates of vocational training programs. Create task forces to assist in the selection and development of vocational training programs and the training of instructors.
Education interrupted by the political unrest.	Assess the magnitude of the learning deficit and its distribution among groups of children.	Develop a remedial education program for those who have suffered significant deficits.	TA: Study the magnitude of the problem and help identify and evaluate options for rectifying learning deficits.

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Table 9: Health

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Unsustainably high levels of spending on health care.	Limit expansion of health care facilities to essential basic services.	Develop national policies on the assessment of medical technology, financing of health care through user charges, and develop a national health insurance scheme.	Investment: Limit investments to the renovation of existing facilities and the repair and upgrading of equipment.
Financial crisis in the voluntary health care sector following withdrawal of foreign contributions.	Provide limited support for essential services and to maintain specialist services and facilities until new financing mechanisms and cost controls can be introduced.	Develop a national health insurance scheme. Reduce the operating costs of the health care system and control the adoption of new technologies.	Investment: Provide emergency financial assistance to qualifying private, voluntary hospitals and health clinics.
Rapid deterioration of the health care infrastructure.	Provide emergency assistance for the repair, renovation, and maintenance of facilities falling into disrepair.	Create a viable health insurance and health financing system. Control expansion of the health infrastructure. Reduce operating costs throughout the system by identifying and adopting cost-effective procedures.	Investment: Provide funding for the renovation of seriously deteriorating basic health care facilities.
Following self-government, sharply reduced access to Iarneli referral facilities.	Carry out a prefeasibility studies of the need for and economic feasibility of constructing a burns unit, cancer care facility, and reference laboratory.	Either conduct prefeasibility study, make investment decision, and construct facilities—or strike agreements with other suppliers of services in the region (depending on the outcome of the feasibility study).	TA: Finance and supervise prefeasibility study.
Need to develop operational policies and assume responsibility for a government health service.	Analyze operating policies of the Civil Administration and UNRWA. Plan for Palestinian assumption of responsibility for the Civil Administration program and eventual integration of the Civil Administration and UNRWA programs.	Introduce common clinical procedures, health policies, personal systems, equipment lists, maintenance schedules, etc., in a unified Palestinian health care system.	TA: Finance and supervise studies of existing programs and provide expert consultant services in health care management, organizational design, and management.
Need to create a national health care system from a complex, highly pluralistic existing system.	Define options for creating a unified and disciplined health care system from the existing institutions.	Develop a regulatory regime and health care financing system that facilitates more cost-effective provision of health care.	TA: Finance and engage local and international consultancies to help design institutions and draft laws, rules, and regulations governing the health care system.

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Table 10: Environment, Cultural Resources and Tourism

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Lack of Palestinian government organizations to oversee environment, cultural resources, and tourism.	Make PEPA operational. Develop frameworks for organization, legislation, and procedures. Train managers in planning and administration.	Help recruit and train authorities until they can undertake full range of responsibilities. Increase number of local offices and operations. Use economic incentives to promote responsible management of environment. Coordinate public and private sector investments in tourism.	TA: Support development of management framework for environment, cultural resources, and tourism sectors. Help prepare legislation, institutional structure, administrative structure, and financial management systems.
Inclusion of environmental, cultural, and tourism concerns in the economic development process.	Institute procedures for environmental assessment. Develop procedures for review of cultural resources including chance finds. Protect sites of interest to tourists from improper development.	Implement recommendations of planning studies and integrate them into economic and land-use planning. Establish bilateral agreements with Egypt, Israel, and Jordan to promote common interests.	TA: Help prepare for environmental assessment procedures and cultural resources review. Develop long-term planning studies: Environmental Action Plan, Cultural Resources, Management Plan and Inventory, and Tourism Master Plan.
Weak management and monitoring programs for the protection of water quality and reuse of treated wastewater.	Develop and implement a basic water-quality monitoring system. Support the development of a groundwater management plan and monitoring system for Gaza.	Expand number of areas with management plans and expand the scope of monitoring system. Establish monitoring program for wastewater reuse.	Investment: Provide equipment for water-quality monitoring systems. TA: Help design environmental monitoring system and special groundwater management and monitoring system for Gaza.
Lack of a pesticide regulatory system. Poor pesticide management practices in both Gaza and the West Bank.	Develop a regulatory system for the registration, importation, application, and disposal of pesticides. Pilot agricultural outreach programs on safe use of pesticides.	Implement regulatory system. Upgrade and expand agricultural extension system. Initiate integrated pest management for selected crops.	TA: Support development of a pesticide regulatory system using environmental management framework.

II. The Macroeconomic Framework

2.1 In recent years, economic performance in the Occupied Territories has fluctuated sharply. Economic activity has been dominated by:

- **The vicissitudes of the Israeli labor market.** In 1992, 116,000—or 35 percent—of employed Palestinians worked in Israel and about 21 percent of the West Bank's GNP and 30 percent of Gaza's was earned by Palestinians working in Israel. But in 1993, labor movement dropped and work-related receipts fell by a dramatic 40 percent. While this drop is directly related to border closures, it also coincides with a sharp fall in labor demand from Israel.
- **Fluctuations in agricultural production.** Agriculture represents a large share of the Occupied Territories' GDP, and the West Bank is particularly affected by the biennial olive cycle. The year 1992 was exceptionally good, and 1993 exceptionally bad—partly because of the biennial cycle and partly because of the closure of markets in Israel.
- **External shocks and political developments.** The Shekel inflation, the Jordanian devaluation, the *Intifada*, the Gulf war, the shrinking of the Israeli labor market in 1993, and the Declaration of Principles had a dramatic impact on economic activity in the Occupied Territories. The *Intifada*, with its curfews and strikes, has depressed activity and led to a sharp decrease in the use of Palestinian labor. The Gulf war of 1990-91, with its border closures and extended curfews, has hit both the labor and export markets. Several hundred thousand Palestinians, moreover, had to leave jobs in Gulf states, which sharply lowered labor remittances.

Production and Incomes

2.2 Following rapid growth in the 1970s, growth stalled in the early 1980s and decline set in during the second half of the decade. By the end of the 1980s, per capita income was only marginally higher than a decade earlier.

2.3 In 1991, the combined effects of the Gulf war, curfews, border closure, and a poor olive crop led to a 9 percent reduction in per capita GDP. By contrast, in 1992, an Israeli construction boom attracted a record number of Palestinian workers and favorable weather led to a spectacular 80 percent rise in West Bank agricultural output over 1991 and a 17 percent rise in Gaza. Responding to increased demand, optimistic expectation of peace, a smoother labor market, and the savings brought back from the Gulf, domestic activity also rose. All sectors of the economy benefitted, with annual growth rates ranging from 23 percent in construction and industry to 14 percent in the government sector.^{3/}

3/ The all-time record 1992 olive harvest contributed a full 7 percent of extra GDP growth, as compared with the average harvest in odd years.

2.4 But 1993 once again demonstrated the vulnerability of the Palestinian economy to the agricultural cycle and the Israeli labor market. The combined effect of a poor olive crop and a sharp reduction in the number of work permits granted to Palestinians sent average incomes below their pre-*Intifada* levels. GNP per capita fell by an estimated 19 percent during 1993. The agricultural shock, furthermore, was exacerbated by the border closure which cut off exports to Israel and led to a sharp decline in agricultural prices.^{4/}

2.5 The closure of the Occupied Territories after March 1993 which was complete for four weeks, corresponds to Israel's diminished need for housing. The tapering off of Israel's immigrant-led boom will undoubtedly have a lasting effect on the economy of the Occupied Territories. During 1990-92, furthermore, new immigrants replaced many Palestinian workers in construction services and industry. With the end of the construction boom, the demand for Palestinian labor in Israel has dropped, and renewed growth would be dependent *inter alia* on the future performance of the Israeli economy.

2.6 Unemployment. According to preliminary statistics collected by the Central Bureau of Statistics (CBS), between 1992 and the second quarter of 1993, an estimated 80,000 workers lost their jobs in Israel and there were 12,000 new entrants into the labor force. Of those 92,000 workers, 27,000 found jobs at home but 65,000 were left unemployed. In total, an estimated 85,000 were unemployed in the Occupied Territories in mid-1993, implying an annual rate of unemployment of about 25 percent. But by the third quarter, the situation in the West Bank seems to have improved somewhat, for an estimated 20,000 workers went back to work in Israel. In Gaza the situation has remained stark. To help the unemployed an on-going Civil Administration public employment program employs up to 19,000 workers at about 60 percent of the minimum wage.

2.7 Poverty. Recent estimates indicate that about 20 percent of the population of the West Bank and 30 percent of Gaza now live in poverty. Because Gaza's average income is only 70 percent of that in the West Bank and Gaza relies more heavily on outside income (30 percent versus 20 percent on the West Bank), the border closure and cut in the number of permits hurt Gaza more.^{5/} Gaza also suffered a 50 percent reduction in employment in Israel between 1992 and 1993, as opposed to a 32 percent cut in the West Bank. The main reason for this is that the West Bank border is more porous to trade with Israel and therefore more difficult to control. Fewer undocumented workers pass through Israel's border with Gaza than through that with the West Bank.

Shocks and Responses

2.8 In the past, the Palestinian economy's vulnerability to so many different factors has not been a serious problem as the impact of different factors has tended to be offsetting. For example, rapid growth in the oil-boom states of the Gulf occurred in the early 1970s as the Israeli economy was entering a long period of stagnation. As luck would have it, the Israeli economy picked up in 1985 when the oil boom collapsed. From 1990 to 1993, however, volatility of the agricultural production cycle has paralleled ups and downs of remittances Palestinians bring in from both Israel and the Gulf.

4/ In the first three quarters, CBS's price index for fruits and vegetables fell by 11 percent on the West bank and 24 percent in Gaza.

5/ The Civil Administration typically accords 60 percent of permits to residents of the West Bank and 40 percent to Gaza residents.

2.9 With few macroeconomic stabilization instruments available, households have had to depend on their own reserves to weather economic shocks. Home production and fiscal policy, however, also provided some stabilizing effect. The importance of institutional transfers as an income stabilizer was reduced after the Gulf war when assistance from Arab institutions—including the PLO—ceased abruptly.

2.10 The use of personal reserves also played an important role. Their magnitude can be computed as a residual from the Balance of Payments (Table 2.3). In the past, these flows have been negative, reflecting an accumulation of personal reserves in foreign currencies by Palestinian households. In the past three years, however, apparently there has been large depletion of personal reserves. These private capital inflows are mostly withdrawals from foreign bank accounts, liquidation of foreign currency holdings, and gold sales. This means that if new shocks occur, households will not be able to weather them and still maintain consumption levels as many have done in the past.

2.11 After stagnating for several years, in 1992 construction activity surged by about 30 percent in the Occupied Territories as a whole with 50 percent of the increase occurring in Gaza. That spectacular increase coincides with a generally depressed activity in other sectors. In Gaza, investment construction represented 90 percent of total investment in 1992. The construction boom seems to have been mainly driven by an excess of local construction workers (who, unlike the West Bankers, benefitted less from the Israeli construction boom), the associated wage decline, the increased number of returnees, and the initiation of the peace process. Yet this boom created only about 1,500 jobs, an increase in the number of workers in this industry of 22 percent. As workers returned home during the first six months of 1993, nonagricultural domestic production expanded. The number of hours Palestinians worked in Israel fell by 73 percent. Work in the home rose 15 percent, services 17 percent, public services (mostly through the public employment program) 15 percent, agriculture 12 percent, and industry 10 percent.

2.12 Fiscal policy has proved useful in reducing the effect of these economic shocks. During 1993, to counteract the effects of the border closure, the Civil Administration increased its investment program by about 50 percent. This included starting a public works program that compensates workers at about 60 percent of the minimum wage. Although open only to workers 25 or older who had permits for work in Israel prior to the closure, the program still employs between 10,000 and 19,000 workers daily in Gaza (the program was closed on the West Bank in October). This program is financed by scaling down capital-intensive projects, drawing down reserves, and a transfer from the Israeli government.

2.13 Since 1991, the Civil Administration has also attempted to boost investment by introducing the Law of Encouragement of Investment (targeted at domestic investors) and the Foreign Investment Facilitation Code. It does not appear, however, that the domestically-oriented law was effective in achieving its goals. The law provides a three-year tax holiday but requires strict book-keeping which many domestic investors find cumbersome. By contrast, the facilitation of foreign investment procedures has attracted about US\$30 million in additional investments—primarily from Palestinians from abroad wishing to return home—since its promulgation. This attests to the pent-up demand of Palestinians living abroad to invest in the Occupied Territories.

Macroeconomic Outlook

2.14 Given the Occupied Territories' dilapidated infrastructure and dim prospects for additional jobs in Israel or the Gulf, its prospects for sustainable growth depend on attracting increased investment. Although, the initiation of infrastructure projects will help, their direct employment impact will not

reverse the rise in poverty. The volume of these projects is too small as yet to generate a sizable private sector response. In addition to repairing their physical infrastructure, Palestinians will need to begin building social institutions, developing a financial system, enforcing property rights, and collecting taxes. Substantial improvement in the Palestinians' standard of living is needed fast to ensure social peace that is necessary to achieve the difficult transition to autonomy.

2.15 To alleviate poverty in the short term and at the same time lay the groundwork for sustainable growth, an economic strategy must balance immediate relief with the building of infrastructure and institutions. It must also include early emphasis on the development of the private sector. The Emergency Assistance Program recommends that policy be developed along four axes:

- up-front emergency relief and poverty alleviation designed to be phased out as economic growth picks-up;
- public sector investment that starts with emergency rehabilitations activities and moves into larger projects as institutional capacity develops;
- immediate action to start building private sector infrastructure, especially a solid financial market that will be able to channel finance to development projects; and
- promotion of fast institutional growth through training programs and studies needed for effective action.

2.16 In all of these areas, the scenario presented here reflects guarded optimism (see Table 2.1). It is assumed, for instance, that public sector institutional capacity will grow fast enough to begin implementing large infrastructure projects by 1995. It is also assumed that conditions that will allow for a rise in longer-term private investments will be in place by 1995. This will require, however, socio-political and macroeconomic stability, the resolution of key problems affecting private transactions, and the development of a financial system that can allocate loans of long maturity efficiently. Finally, the scenario assumes favorable external conditions: an international community that makes good on its financial pledges, resolution of the issue of tax adjustment with Israel, and a steady Israeli demand for Palestinian workers at current levels, and—with the exception of further opening to Jordan—little change in trade policy over the next two years.

Table 2.1 Occupied Territories—Selected Economic Indicators, 1988 to 1995

	1988	1989	1990	1991	1992 <i>Preliminary</i>	1993 <i>Estimate</i>	1994 <i>Projected</i>	1995 <i>Projected</i>
ECONOMIC INDICATORS	<i>(annual percentage of change)</i>							
Real GNP	-5.3	0.2	14.8	-3.5	23.6	-14.1	24.9	4.7
Real GDP	0.8	0.7	18.9	-4.0	23.6	-10.1	20.1	5.0
Real GDP without agriculture	-19.6	15.0	8.7	7.1	10.2	7.0	12.6	16.5
Population	3.6	3.1	3.8	5.0	5.1	5.1	5.0	5.0
Per capita real GNP	-8.6	-2.9	10.6	-8.1	17.6	-18.2	19.0	-0.3
Per capita consumption (in US\$)	1,371	1,352	1,605	1,650	1,922	1,659	1,913	1,946

2.17 Should these conditions prevail, the economy of the Occupied Territories is expected to recover in 1994. Improvement depends, however, on further progress in the peace process, a fast-growing public sector, initiation of the sector-led emergency public reconstruction program, and the recovery of private activity. The labor market is so depressed now that it is likely to remain slack in the short term. Furthermore, economic growth alone is unlikely to reduce poverty quickly, and temporary poverty alleviation programs must be developed. After the initial recovery period, improvements in economic performance will depend increasingly on the growth of institutional capacity in the public sector, the development of financial markets and institutions, and growth of the private sector. Given the uncertainties surrounding trade and monetary arrangements in the Occupied Territories, growth is expected to occur primarily in nontradable sectors.

2.18 Production. The public sector's initial 40 percent increase in output will dominate the Occupied Territories' output growth in 1994 but will stabilize in 1995. Given the olive cycle, agriculture GDP growth is expected to fluctuate from 4 percent in 1994 to -23 percent in 1995. In 1994-95, agricultural output is expected to remain at its 1992-93 level but as distribution channels—especially those related to exports—improve, prices should increase by about 10 percent. The construction industry is expected to be a leading sector, rising 15 percent in 1994 and 25 percent in 1995. Private activity is expected to grow at a moderate 5 percent in both industry and services in 1994 and accelerate to 15 percent in industry and 20 percent in services in 1995. Industrial growth is expected to be driven mostly by exports to the Arab world and to Israel and by the growth of activities complementary to the public sector investment program while in services, tourism is expected to grow rapidly. Overall, as the security situation improves, public infrastructure is expanded, and the institutions to support private activity are put in place, incremental capital-to-output ratios (ICORs) are expected to improve.

2.19 Incomes. In real terms, non-agricultural per capita GDP for the Occupied Territories is projected to grow by about 8 percent in 1994 and 11 percent in 1995. It is also expected that the number of Palestinians working in Israel will stabilize somewhere around its current level of 75,000, with some growth possible as building activity in Israel picks up. Given the agricultural cycle, these developments would translate into real per capita GNP growth rates of about 18 percent in 1994 and 0 percent in 1995 (Table 2.1).

2.20 Macroeconomic balances. Investment in the Occupied Territories is expected to rise from 19 percent of GNP in 1993 to 24 percent in 1994 to 28 percent in 1995—with between three-quarters and two-thirds of this increase emanating from the private sector (see Table 2.2). National savings are expected to remain stable over the next year and then to rise only slightly, with larger private savings offset by increased public sector expenditures. This implies that financing needs will rise from about 9 percent of GNP in 1993 to 16 percent in 1994 and to 17 percent in 1995. While the major part of foreign financing is expected to accrue to the public sector, private sector financing needs will also grow as private investment expands, with an expected private sector deficit of about 4 percent of GNP in 1994 and 6 percent in 1995.

Table 2.2 Macroeconomic Balances, 1992 to 1995
(percent of GNP)

	1992	1993 <i>Preliminary</i>	1994 <i>Projected</i>	1995 <i>Projected</i>
Investment = Savings	21	19	24	28
Private	19	14	19	23
Public	2	4	6	6
National Savings	16	9	9	11
Private	19	14	15	16
Public	-3	-5	-6	-5
Foreign Savings	5	9	16	17
Private	0	0	4	6
Public	5	9	12	11

2.21 Trade. Because of requirements brought about by public sector investment and the recovery of consumer demand, total imports are expected to grow 40 percent in real terms in 1994 and 12 percent in 1995. As new markets open up, non-olive exports are projected at 10 percent a year. Tourism is also expected to expand 20 percent a year. Taking into account the expected tax adjustment, the Occupied Territories' trade balance is projected to deteriorate sharply, with deficits of about US\$1 billion in 1994 and US\$1.2 billion in 1995 (Table 2.3). Given the expectation of stagnant wage receipts, this implies current account deficits (before official transfers and private transfers) of about US\$900 million in 1994 and US\$1 billion in 1995.

2.22 Private sector financing needs. In 1994, private consumption is projected to grow in real terms by 10 percent on a per capita basis (which would bring it up to the 1992 level) and by 3 percent in 1995. Private investment is also expected to recover to its 1992 level given the urgent needs for repair and extension of existing businesses. Assuming that mechanisms to disburse long-term finance will be available by 1995, investment growth will probably remain strong with longer-term (especially construction industry) projects predominating. The private sector's current account deficit is expected to amount to about US\$255 million in 1994 and US\$452 million in 1995. Private sector growth will be increasingly contingent on the Occupied Territories' ability to provide long-term finance. Demand for such finance is most likely to emerge in industry (especially small and medium size firms), services (mainly transport, tourism, and financial institutions), and construction (of housing projects). Setting up efficient institutions to channel donors credits, however, will take time, and it is estimated that large disbursements cannot be expected before mid-1994, restraining the growth of these sectors until 1995. Projections given above are based on the expectation that about US\$100 million worth of long-maturing loans and foreign direct investments will become available in 1994 and about US\$200 million in 1995 (partly from the donors' pledge) to supply financing and guarantees for the private sector. Remittances from the Gulf and other countries, the repatriation of Palestinian savings from abroad, and increased involvement by Palestinian investors from outside are expected to generate another US\$155 million in 1994, and US\$252 million in 1995 (Table 2.3).^{6/}

^{6/} These estimates include the rebuilding of reserves depleted during the repeated crises of 1990-93.

Table 2.3 Occupied Territories: Balance of Payments
(US\$ Million)

<i>Transactions</i>	1988	1989	1990	1991	1992 <i>Preliminary</i>	1993 <i>Estimate</i>	1994 <i>Projected</i>	1995 <i>Projected</i>
<i>Merchandise Trade Balance</i>	-467	-473	-612	-892	-932	-824	-1,038	-1,157
<i>Exports</i>	209	159	231	247	300	270	353	318
<i>Imports</i>	676	632	843	1139	1232	1094	1526	1675
<i>Tax Adjustment</i>							135	200
<i>Service balance</i>	413	412	483	434	549	218	246	231
<i>Nonfactor services</i>	-262	-251	-286	-274	-349	-346	-346	-390
<i>Receipts</i>	50	46	50	57	66	66	86	78
<i>Debits</i>	312	297	336	331	415	412	433	468
<i>Factor services (wages)</i>	675	663	769	708	898	564	592	622
<i>Private transfers n.i.e. g/</i>	-82	-63	-21	272	199	345	155	252
<i>Current account (before official transfers)</i>	-136	-124	-150	-186	-184	-261	-637	-674
<i>Official assistance to public sector b/</i>	136	124	150	186	184	261	537	474
<i>Official loans to private sector g/</i>	0	0	0	0	0	0	50	100
<i>Foreign direct investment</i>	0	0	0	0	0	0	50	100

g/ Remittances from the Gulf and changes in balances.
b/ Central Administration, municipalities, UNRWA and NGOs.
g/ From bilateral pledges intended to the private sector.

Source: Central Bureau of Statistics and World Bank staff estimates.

Public Sector Financing Requirements

2.23 Quarterly projections for the Palestinian central administration budget in 1994 and 1995 are given in Table 2.4. Projections assume that the Palestinian administration will take over authority in Gaza in April 1994 and have empowerment in five economic areas (direct taxation, education, health, welfare, tourism) in the West Bank, and that it will acquire the remaining authority in the West Bank in July 1994. Revenue projections for the Palestinian central administration in 1994 assume that there will be no discretionary tax changes whether tax increases or reductions during the year, or that such changes would be so small that they would not have a visible budgetary impact. However, it is assumed that there will be some loss of momentum in tax administration in the second and third quarters of 1994 (when the transfer of authority takes place), causing tax collections to fall below the normal level in the first year. In 1995 and 1996, however, as tax administration stabilizes and the pace of investment activity picks up, revenues are expected to rebound.

2.24 There are two elements of revenue projection that are subject to agreement between the Israelis and the Palestinians: the Deduction Fund and Revenue Clearance with Israel. At present, there is virtual agreement regarding the Deduction Fund, except for the Palestinian stipulation that financial resources accruing to this fund be returned to the workers and not used as revenues for the Treasury. For 1994, however, the Palestinian Treasury would "borrow" these financial resources to help finance the deficit but would return them to the workers in the future. There is also agreement on the principle of revenue clearance, although details have yet to be worked out. The estimated US\$135 million from this source for the last three quarters of 1994 appears attainable, although this figure is tentative.

2.25 Total revenue for the Palestinian central administration in 1994 is projected to be US\$317 million. Palestinian public expenditure are divided into existing current expenditure by the Civil Administration, new current expenditures by the Palestinian Central Administration (that is, to cover recurrent costs), and start-up and transitory expenditures, which will be incurred in 1994-95 only.

2.26 Existing current expenditures. With two major exceptions—the operation of the Head Offices of the Civil Administration and the Police—these are expected to be continued by the Palestinian administration. In both of these cases, however, staffing is presently completely Israeli and Palestinians will need to set up their own administrative headquarters and police force. In the case of the other departments of the Civil Administration, which are staffed mainly by Palestinians, operations will be maintained, with Israeli employees being replaced by Palestinians. Base expenditures are projected to rise by 7.2 percent in 1994, including the weighted average of a 10 percent salary increase for the civil service (to allow it to catch-up with salaries of UNRWA employees over the medium term) and a 3 percent "dollar inflation" rise in nonwage expenditure.

2.27 New current expenditures. The main new current expenditure will be the establishment of a Palestinian police force. Projections assume that the police force will be built up gradually from a level of 7,500 (at the beginning of 1994) to a level of 15,000 (by the end of the year). Under this assumption, current expenditure for the police force is estimated at about US\$95 million for 1994, with US\$68 million going to salaries and the remaining US\$27 million to materials and supplies. Final numbers for the force, however, have yet to be decided. If the force were limited to 10,000 by the end of 1994, current costs for the police would amount to US\$63 million.

2.28 Recurrent costs associated with adding 2,000 new employees to various departments of the Civil Administration are estimated at US\$11 million in 1994. One additional major recurrent expenditure is the compensation to families of those who died or were injured or disabled during the conflict, estimated at US\$8 million in 1994.

2.29 On the basis of these assumptions regarding revenue and current expenditure (both base and new), in its current operations, the central administration would have a surplus. There is thus no need for current budgetary support other than development expenditure, with the exception of those start-up and transitory expenditures associated with establishing a new administration. These expenditures would be incurred in 1994-95 only, after which start-up and transitory expenditures should cease.

2.30 Start-up and transitory expenditures. Start-up needs range from installation and moving expenses to investments for the establishment of the police and central administration to emergency relief programs to ease the problem of unemployment and help alleviate poverty during the transition period. Such expenditures are estimated to decline from US\$157 million in 1994 to US\$95 million in 1995, after which they should terminate. On the basis of these estimates, the financing gap for the Palestinian central administration is projected at US\$108 million in 1994. In 1995, the surplus on the current balance is projected to more than cover transitory expenditures, so that there will be no financing gap. These projections clearly indicate that the Palestinian Central Administration budget is viable (see Table 2.4).

Table 2.4 Public Sector Finances of the Palestinian Central Administration *
(in US\$ million)

	1994	Q1	Q2	Q3	Q4	1995
Total revenue	317	0	76	110	131	510
Revenue	147	0	27	52	68	310
Income Tax	43	0	11	15	17	75
VAT	24	0	3	8	13	60
Customs and excises	25	0	4	9	12	55
Health fees	19	0	3	8	8	35
Other fees and charges	36	0	6	12	18	85
Borrowing from deduction fund ^b	35	0	9	13	13	0
Revenue clearance with Israel ^c	135	0	40	45	50	200
Total current Expenditure	268	23	68	86	91	413
Current Expenditure: base program ^d	154	0	43	55	56	264
New current expenditures	114	23	25	31	35	149
Police force: salaries ^e	68	15	15	18	20	90
Material and supplies for police	27	6	6	7	8	36
Central administration ^f	11	0	2	4	5	15
Other ^g	8	2	2	2	2	8
Current Balance	49	-23	8	24	40	97
Start-up and Transitory Expenses	157	20	48	49	40	95
Support for families of detainees ^h	8	5	2	1	0	0
Liabilities arising from Jordanian disengagement ⁱ	20	5	5	5	5	0
Transfer to municipalities	12	0	2	3	7	0
Equipment for police ^j	45	5	11	14	15	60
Equipment for Civil Administration ^k	15	2	5	6	2	5
Relief Works Program ^l	25	0	10	10	5	20
Rehabilitation of detainees	20	2	8	5	5	10
Other ^m	12	1	5	5	1	0
Total Expenditure	425	43	116	135	131	508
Financing gap of public sector	-158	-53	-53	-38	-14	-40
Financing gap, central admin.	-108	43	40	-25	0	2
Other public sector deficits ⁿ	-50	-10	-13	-13	-14	-40

- g/ This assumes that the Palestinians will take over authority in Gaza and Jericho, and have empowerment in five economic areas of the West Bank in April 1994, and that they will get remaining authority over the West Bank in July. Incremental current deficits of NGOs are a line item in this presentation.
- h/ Funds borrowed will be used in 1994 as a budget financing item to be returned later to those Palestinians who work in Israel.
- i/ Figures are highly indicative.
- j/ Excludes expenses associated with police after authority is transferred to the Palestinians but includes expenses associated with the replacement of the Civil Administration headquarters with a new Palestinian Administration headquarters.
- k/ Based on projections that the Palestinian police force will grow to 15,000 by end-1994. Person-year in 1994 is assumed to represent 80 percent of the total target. If target is only 10,000 by year end, expenditures on police will decline from \$95 million to \$63 million. In addition, investment costs for the police are likely to be lower by about one-third.
- l/ For 2,000 new employees, of which 1,500 would be employed in 1994. Includes materials, supplies and staffing for PBCDAR.
- m/ Compensation for families of deceased (\$3 million) and for injured or disabled (\$5 million)
- n/ Until detainees are released.
- o/ Pensions and supplementary salaries for civil service employees in 1994, to be merged with public sector regular expenditures in 1995.
- p/ See note e above.
- q/ Investments in equipment to accommodate 2,000 new central administration employees, and for other furniture and equipment of a nonrecurrent nature.
- r/ Initially a continuation of the old public works program, to be transformed quickly into more local, community-based investments.
- s/ Comprise installation and moving expenses, early hiring, and preparations for elections.
- t/ Current deficits of NGOs in the sectors of health (\$19 million), education (\$25 million), youth and women's development (\$5 million) and agriculture (\$1 million) for the year 1994.

2.31 The current deficit of the NGOs (representing activities over and above the existing level of 1993), which is to be financed from the Emergency Assistance Program, is projected to decline from US\$50 million in 1994 to US\$40 million in 1995. The financing gap of the public sector (excluding development expenditure), therefore, is projected to decline from US\$158 million in 1994 to US\$40 million in 1995.

2.32 Public sector investment expenditures financed through the Emergency Assistance Program would be undertaken by the central administration, municipalities, UNRWA and—to a lesser extent—by NGOs. Development expenditure is projected at US\$167 million in 1994 and US\$206 million in 1995. On a disbursement basis, the overall public sector deficit is thus projected at US\$537 million in 1994 and US\$474 million in 1995 (Table 2.5).

Table 2.5 Consolidated Public Sector Finances, 1992 to 1995
(US\$ million)

		<i>Preliminary</i>	<i>Program</i>	<i>Projected</i>
	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>
Total Revenue	408	390	494	600
Central administration ^a	328	315	284	310
Municipalities and village councils ^b	80	75	75	90
Revenue-clearance with Israel			135	200
CURRENT AND START-UP EXPENDITURE	512	551	847	835
Central administration ^c	252	281	515 ^d	508
Municipalities and village councils ^b	80	75	87	90
UNRWA	110	120	120	120
NGOs	70	75	125	115
TECHNICAL ASSISTANCE EXPENDITURES	0	0	18	33
DEVELOPMENT EXPENDITURES^e	80	100	167	206
TOTAL EXPENDITURE	592	651	1032	1074
OVERALL DEFICIT	-184	-261	-537	-474

Sources: Staff estimates.

- a For 1994, includes both the civil administration and Palestinian Central Administration. It is estimated that the Civil Administration would run a current surplus of US\$22 million in the first two quarters, which could be used to finance the relief works program. Also includes revenues from deduction fund to be used in 1994 and returned later by the Palestinian central administration.
- b Includes utilities.
- c Includes expenditures on relief works program.
- d Excludes transfers to municipalities.
- e Disbursement basis. Includes expenditures by central administration, municipalities, UNRWA, and NGOs.

III. Sector Strategies and Programs

Transport

3.1 Roads. The transport system of the Occupied Territories mainly consists of roads. In the West Bank the road network is about 2,000 km with 700 km of main roads, 500 km of regional roads, and 800 km of local roads. The main road network consists of two major north-south corridors serving large urban centers plus links to several urban centers in the east-west direction. The regional network is also oriented north-south and east-west. Local roads link smaller communities and villages and provide access to the main and regional road networks in the West Bank. In addition, an 880-km agricultural road network, serving West Bank farming communities, requires selective rehabilitation and improvement. In Gaza, the main artery is the north-south Road Number 4 connecting the four larger cities. It is severely deteriorated but still passable for traffic. There is also a coastal road that could serve through-traffic but is in need of upgrading and repairs.

3.2 Although the coverage of the road network is adequate, the physical condition of the roads serving Palestinian communities has deteriorated to the point where part of the road infrastructure will be lost unless immediate action is taken to rehabilitate them. In many sections of the network, pavements are on the brink of disintegration. To support the economic development efforts of the Palestinians, substantial funds are needed for the rehabilitation and maintenance of the road network.

3.3 Transport services: passenger and freight. Road transport is the only mode available for passenger movements in the Occupied Territories. The transport industry is completely in private hands and consists of bus companies and shared taxis. Unlicensed private cars, mini-vans, and pick-up trucks provide services in remote areas and in densely populated centers where licensed vehicles cannot meet demand. Lack of a formal financial sector in the Occupied Territories, and the resulting unavailability of finance for bus companies, constrains fleet renewal and proper maintenance. Competition from private cars providing unlicensed passenger services further reduces the revenues of the bus companies and contributes to the worsening of their financial position.

3.4 All road freight movements are carried out by privately owned trucking companies. About 20,000 trucks of various sizes are in operation. Trucking enterprises face problems similar to those facing bus companies and are operating under severe financial constraints. Most of the trucking fleet is old and obsolete and costly to operate. The industry is not well organized and lacks modern terminal facilities. Delays caused by security concerns of the Israeli authorities add to the financial burdens of the trucking enterprises.

3.5 Because road transport is the backbone of the transport system, measures will be needed to help bus companies and trucking enterprises renew their fleets, especially as the economic stimulus of the Emergency Assistance Program increases demand for their services. Development of an efficient financial sector should enable these enterprises to use credit facilities, just as other private businesses do. While the industry should remain in the hands of the private sector, government regulations could improve safety and reliability of service and protect passengers and freight owners from monopolistic practices.

3.6 Ports. Before 1948, Gaza's small port was able to handle small vessels and fishing boats. The opening of a rail link between Haifa and Jerusalem sharply reduced port traffic at Gaza, and events in 1948 sealed its demise. The decline of the local fishing industry since 1967 has also reduced the need for a port facility in Gaza. However, in recent years, fishing operations have shown an upward trend.

3.7 There is strong interest among Palestinian authorities in reviving the port of Gaza. Advocates of the port believe that it could be economically and financially viable if it could attract traffic from Jordan and other Arab countries to the east. They argue that Gaza and Aqaba could operate as sister ports. Proponents of a Gaza port argue that construction could be phased, starting with a fishing and small commercial port and gradually expanding, as demand develops, to a regional commercial port. Port construction would also increase employment. A feasibility study will be carried out to determine the Gaza port's technical, economic, and financial viability and to assess its environmental impact. Because of the many uncertainties, this project should be seen in the long-term context rather than as of immediate priority.

3.8 Civil aviation. There is a commercial airport operating in Qalandia. The facility consists of one runway of medium length and a single terminal building and is presently used by the Israeli authorities for local services. There is an interest among Palestinians in developing the Qalandia Airport to enable it to serve international traffic. The future status of Qalandia will depend on the outcome of bilateral negotiations.

3.9 Plans also exist to construct regional airstrips in major urban centers in the Gaza Strip and the West Bank. Before considering such investments, a feasibility study, including an environmental assessment, would be needed to determine the economic and financial viability of the various proposals and how they fit within the bilateral political agreements. Launching of a feasibility study on Qalandia airport would require Israeli concurrence (Box 3.1).

3.10 Railways. At present there are no railways in the Occupied Territories. Given the short distances involved in transport movements, the structure of the economy and the freight traffic, and the existing and planned regional road network, it is unlikely that railways will have a significant role in the Occupied Territories transport system.

Issues and Strategy

3.11 Deterioration of the existing network. Because of lack of routine maintenance and regular resurfacing, highway facilities serving mainly Palestinian localities, both inside and outside municipal boundaries, have deteriorated to the extent that major reconstruction is needed. Sections of the main road system in the vicinity of Israeli settlements, which appear to be in reasonable condition, have mostly been rehabilitated by asphalt overlay on top of severely cracked existing roads, without addressing the problem of possible crack reflections and therefore increasing the rate of deterioration of the asphalt overlays. There also appear to be signs of a top-down cracking of relatively new asphalt pavements (similar to what has happened elsewhere in the region possibly caused by stiff asphalt mix, climatic factors, and traffic over-loads). The most urgent requirement is the appropriate rehabilitation of key roads within and outside municipalities and routine maintenance for the entire system.

Box 3.1 The Issue of Jerusalem

The city of Jerusalem has occupied a central place in the history of three great religions—Judaism, Christianity, and Islam. It has also played a major role in shaping the economic, social, and political lives of the Middle East Region for over three thousand years. An important aspect of the current conflict in the region centers on control of Jerusalem.

The 1948 war led to partition of Jerusalem into the Eastern and Western parts. At the end of the 1967 War, East Jerusalem was occupied by Israeli forces. Following the occupation, the Jerusalem city limits were expanded by Israel to include some surrounding areas from the West Bank. The expanded city was annexed by Israel on July 30, 1980. Although Arab residents of Jerusalem have been given the option of obtaining Israeli citizenship, few have chosen to do so. Israel views Jerusalem as its historic capital and maintains that Jerusalem must never again be a divided city.

Actions taken by Israel were considered invalid by the United Nations, which called upon Israel to refrain from taking any action that would alter the status of Jerusalem. Although the international community has not recognized the Israeli annexation of East Jerusalem, Israel continues to exercise authority over the area and considers it an integral part of Israel. The Palestinians insist that East Jerusalem is part of the West Bank as per the pre-1967 borders and that Israel should withdraw from all areas occupied during the 1967 war in accordance with the United Nations resolutions. According to the Declaration of Principles agreed between Israelis and the Palestinians, the issue of Jerusalem is to be decided as part of the final status negotiations.

There are important economic links between the West Bank, Gaza Strip, and Jerusalem. Decisions concerning Jerusalem would, therefore, have important implications for the Occupied Territories' future economic prospects and priorities. The following are among the most important of these links:

- The tourist potential of the West Bank is critically dependent on access to the ancient religious sites in Jerusalem.
- Major north-south transportation links in the West Bank pass through Jerusalem.
- The only tertiary care hospital, and some of the best secondary care hospitals, available to the West Bank population are located in East Jerusalem.
- East Jerusalem houses many Palestinian financial services and marketing facilities and much Palestinian social and cultural infrastructure.
- Qalandia airport, a potential outlet for linking the West Bank with regional airports, is within annexed Jerusalem.
- Parts of East Jerusalem are an integral part of the power network that covers the area from Ramallah to Bethlehem.

Since the question of Jerusalem is essentially a political matter, this report takes no position on this issue. While analyzing Jerusalem's economic ties to the Occupied Territories, this report has endeavored to avoid making any recommendations that might imply prejudging the status of Jerusalem.

3.12 Congestion. Congestion on certain sections of the highway system results in accidents and delays. According to the statistical information provided by the Israeli authorities, both in the Gaza Strip and in the West Bank vehicle ownership has been increasing at an average rate of about 10 percent annually. Traffic counts carried out by the Department of Public Works in 1987 indicated that certain parts of the system were already then being used to capacity.^{7/} Yet with the expected increase in economic activity in the coming years, demand for transport services will experience even more rapid growth. The most congested roads are those in the Gaza Strip and the main road from Ramallah and Al Birah to south of Bethlehem, the backbone of the West Bank road network. New urban expressways take time to put in place. In the meantime, traffic management schemes are needed to improve traffic flow and safety in the main urban centers.

3.13 Accessibility. Since 1967, there has been only a minor increase in the Occupied Territories' paved road network. In terms of ratio of road length to population (a standard comparative indicator for road access), the Occupied Territories have less road access than any other area in the region, with the exception of Egypt. Additions to the paved network in the West Bank and Gaza Strip were almost entirely funded from the Israeli budget rather than from Civil Administration resources and were primarily designed to increase Israeli security and to link Israeli settlements in the Occupied Territories with major centers in Israel. The Israeli authorities have prepared a statutory plan for the improvement of the road network on the West Bank, but so far the plan has not been accepted by the Palestinian Technical Committees, since it includes roads that mostly service Israeli settlements. Improving existing roads and constructing new ones to communities not at present served by all-weather roads would provide better access to Palestinian villages. At the same time there is a need for a well-timed expansion of the road system to replace the existing north-south backbones in the West Bank and Gaza Strip. Plans prepared by the Civil Administration for Road Number 10, the main North-South trunk road in the Gaza Strip, will need land acquisition and probably some resettlement, thus delaying implementation beyond the short term. The proposed transport and land-use master plan for Gaza will review the justification and alignment for this road.

3.14 Lack of transport sector institutions. A Palestinian transport administration is needed to make sound policy and investment decisions in the transport sector. It would address:

- the urgent need for road rehabilitation and reliable arrangements for routine maintenance;
- multi-year planning and programming of road works (now nonexistent);
- the fact that none of the road projects proposed for financing by the Civil Administration and Palestinian counterparts has detailed design and tender documents ready at present; and
- the lack of institutional capacity to carry out such works.

^{7/} For example, the average daily traffic on the road between Jerusalem and Bethlehem reached 12,300 vehicles in 1987, and the volume is much higher today. On the Gaza Strip, the 1987 average daily traffic on the link between Gaza and Beit Hanoun was 13,500, too high for a road with mixed traffic and only two lanes.

3.15 It is proposed, therefore, that a road administration should be established soon. Initially, a Road Program Implementing Unit needs to be established for the Gaza Strip capable of setting up and managing arrangements for road maintenance by contract. The unit would also have responsibility for planning, designing, contracting, and supervision of road rehabilitation and improvement works. Depending on the outcome of bilateral negotiations, the unit's responsibilities might be expanded later to include maintenance and rehabilitation of interurban roads in the West Bank.

3.16 Capacity and Capability of Contractors and Engineers. Past road-works quality has been affected by lack of appropriate supervision by well-qualified engineers. This is most apparent in the urban centers, where understaffed municipalities rely on small-scale contractors with little experience and hardly any owned equipment. The result is often inadequate compaction; deformation, cracking, bleeding, and rutting of new asphalt layers; and lack of (or inadequate) road drainage. Capacity and capability constraints of local contractors are also an issue. Only four local, general-purpose road contractors operate in the Occupied Territories. The maximum practical capacity of their four asphalt plants is about US\$40 million of asphalt works a year. As much as 30 to 40 percent of their capacity may be taken up by existing commitments within Israel, the West Bank, and Gaza Strip. The investment program for municipal and inter-urban roads is, therefore, limited initially by this and other equipment constraints, since importation of additional equipment takes time. The involvement of regional or international contractors might relieve these constraints. International contracting procedures (ICB) could therefore be introduced to increase construction capacity. However, international contractors might only be interested in large contracts, and the scattered nature of the rehabilitation works on existing roads, with traffic flowing through the works during construction, may inhibit large-scale operations.

3.17 The medium-term transportation sector objective of enhancing the quality and capacity of the road transportation system requires the following sector strategy:

- To prepare the most urgently needed road rehabilitation projects (engineering designs, environmental reviews, preparation of bid documents) for early implementation of those that are economically justified.
- To plan, design, and undertake a road stabilization program to take care of the backlog of deferred road maintenance and rehabilitation over a five-year period, using mainly the capacity of local road contractors.
- To establish a Road Program Implementation Unit, whose main task would be to establish arrangements for regular road maintenance and to program, design, and manage road sector projects. When this unit has evolved into an official road agency, it will organize uninterrupted, increased funding for road maintenance and rehabilitation for the rest of the five-year program.
- To provide villages improved access to the main road system and expand the current rural roads network where justified.
- To design and implement traffic management schemes for key cities so that traffic congestion is relieved in city centers.
- To undertake studies regarding the viability of future investments in the transport system.

3.18 An extensive Technical Assistance Program for managing the transport sector has been designed to set up a Road Program Implementing Unit (staffed initially by foreign and local consultants in partnership) that could evolve into a road administration; determine the structure of institutional entities for planning, managing, and regulating transport subsectors; prepare transport-system development strategies; study the feasibility of major medium-term transport projects; and launch training programs to enhance Palestinian capacity among both contractors and consultants in road maintenance and rehabilitation.

3.19 Considering the small and scattered nature of the civil works, the strategy is to use and develop the capacity of the local contracting industry. If the capacity of the local contractors is insufficient, contracts could be advertised for international competitive bidding. This would require some flexibility during program implementation, however, to repackage works in sizes large enough to interest foreign bidders.

Program Description

3.20 The focus of the interurban roads program is on the strengthening and rehabilitation of the main road system, selective maintenance of the road network in both the West Bank and Gaza Strip, establishing a capability to contract out routine and periodic road maintenance, and providing all-weather access roads to villages. The main physical component of the roads program would be a three-year time-slice of a five-year, intensified Highway Rehabilitation and Maintenance Program—managed by a new road administration for non-municipal roads.

3.21 Given local constraints, it is proposed to engage an international consulting firm who will cooperate with local consultants to carry out specific tasks related to the planning and design of road works, to facilitate program implementation, and to carry out other functions of the road administration initially. It is proposed that this group of consultants be accountable to PECJAR.

3.22 Rehabilitation of roads does not normally require elaborate designs, but it is often important to analyze existing pavements to identify cause of failure, possible residual strengths, and changes in pavement performance. Traffic management during construction will also be an important issue.

3.23 The international and local consultants would concentrate on these issues (in particular, on the contracting out of road maintenance and rehabilitation works) and on managing consulting work, including the identification, prioritization and preparation of contract documents for road sections in need of maintenance and rehabilitation. The unit would also carry out, or administer, training programs in the contracting industry and for registered road engineers. When the road administration is being staffed, training would also be directed at the newly appointed Palestinian technical staff.

3.24 The first year of the program should provide access to more than thirty villages (60 km of access roads) and rehabilitate up to a 100 km of main roads, while also providing regular road maintenance (for the first time in many years) for large sections of the road network. The second year of the program would expand and improve the quality of road maintenance, provide access roads to another thirty villages, and rehabilitate or reconstruct another 200 km of the 700 km main road network. The last three years of the five-year strategy period would continue this approach, gradually diverting attention from the main roads to the secondary road system.

3.25 The Emergency Assistance Program also includes purchase of road furniture materials (such as a limited length of metal guard rails and reflective posts) to be put in place by small-scale road maintenance contractors on the many dangerous mountain roads. Procurement would be carried out through international competitive bidding. There is further provision in the first year for vehicles, office equipment, training materials, and rental of office space.

Technical Assistance

3.26 Road Program Implementation Unit (RPIU). Responsibilities for road transport and nonmunicipal roads would transfer to a Palestinian institution once authority has been transferred in Gaza. It is not clear how quickly this will take place and, in any case, there are only one or two Palestinian engineers presently working in the Civil Administration on roads. Therefore, it is recommended that initially a Road Program Implementation Unit (RPIU), consisting of international and local consultants and staff, be established.

3.27 The RPIU would carry out the work needed to establish a multiyear program for interurban road expenditures in the Occupied Territories based on road conditions, traffic data, and sources of funds (capital, recurrent, grants, loans) expected to be available over the next five years. This road maintenance and rehabilitation study would propose organizational arrangements for the new road administration and review options for future financing of the sector. It should, therefore, be completed as soon as possible. Once Palestinian engineers and other staff have been appointed or transferred from the Civil Administration to form a new road administration for the Gaza Strip, it is expected that the RPIU would be merged with this administration and assist and train its staff over a period of time. Then services of the consultants would be gradually phased out. For the first two years, however, it is expected that local and international consultants would remain in place to help assure quality of works, maintain momentum, provide on-the-job and formal training, and carry out required studies.

3.28 Short-term project preparation. The establishment of the RPIU could take three to six months, depending on how quickly the Palestinian interim authorities would be able to carry out the steps needed to select and appoint the international consulting firm and its local partners. In the meantime, it is proposed that specialists on pavement rehabilitation be engaged to identify road works that could start immediately and prepare contract documents for local tendering. This consultancy should commence immediately and be financed by the Bank-administered Trust Fund. It would involve three to four consultants over a four-month period. The RPIU, once established, would have to take over this work and continue the design and supervision of rehabilitation works.

3.29 The RPIU would also manage those consultancy services awarded to local consultants to design and prepare tender documents for the Village Access Road Program. The roads would be grouped together into several contract packages to be tendered among contractors with experience in road works, and possibly to NGOs, some of which have experience in this field. The Unit would manage the hiring of consultants, supervise surveys and project design, and provide guidance to consulting firms supervising the work. The Village Access Road Program would be implemented over five years, but implementation would be front-loaded during the first two years. The proposed operation would provide support for the first three-year slice of the program.

3.30 Training. There is no institutional capacity to undertake routine maintenance, either by force account or through contractors. Yet to prevent further road deterioration, it is imperative that routine maintenance works be started without delay. Therefore it is proposed that regular road maintenance be carried out by private sector contractors and supervised by consultants. A specific training program for small-scale road contractors has been included in the program to improve the quality of works and productivity. The training would be prepared and carried out by the RPIU in cooperation with local training institutions such as the Colleges of Engineering at local universities. The training would be open for local consultants and engineers and would be preceded by a training-needs assessment of small-scale contractors.

Implementation Program

3.31 It is proposed that, provided most of the sector program would be financed by a single donor, program-related technical assistance be combined in one technical assistance package and tendered as soon as possible. This consultancy would provide the initial staffing for the RPIU and the carrying out of necessary studies. The technical assistance would also include procurement of office equipment, vehicles, and training facilities. Foreign technical assistance would involve repeated visits to the RPIU by a multimember team of consultants. Avoiding the use of long-term, expatriate consultants should help to improve the quality of services from foreign experts and strengthen counterpart participation. It would also be easier to phase out and could reduce costs. The Palestinian partner consultant(s) and other staff of the Unit would provide continuity and do most of the practical and administrative work. The consulting firm would provide guidance and training and would have overall responsibility for implementing the program.

3.32 Stand-alone technical assistance program. In addition to program-related technical assistance, a number of stand-alone studies would be implemented through technical assistance. Feasibility studies to assess the viability of medium to long-term projects are being given high priority by the Palestinian Counterpart Team. These include the preparation of transport sector development plans, a feasibility study of more road links between the West Bank and the Gaza Strip (following agreement in principle during bilateral negotiations), review of the viability of a fishing and small-cargo port for Gaza, and the preparation of a civil aviation development plan for the Occupied Territories (again, following agreement during bilateral negotiations). Selection of the implementing agency for some of these studies has not been completed, and some studies have, therefore, not yet been given priority. The total, stand-alone Technical Assistance Program would cost about US\$2.4 million, including the cost of the up-front consultancies for the preparation of detailed design and tender documents.

3.33 Preparation. As of March 1994, none of the road projects proposed by the Palestinian Counterpart Team had design or tender documents ready. Planning or programming of road works has not been carried out, and no attempt has been made to determine benefits or prioritize projects. The preparatory work for each project may take anywhere from one to three months, depending on the length of the project road. Preparation of design and tender documents for road rehabilitation should therefore start immediately and short-term consultants be engaged to do it.

3.34 Procurement. Procurement of all road contracts under US\$5 million would be through local competitive bidding (LCB), guard rail and other road furniture under international competitive bidding (ICB).

3.35 Benefits. This program would benefit road users directly through reduced vehicle operating costs, reduced future maintenance costs, and also from the avoidance of more costly reconstruction of disintegrated pavements in the future. Lower road-user costs would also increase the efficiency of economic activity and thus support economic growth. The program is also designed to improve accessibility to various rural areas, which are now not served by adequate transport facilities. This will improve the social as well as economic well-being of these communities. Benefits from specific components of the program can be quantified by the RPIU as it prioritizes projects.

3.36 Risks. There are a number of risks associated with transport sector projects that may affect project timing and costs:

- Lack of progress in the bilateral negotiations could delay the implementation of the program.
- Until the responsibility for the road transport sector has been transferred to the Palestinian authorities, it may be necessary to ask the Civil Administration for construction permits for each rehabilitation or maintenance project on the West Bank. In this interim period, the Civil Administration would get many more new project proposals and may not be adequately staffed to review them and issue permits.
- Staffing of the proposed RPIU with Palestinians may take more time than expected. It is projected that the Unit, staffed fully or partly with consultants, would be in place for at least two years. (If necessary, the Unit could continue to function beyond two years or the number of consultants be increased to facilitate program execution.)
- Cost estimates are based on prevailing rates for road construction work. Due to overcapacity, few road contracts tendered, and fierce competition, Occupied Territories' rates are presently very low as compared to, for example, in Israel and Jordan. This may change as a result of the implementation of the proposed roads program. It is difficult to predict, however, when and how much this may affect program cost. Cost estimates include an additional physical contingency factor of 10 percent, but no price contingency is included at this stage.

Next Steps

3.37 The first critical step is to appoint the three- to four-member consultancy team to jump-start the production of detailed design and tender documents and to carry out various other bridging activities before the RPIU is in place. Terms of reference for this consultancy service have been prepared, and it is estimated that it will cost about US\$300,000. Consultants should be in the field in early 1994.

3.38 Other critical steps are all related to the establishment of the RPIU itself. Terms of reference are now available and the Letter of Invitation to consulting firms has been drafted. The next step is the short listing of consulting firms. However, with PEC DAR in the process of being established, finalizing the short list of consultants may take some time. It is essential that PEC DAR give top priority to designating the local institution that will be given formal responsibility for implementing this activity.

Table 3.1 Transport Program Costs Estimate
(US\$ million)

<i>Expenditure</i>	<i>Year</i>			<i>Area</i>		<i>Total</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>Gaza</i>	<i>WB</i>	
Civil Works						
Road rehabilitation & reconstruction	10.00	15.00	20.00	20.00	25.00	45.00
Road maintenance (by contract)	2.50	4.00	3.00	4.00	5.50	9.50
Village Access Road Program	4.00	7.00	2.50	1.00	12.50	13.50
<i>Total</i>	16.50	26.00	25.50	25.00	43.00	68.00
Equipment and Materials						
Road furniture	1.40	2.30	0.00	0.90	2.80	3.70
Office space, vehicles, equipment	1.20	0.00	0.00	0.60	0.60	1.20
<i>Total</i>	2.60	2.30	0.00	1.50	3.40	4.90

Water Supply and Wastewater

3.39 Limited water resources are a major development constraint in the region, where there are long-standing international disputes over water rights. Equitable access to shared water resources is the subject of on-going bilateral and multilateral negotiations—the appropriate place to resolve what are essentially conflicting claims to property rights.

3.40 With respect to household water supply within the Occupied Territories, coverage is quite high. Almost all urban and about 70 percent of village populations are served with piped drinking water, mainly from wells but in some cases supplemented by supplies from Mekorot, the Israeli Water Company. Service is, however, generally deficient, with average per capita consumption about 50 liters a day and substantial unmet demand. Few West Bank municipalities or villages have adequate access to water supplies, while overdrawal of the Gaza aquifer threatens that groundwater resource and has contributed to severe water quality problems. Networks are generally old; unaccounted-for-water frequently exceeds 50 percent; meters are commonly inaccurate, broken, or bypassed; supplies are inadequately chlorinated; and water departments are generally weak and under-funded. Intermittent supplies and low pipe pressure, furthermore, cause reverse flow into the network and contamination. Many villages are without piped water completely and depend on cisterns or natural springs.

3.41 Only a few municipalities have waste-water collection systems, but even in these, less than 70 percent of houses are connected. Most sewage is discharged untreated into *wadis*, resulting in environmental contamination. The few treatment works that have been constructed have generally failed to operate as designed, and treated wastewater reuse schemes go unused. Septic tanks and cesspools are infrequently desludged, and septage disposal is haphazard.

Issues and Strategy

3.42 Water management. Mismanagement of scarce water resources is particularly acute in Gaza. Present withdrawals of about 90 to 100 million cubic meters (MCM) per year compare badly with a safe, sustainable yield of perhaps 50 to 60 MCM per year. Civil Administration regulatory controls on pumping and new wells, moreover, though in theory severe, have recently been relaxed, and hundreds of new agricultural wells have reportedly been drilled and equipment installed. Unless this is reversed and controls on use are strengthened and enforced, continued over-pumping could irreparably damage the groundwater resource. The progressive collapse of irrigated agriculture would follow, and options for supplying domestic water to rapidly growing populations would become constrained and expensive. (A pilot brackish-water desalination plant has recently started operations in Deir el-Balah. Its performance has still to be evaluated, and large-scale desalination is precluded for the time being because of high investment and operating costs, poor distribution networks, and a weak financial base.) Reduction in water losses, reuse of wastewater, rehabilitation of wells, public-awareness campaigns, and other conservation measures are more viable in the short term. Continued availability of even limited supplies from Mekorot could significantly reduce the impact of rising groundwater salinity on the quality of reticulated water.

3.43 On the West Bank, the immediate situation is less critical, though difficult issues are associated with access to shared international water resources, development of new water sources, and pollution control. An equitable and effective policy, plus a planning and regulatory framework for water resource management, is urgently required for both Gaza and the West Bank and should follow agreement in principle in the bilateral negotiations on water immediately.

3.44 Such a policy must be accompanied by Palestinian institutional capacity for its implementation and the presentation of Palestinian interests in international forums. A Palestine Water Authority is envisaged in the Declaration of Principles, and the experience of water authorities in comparable settings could help guide the formulation of its role and responsibilities.

3.45 Urgent attention also needs to be given to monitoring programs for water quality and quantity, to provide a reliable and independent data base for regulatory action, and to bring home to the general public emerging constraints and dangers in the water sector. Such measures need to be closely coordinated with the activities of the emerging environmental agencies. As of now, data on water resources throughout the Occupied Territories is uncertain. Agreement in the Middle East peace talks' Multilateral Working Group on Water is likely to result in the establishment of a Palestinian Water Data Bank, designed and financed jointly by the EC and the US.

3.46 Service agencies. Institutional constraints have adversely affected delivery of water and sewerage services, largely provided by relatively small, independent municipal departments rather than by commercially-orientated utilities. Separate programs have been implemented by UNRWA, UNDP, NGOs and others working in refugee camps and villages. Where feasible, networks are connected to neighboring municipal systems, but individual solutions have had to be found where camps and villages are isolated. Fragmentation of institutional responsibility has weakened incentives for efficiency and financial performance, contributing to ineffective operations and management and *ad hoc* investment planning and execution. It has also led to neglect of smaller communities. Shortages of professional and technical skills have also detracted from sector performance.

3.47 An exception is the Jerusalem Water Undertaking (JWU), Ramallah District, an autonomous regional agency that provides the most effective water service in the Occupied Territories. A proposal to extend the JWU's role to cover waste-water would be consistent with the lessons of international experience. Rationalization of waste-water treatment could earn significant economies of scale and provide the basis for effective reuse and environmental protection programs. Moreover, an enhanced JWU could provide a model for other regional agencies.

3.48 A group of Palestinian water experts have recommended that five such agencies be created. Priority should be given to Gaza, where fragmented management among municipalities, camps, and villages has been particularly detrimental to both the resource and to users. Such regional agencies could operate subject to regulation by a central regulatory agency but be financially autonomously owned by the municipalities served, and held accountable to the local community. They would need to be supported by capacity-building measures, however, to strengthen administrative, technical, and financial capabilities.

3.49 System upgrading. Most water supply networks are in urgent need of upgrading. Well performance is often poor because of age and lack of maintenance. Sewerage networks are of more recent origin, but their coverage is limited and appropriate treatment and reuse technologies have yet to be developed. Most municipalities have prepared investment proposals both for exploitation of new water sources and for rehabilitation and expansion of their water supply and sewerage networks. These proposals are of variable quality and in various stages of readiness.

3.50 Investments in new water sources are subject to strict controls by the Civil Administration. Moreover, municipalities have very limited financial resources. Water charges vary widely, delinquency rates are high and revenues at best cover expenditures on operations and maintenance, which are themselves inadequate. As a result, municipalities have been dependent on *ad hoc* donor support for their investment requirements. Such support favors the larger towns and contributes to fragmented development programs. The poor state of networks, high unaccounted-for water losses, and weak operations and management practices also limit the potential for systematic water conservation measures. Rotation can be an effective method of rationing, but intermittent supply is destructive of agency morale and customer cooperation and can lead to contamination as a result of the intrusion of polluted water.

3.51 Given the crisis facing Gaza, any strategy must give immediate priority to strengthening regulatory controls over the aquifer (through the Civil Administration or its successor) effective conservation practices and measures to reduce losses and manage demand, and contingency planning to guarantee basic potable supplies. For the longer term, coherent water resource management policies for the Occupied Territories as a whole will be needed, taking into account the outcome of bilateral and international negotiations and discussions on water issues.

3.52 With respect to the delivery of water and sewerage services, the objective during the emergency period would be to lay the basis for long-term institutional reform while implementing an investment program focused on meeting priority rehabilitation and network requirements. In parallel, attention would be given to expanding piped water coverage in village areas, and to a technical and financial review of the reasons for the poor operation of existing waste-water treatment plants and the lack of success of reuse schemes.

3.53 Major investments in treatment should be deferred pending the outcome of such studies, which, in view of the urgency of developing feasible uses for waste water, would be given high priority. Investments in new wells would be conditional on agreements on the exploitation of water sources. Major new water supplies (such as desalination) would be postponed until their technical and economic justification has been clearly established.

3.54 In support of this strategy, technical assistance would be provided to help define a coherent water resources policy and a planning and regulatory framework. Technical assistance could also help initiate institutional reform at the center, establish a unified water and sewerage utility for Ramallah District, develop proposals for creating comparable agencies elsewhere on the West Bank and in Gaza, and review waste-water treatment and reuse technologies and develop proposals consistent with local constraints and conditions, and support implementation of the Emergency Assistance Program. For the first two years, the program would be implemented by existing municipalities, utilities, international agencies, and NGOs. During the three-year Assistance Program, it is envisaged that regional utilities would be created, institutional reform initiated, and network upgrading and extension consolidated. Investment programs would also be started to help resolve water resource issues in an international context and to implement a major program of waste-water treatment and reuse.

Program Description

3.55 The three-year water resource management program is estimated to cost \$111.1 million, with Gaza accounting for US\$44.3 million and the West Bank for US\$66.8 million. It would include equipment procurement; upgrading and extension of municipal water supply networks; rehabilitation, extension, and construction of municipal storm-water and sewerage networks; improvement of village water supplies and related programs; and the drilling and equipping of new wells. Specific proposals would be developed under the proposed Technical Assistance Program, with construction and extension of sewerage treatment and reuse schemes to be implemented at a later stage. No allowance has been made for desalination (although this could be considered for Gaza in the longer-term, depending on the outcome of the proposed water management studies, rehabilitation of distribution networks, and performance of the Deir el-Balah plant).

3.56 Until the regional utilities are established, water supply and sewerage proposals will be implemented by up to twenty-five municipalities and two autonomous utilities in the West Bank, and five municipalities in Gaza. Village works come under the Water Department of the Civil Administration, often in association with UN agencies or NGOs. Training programs would be developed for municipal, utility, and Water Department staff to strengthen their ability to undertake the expanded program and manage water and sewerage services efficiently.

3.57 A variety of investment proposals have been developed, sometimes in association with potential donors or sponsors. Alone or in combination, these would cover equipment, rehabilitation, upgrading, extension, and new facilities. Categories used in the Program are therefore for convenience only; in particular cases, it may be preferable to include more than one category in a single subproject, as in combining water-network upgrading and extension works with new wells or equipment for operations and maintenance. Combining water and sewerage-network construction can also have merit, because it minimizes excavation needs and disruption. To guard against duplication and ensure adoption of appropriate solutions, project design and tender consultants would review detailed proposals, and the

municipal engineer in each location would ensure coordination with other investment activities (such as roads).

3.58 Cost estimates are in many cases only approximate. Even where designs are said to be available, further detailed surveys and designs may be necessary before estimates can be finalized and bills of quantities prepared. Minor survey work can be undertaken by municipal and utility staff, or by the Civil Administration's Water Department, such as for village networks. For all major works, local consultants would be employed, with final designs and estimates to be reviewed by preparation and program consultants. Designs would also be coordinated with the Palestinian Environmental Protection Authority (PEPA). Construction would be by local contractors procured under standard local procurement procedures. Reportedly, there is adequate consultant and contractor capacity for the size of the program proposed, but this capacity must be assessed in the context of the total Emergency Program.

3.59 Equipment. The equipment package includes the immediate operations and maintenance equipment needs of the municipalities, utilities, and water department (including vehicles, standby pumps and generating sets, spare parts and materials, and maintenance and testing equipment). It excludes pipes, valves, man-hole covers, and similar items procured for specific projects. (It is envisaged that the preparation and program consultants would recommend bulk procurement of such items, where this could result in significant savings.) Specifications for the proposed equipment items are readily available, and they could be procured through international competitive bidding.

3.60 Rehabilitation and extension of municipal water supply network. Major projects for Hebron (with Italy identified as a potential donor), JWU-Ramallah (funded in part by USAID), and Rafah (funded in part by USAID) are ready for execution, with implementation phased over a two-year period. In each case, UNDP has secured funding for a part of a larger program, which is being implemented jointly with the respective municipality or utility. The JWU-Ramallah project could be sub-divided into three smaller packages and extended to include construction of four reservoirs. Several other unfunded water projects are also ready for execution over a shorter than five-year implementation period, including those for Gaza (US\$1.8 million), Qalqilia (US\$0.70 million), Betunia (US\$0.42 million) and Jenin (US\$0.50 million).

3.61 A number of other municipalities have submitted proposals that are less well advanced, including Jericho, Tulkarem, and Khan Younis. Designs could be prepared within three to six months, and—given the poor state of these networks—should be given high priority.

3.62 Rehabilitation, extension, and construction of sewerage systems. Major projects for Nablus (US\$5.47 million in three packages, of which UNDP is seeking funding for US\$1.40 million for the Old City), Salfit (US\$3.50 million), Dir Dibwan (US\$3.50 million, a new system) and Qalqilia (US\$1.85 million) are ready for implementation. In each case, designs and tender documents are said to be available, and the subprojects await funding. Extension of an on-going UNDP project in North Gaza could also be implemented quickly, at an estimated cost of US\$3.30 million (in addition to the US\$1.6 million already secured for Beit Hanoun). This would finance extension to the Jabalia system and also technical assistance for upgrading and managing the existing treatment works. Smaller projects are also said to be ready in Al Bireh (US\$0.75 million, tender documents available), Tulkarem (US\$0.70 million) and Anapta (US\$0.45 million for a main sewer).

3.63 Several other municipalities have proposals less advanced for extension of sewerage networks. They include Khan Younis (US\$2.0 million), Tulkarem (US\$3.95 million), Hebron (US\$6.2 million in four packages), and Jericho (US\$3.0 million). Each of these requires preparation of detailed designs and

estimates. Proposals have also been made for Ramallah (US\$6.50 million in three packages), Al Bireh (US\$2.50 million) and Bir Zeit (US\$2.4 million), but implementation of these projects should reflect the outcome of the proposed master plan for Ramallah district. Several proposals for rehabilitation or construction of new wastewater treatment facilities should be reviewed in the light of the proposed First Phase Waste Water Strategy Study. Treatment requirements will be defined by the high priority need for wastewater reuse schemes, of which there are currently no successful examples in the Occupied Territories. (Most of the few existing waste water treatment plants have proven to be locally unsustainable). Before making major investments, therefore, priority will be given to reviewing appropriateness of design, environmental aspects, and reuse options.

3.64 Village water supplies. Two village water-supply programs are proposed to extend piped distribution to villages that currently depend on springs or cisterns, at a combined cost of US\$8.85 million, excluding contributions from the beneficiaries. The first is a continuation of the UNDP-supported program operative since 1986. Eighteen subprojects in twelve villages have been identified. In each case water sources have been identified, and in most cases permits have been secured and preliminary designs are being prepared by the Water Department. The second program would continue work being implemented by the Palestinian Hydrology Group, a local NGO with extensive experience in village areas. Subprojects have been identified in twenty villages, of which ten are reported to have an identified source of water together and, in most cases, the necessary permits. Subject to confirmation by the Civil Administration's Water Department that these proposals are consistent with the UNDP programs and both other local efforts and to the preparation of acceptable program designs, the Palestinian Hydrology Group program could be implemented within a year. More subprojects are provisionally scheduled for implementation in the following year.

3.65 Construction of new wells. New sources of water are planned by almost all the municipalities. In Gaza, urgently needed projects should be implemented as a longer-term developments reflect the results of water management studies. In the West Bank, the issues are different, since it is access rather than sustainability that is at question. A total of nine new wells and associated facilities in the West Bank and Gaza are tentatively included in the Program. In each case, construction is dependent on a permit from the Civil Administration, so that implementation is scheduled only from year two of the Program. Moreover, new wells should reflect overall aquifer planning, and it may be preferable to develop regional projects rather than confine individual wells to exploitation by each municipality. (Funding for well construction can often best be provided in the context of an associated water supply network project.) Provided permits for all or most wells are forthcoming, a separate project coordinated with on-going network investments could be considered to capture the significant economies realized when multiple wells are drilled and to reflect regional requirements.

Program Implementation

3.66 Based on submissions from municipalities, utilities, the Civil Administration, donor agencies, and NGOs, preliminary identification of subprojects began during the course of the World Bank October-November 1993 mission. During the Bank mission, proposals were reviewed and prioritized to establish the initial scope of the Program. They will be further evaluated with the assistance of local preparation consultants, who will work closely with the municipalities and utilities. (It is envisaged that preparation consultants would also cover the municipal roads sector.) Final subproject lists would then be prepared for inclusion in the Program, with a well-defined first-year program depending on the status of detailed

subproject preparation and the need for additional surveys and investigations. These lists would be reviewed by PECNDAR prior to negotiations with the Bank and other donors.

3.67 Responsibility for implementing subprojects would rest with the municipalities and utilities whose work would be monitored by management and procurement consultants on behalf of PECNDAR. For larger subprojects, local design and supervision consultants will be employed by the municipalities and utilities. Supported by these consultants, the responsible municipal or utility engineer will identify subcomponents, prepare detailed designs and estimates, invite and evaluate bids and—in conjunction with PECNDAR—award contracts and execute and supervise contracts that have been awarded. Contracts will be let following standard local competitive bidding procedures.

3.68 PECNDAR will make all payments on behalf of the municipalities and utilities for subprojects approved by the water and sanitation engineers. Payments to contractors would be made by the PECNDAR financial office based on municipality-certified invoices. Where relevant, consultants would counter-sign the contractor's invoice along with the municipal engineer, certifying that the works have been carried out substantially. PECNDAR management and procurement consultants would prepare regular monthly physical and financial progress reports, discuss any problems, and recommend remedial action. The monthly progress reports would then be consolidated by the consultants into a form suitable for transmission to donor agencies and the World Bank.

3.69 Key outstanding issues and follow-up actions include the promulgation of regulatory controls governing exploitation of the Gaza aquifer, detailed screening of proposed project equipment, and preparation of detailed terms of reference for water sector consultants.

Benefits

3.70 The major beneficiaries from the program would be the inhabitants of the municipalities, camps and villages of the Occupied Territories, who would receive improved water and sanitation service. Communities as a whole would benefit from an improved environmental quality and the health benefits. Many of the contracts would be labor-intensive, resulting in substantial absorption of unemployed labor. Technically qualified persons would find employment either directly with the implementing agencies or through the consultants employed for design and supervision of the works. Longer-term employment would result from the enlarged works to be operated and maintained continuously and as a result of improved municipal revenues. In the longer term, farmers should also receive augmented supplies of treated wastewater, which would also help improve environmental conditions.

Risks

3.71 Possible risks are associated preparation and implementation of the program. It is recommended that preparation consultants help review the numerous investment proposals to ensure that, as far as possible, those accepted for implementation satisfy appropriate standards. One difficulty for successful implementation is the weakness of existing utility functions in the municipalities, which would have to be strengthened by technical assistance and training. The main risk for successful upgrading of the water sector (other than those shared by the Program as a whole) is delay in commencing the preparation work. Because the sector is characterized by a large number of relatively small components of work, mobilizing preparation and local design consultants is a high priority. The preparation process, therefore, should start

as soon as possible and be monitored to avoid delays and to ensure that project documentation is consistent and up to standard.

**Table 3.2 Domestic Water and Sewerage Program Costs Estimate
(US\$ million)**

<i>Category</i>	<i>Year</i>			<i>Area</i>		<i>Total</i>
	1994	1995	1996	Gaza	West Bank	
Equipment	4.0	4.4	0.0	3.2	5.2	8.4
Water supply	8.1	13.3	14.3	14.7	21.0	35.7
Storm water	0.6	1.0	1.3	2.0	0.9	2.9
Sewerage	6.9	10.7	17.2	20.2	14.6	34.8
New wells	0.5	7.0	12.0	3.7	15.8	19.5
Water harvest	0.4	0.3	0.2	0.5	0.4	0.9
Village schemes	1.8	2.3	4.8	0.0	8.9	8.9
Total	22.3	39.0	49.8	44.3	66.8	111.1

Solid Waste Management

3.72 Municipalities and villages are responsible for the collection of general refuse within their boundaries. There is no comprehensive data-base on the quantities of general refuse being generated, the density of wastes before and after collection, or composition of wastes before and after recycling. Based on waste-generation rates in areas of comparable economic development, urban populations should generate 1 kg per capita per day, and village populations 0.7 kg per capita per day, during the five-year planning period for this sub-sector. Based on the numbers of people living in urban and village communities, within the next five years the general refuse in Gaza would average about 950 tons per day and in West Bank about 1,200 tons per day. In most municipalities and towns, refuse-collection levels range from 50 to 70 percent because of inadequate numbers of containers and vehicles and a high percentage of breakdowns because many vehicles are well beyond retirement age.

3.73 Control of special wastes presents serious difficulties for the municipalities. For example, all pumped septage is discharged illegally in creeks, on rock outcrops, and within sandy soil areas. Given that nearly 50 percent of the population lives within unsewered areas, the amount of pumped septage and the resulting impact of disposal is of great environmental concern.

3.74 Nearly all construction and demolition debris is discharged illegally within and outside of municipal boundaries because of lack of an effective regulatory and enforcement framework. Hospital and slaughterhouse wastes are collected along with general refuse and discharged to the open dump sites. Currently, with the level of industrialization in Gaza and the West Bank minimal, hazardous wastes are not a concern. But lifting restrictions on water use, building, and trade in these areas should bring increasing industrialization, and the need to control hazardous waste will develop. Currently, sludge water from wastewater treatment is not produced in significant quantities for its disposal to be a problem. But sludge should be dried to less than 65 percent of its original moisture to enable its codisposal with solid waste.

3.75 Virtually every municipality and village has its own disposal site. All official disposal sites owned or leased by municipalities and villages are open dumps. To the extent that budget allows, some of the larger municipalities periodically hire contractors to spread the waste and cover it with soil. At most sites, however, there is no soil cover. At most sites there is deliberate daily burning of refuse. No special handling is provided at the dump sites for hospital and slaughterhouse wastes. Constant burning at these sites creates air pollution, and in cases where residents or farmers are within the immediate area, is a public health concern. On the other hand, burning minimizes fly and rodent populations at these sites and limits the potential for leachate generation. No monitoring of the environmental effects of these sites has been conducted.

Issues and Strategy

3.76 The acquisition of land for waste disposal is an important issue because:

- A good deal of land is needed for disposal sites.
- State lands are not available within many environmentally suitable areas selected for sanitary landfills.
- Land needed for at least ten years must be purchased before the expense of putting in access roads and other site-specific facilities is incurred.
- Landowners are frequently unwilling to sell.
- The cost of land is high.
- Even with the high cost of land, disposal in landfills is considerably cheaper than alternatives such as incineration.

3.77 Funds provided through cofinancing that are not specifically targeted for other uses could be used to cover the cost of land acquisition. In the case of sanitary landfills, long-term (ten-year minimum) lease of the land is also possible. As part of the lease agreement, the site would be reclaimed after use by the addition of a thick layer of good top soil. When expanding sanitary landfills, resettlement of a small number of people may also be necessary and should be conducted in full compliance with applicable laws and be consistent with the involuntary resettlement procedures of the donor concerned. While most proposed landfill sites are not now being farmed intensively, some are temporarily occupied by Bedouins, who have an informal claim to some sites. In such cases, legal rights of the Bedouins should be reviewed

and compensation awarded consistent with applicable laws and the tribal peoples procedures of the donor concerned.

3.78 Cost recovery is also an issue, since municipal revenues do not cover the owning, operating, and maintenance costs of full, solid-waste management and collection service and environmentally safe disposal. There will need to be a two- or three-year period during which recurrent costs are partially subsidized and cost-recovery systems are implemented. For cost recovery to be successful, solid waste fees should typically be tied to either electricity or water bills.

3.79 The objective of the program is to address the current unsatisfactory arrangements for waste collection and storage and to create an environment for long-term improvement. This objective would be achieved through the following steps:

- Improve public health and community living conditions by providing adequate solid waste collection services.
- Minimize the cost of solid waste collection services by implementing cost-effective collection, transport, and disposal systems.
- Optimize the potential for economies-of-scale and minimization of transport costs by establishing strategically selected transfer and disposal sites.
- Protect sensitive groundwater regimes by selecting environmentally safe sites for sanitary landfills and following environmentally protective designs standards.
- Reduce clandestine dumping and increase community participation through public education and clean-up campaigns.

Program Description

3.80 The solid waste management program would supplement the existing fleet of municipal and village solid waste collection equipment, provide containers for existing trucks, and open strategically located transfer and sanitary landfill facilities. New refuse collection vehicles and communal containers would be added to the existing fleet of municipal and village solid-waste collection equipment to make up for the present shortfall of about 30 percent of service. Sites for placement of new communal containers would be selected to make the existing refuse collection fleet more productive. Equipment and tools for repairs would be purchased for the municipal workshop and mechanics and drivers trained. Vehicle needs for pumped septage removal are expected to be provided mainly by the private sector. A small number of vehicles has also been included in the water and wastewater component.

3.81 Feasibility studies conducted by separate consultants for the Civil Administration on the West Bank and in Gaza have confirmed that sanitary landfill is the most cost-effective disposal option for both. Even with the prevailing high cost of land, sanitary landfill costs less per ton than incineration or composting. Landfill sites have been selected to be within geologic formations and on soils that provide maximal protection for groundwater (or located over aquifers that are naturally brackish) in areas where it is possible to provide daily soil cover and that are the lowest cost suitable land available within the area. To capture economies-of-scale and minimize the need for transfer stations, there would be three

regional sites in Gaza and 10 regional sites on the West Bank. Because skip-loading collection trucks cannot travel economically for more than 10 km one way before unloading, at least one transfer station would be needed within most of the sanitary landfill service areas. Therefore, three transfer stations in Gaza and ten transfer stations in West Bank are planned.

3.82 The program would provide refuse collection equipment (including 46 rear-loading compaction trucks, with 3,140 containers of 1 cubic meter capacity; and 59 skip-lift trucks, with 1,196 containers of 6 cubic meters capacity), transfer and landfill equipment (including 13 bulldozers, 13 wheel loaders, 51 arm-roll transfer trucks, and 111 roll on-roll off containers of 32 cubic meters capacity).

3.83 In parallel with improvement of the collection service, there would be a major clean-up and public education campaign. This campaign would be supported by a special fund and conducted by municipalities and villages. There would US\$2 million available to the Gaza area and US\$1 million to the West Bank. Each local government unit wishing to conduct a cleanup campaign would develop a plan and cost proposal for review by a regional solid waste advisor, appointed under the program.

3.84 The program also includes the development of 13 sanitary landfills and 13 transfer stations. For the transfer facilities, about 11 hectares of land would need to be acquired within municipal boundaries. For the sanitary landfills, about 98 hectares would need to be acquired outside of municipal boundaries or leased for at least ten years.

3.85 Technical assistance to implement the solid waste program would include:

- Foreign solid waste advisors to be assigned for two years each to the central and regional authorities to supervise implementation activities, provide technical assistance, and give on-the-job training to three assistant advisors hired locally.
- Developing a planning data-base and master plans for Gaza and Nablus.
- Assessment of the collection, disposal and regulatory requirements for such special cases as hospital, slaughterhouse, pumped septage, and hazardous wastes.
- Examination of institutional, financial, and privatization arrangements.
- Studying market demand for recyclables and resources recovered from waste.
- Translation of current information into final designs and drawings.
- Preparation of designs and drawings for remaining transfer and sanitary landfill facility sites.
- Preparing environmental assessments for all sanitary landfill facilities and reviewing land acquisition issues.

Program Implementation

3.86 Preparation. Designs are now ready for the facilities to be funded in the first phase of the program. However, their immediate translation into English and the completion of environmental reviews are essential. For this purpose, it is recommended that the original design firm be engaged under contract immediately. Landfill sites also need to be acquired. At only one site have steps toward acquisition been largely completed.^{8/}

3.87 Feasibility studies conducted by the Civil Administration and as part of project preparation are adequate for determining the number and basic design of equipment units and facilities needed for solid waste improvement. But technical specifications still need to be prepared for procurement of collection, workshop, transfer, and sanitary landfill equipment. Designs for the Jenin transfer station are underway and are ready for sanitary landfills for Ramallah, Hebron, Jenin, and Qalqilya.

3.88 Procurement. To obtain competitive prices and simplify administrative arrangements, a single international competitive bidding procurement package should be used to procure all collection, transfer, and landfill equipment. However, if more than one donor finances the program, a number of procurement packages would be possible. Each of these tenders should include provisions for spare parts, workshop equipment, and the training of drivers and mechanics. Local competitive bidding procurement is proposed for implementing all civil works related to transfer stations and sanitary landfills.

3.89 Institutional arrangements. Regional solid waste facilities (such as landfills and transfer stations) would be operated by the largest municipalities in their operating area or by the municipality in which the facility is located. Institutionally, however, municipalities are not well structured for managing the investment for operating the new solid waste facilities outlined within this program. Since some facilities are regional, there are economies to be made from bulk procurement of equipment. During project implementation, technical assistance could satisfy additional organizational and staffing needs and provide training on the operation of transfer station and sanitary landfill facilities. Financially, however, municipalities have a poor revenue base to support even the recurrent expenditures required. The technical assistance effort would also need to outline ways to improve the revenue base, enable full cost recovery, and ensure the sustainability of the investment program.

3.90 Ideally all of the equipment procurement, transfer station facilities, and sanitary landfills should be implemented through a single Program Implementation Unit. Three technical advisors and three assistant advisors would be assigned to work full time within this unit for two years each to manage technical assistance efforts, review technical specifications, monitor construction, distribute purchased equipment in accordance with need, and assist municipalities with implementation of new collection, transfer, and disposal operations. Where more than one donor is involved in the sector, such units would also coordinate sector activities.

^{8/} Land for the Ramallah landfill was acquired through a confiscation process and all appeals were overturned. Negotiations are presently under way for long-term leasing of the Hebron landfill site. Part of the Jenin landfill site is already owned. Immediate land acquisition of remaining lands for the facilities is essential, and a review of the issues and costs of land acquisition for the remaining facilities is urgently needed. Designs and environmental review reports need to be prepared for individual sites.

3.91 Studies by consulting engineers would be conducted to provide a regulatory framework for solid waste management, establish privatization arrangements, create a data baseline for continuous planning and rationalization of the systems, prepare master plans for Gaza and Nablus, assess the potential for recycling, and examine the requirements for handling special needs.

3.92 There would be three service regions in Gaza and ten service regions on the West Bank for solid waste transfer and disposal. The largest municipality in each region would be responsible for operation and maintenance of the regional transfer facility and sanitary landfill within its service area.

3.93 **Cost recovery.** Many municipalities and villages currently charge a small fee for solid waste service. There should be a fee charged in all local governments that would fully cover the cost of collection and disposal. This fee would need to be between 1 to 2 percent of per capita income to enable renewal and debt service. As part of the technical assistance to be provided under this project, there would be a survey of the ability and willingness of residents to pay on which to base a tariff structure and cost recovery mechanisms.

3.94 Municipalities should pay costs related to wastes they discharge to regional transfer and sanitary landfill facilities they themselves operate and maintain. In addition, tipping fees based on equitable cost-sharing should be charged to private carters, camps, villages, and settlements using these facilities. A regulatory framework at the regional level would require all governmental and private entities to use the official transfer stations or sanitary landfills within their region.

Benefits

3.95 Improving solid waste management would help give people living within municipalities, villages, and camps an improved environment within which to live and work. Streets cleared of debris and rubbish would allow for better movement of traffic. Open burning of refuse would be curtailed, lessening air pollution. Transfer facilities would further enable collection vehicles to operate more productively.

**Table 3.3 Solid Waste Program Costs Estimate
(US\$ million)**

Category	Year			Area		Total	Agency
	1994	1995	1996	Gaza	West Bank		
Land acquisition	2.0	1.4	1.4	2.0	2.8	4.8	Municipality
Civil works	3.0	6.7	17.3	11.0	16.0	27.0	Municipality
Collection equipment	3.5	4.1	2.2	3.8	6.0	9.8	Municipality
Transfer equipment	3.0	4.0	3.3	4.4	5.9	10.3	Municipality
Sant. landfill equipment	1.5	2.0	1.6	3.9	1.2	5.1	Municipality
Total	13.0	18.2	25.8	25.1	31.9	57.0	

Power

3.96 While most of the population has access to electricity, power supplies in the Gaza Strip are limited both in terms of volume and quality of service for technical and institutional reasons. Current growth of electricity demand is already estimated at some 15 percent per year. Once macroeconomic conditions return to normal, growth potentials in demand of the order of 15 to 20 percent per year through the end of the decade could reasonably be envisaged. In Gaza, the total load to date (drawn by the 79,000 consumers) is about 80,000 KVA. Bulk power is supplied from three transformer stations located outside the Gaza Strip. Feeders emanating from these stations are limited in thermal capacity and are equipped with overload circuit breakers located inside Gaza. These Israel Electric Corporation (IEC) feeders supply some 196 municipally-owned distribution transformers. Because demand exceeds transformer capacity, overloading at times of peak use results in the burn-out of some 15 transformers a year, an exceptionally high rate.

3.97 By the end of 1990, about 7 percent of the West Bank population did not have access to electricity service. Another 71 communities (population of 221,000) received limited service six to twelve hours a day from small, diesel powered generators. Bulk power is supplied from five Israel Electric Corporation 161-33kV transformer stations located outside the main cities and by a 13.5 MW medium-speed diesel station, running on heavy fuel, located in the city of Nablus. At least 16 main 33 kV IEC transmission lines (some of which are dedicated to Israeli settlements) and a low voltage network cover almost the complete geographical area. As in Gaza, distribution feeders emanating from the IEC substations are limited in thermal capacity.

3.98 **Distribution network.** In Gaza, a quarter to a half of the existing 400 km of low voltage lines is in poor condition from lack of maintenance, overloading, and aging. Many are 20 or more years old and must now be rebuilt. Static capacitors should be installed on the 22 kV lines to maximize the power-factor correction and provide voltage support. System technical losses due to the use of long, low-voltage lines and to overloading of transformers are in the range of 17 to 20 percent. (Such loss levels are about three times the norm for comparable, well-run systems.) In addition, nontechnical losses from theft of electricity may be as high as 35 percent of input electricity in some areas. The abnormally high level of illegal connections is a result of weak managerial capacity to collect electricity bills and the unwillingness of some consumers to pay. Appropriately staffed and trained commercial departments need to be established urgently to improve consumer billing, accounting, and collection performance.

3.99 On the West Bank, at least 380 km of the existing 2300 km of low-voltage lines are in poor condition due to lack of maintenance, overloading, and aging. Many are twenty or more years old and must now be rebuilt. Some 100 km of obsolescent 6.6 kV distribution circuits also need to be upgraded.

3.100 **Local implementation capacity.** There are 17 municipalities and undertakings in Gaza who purchase electricity from IEC. Consumer numbers vary from 400 (in the case of Abasan Saghira) to 33,000 for Gaza City. Similarly, approximately 97 municipalities and undertakings in the West Bank purchase electricity from IEC.

3.101 The municipalities and undertakings generally have only small electric utility distribution departments, whose staff lack practical experience—particularly in operations and maintenance practices. Staffing varies from only a few people (in the case of the smaller municipal and village councils) to more than 40 (in the case of Gaza city). Overall, 205 electricity employees are working in the Gaza

strip—resulting in the unusually high ratio of 385 consumers per employee. This ratio compares to 224 consumers per employee for the Jerusalem District Electric Company (JEDCO), a distribution utility with an organizational structure of reasonable depth for its size. In the Palestinian municipal electricity systems, decision-making generally comes from the top, master plans are out-of-date, growth of infrastructure is *ad hoc*, and there is only limited capability to design and construct new services.

3.102 Shortage of revenues combined with a lack of operation and maintenance skills has led to the decline of infrastructure investments. Electricity dominates the financial affairs of many municipalities—up to 75 percent of current budgets in some cases—yet due to low tariffs and poor collection practices, net revenues collected can be insufficient to meet even the costs to purchase electricity, let alone the additional costs needed for operations and maintenance. Data collection, record systems, financial reporting, related policies and management practices are inadequate for proper operations, maintenance, and effective billing of consumers. Municipal power operations have not been run on a commercial basis.

3.103 Core management and operational capabilities essential for efficient and safe utility operations generally do not exist in small municipalities, making it difficult for them to implement the relatively large power program proposed under this Emergency Assistance Program.

3.104 The IEC bulk power supplies that are fully dedicated to the Occupied Territories—including Israeli settlements^{9/}—amount to about 420 MVA. The 1993 coincident peak for the area, including supply to Israeli settlements, was 290 MW. IEC's near-term (1993-1998) plans to meet the approximately 50 percent forecasted growth in demand in the area during this period foresees an investment of about US\$140 million. (This sum excludes investment at the generation level but covers programmed expansion of high-voltage transmission, step-down transformer capacity, and the 33 kV subtransmission network.)

3.105 Israel Electric Corporation's investment program for the Occupied Territories is currently on hold pending resolution of future electricity supply arrangements for the Occupied Territories. The Emergency Assistance Program involves relatively long lead-time construction and covers siting and environmental issues.

3.106 Without a reoriented investment program in bulk transmission in the near future, supplies to the Occupied Territories may become constrained and unreliable near the end of the decade. Bilateral talks need to start as soon as possible to address the issue of how to secure critical future power needs. In addition, future talks are needed on interconnections with Jordan and Egypt.

Issues and Strategy

3.107 The overall objective of the investment part of the power sector program is to ensure better power supply to customers and to initiate steps to improve the efficiency and sustainability of future power supplies in the Occupied Territories. The short-term strategy is to make immediate corrections to facilities in the power sector that will improve both the amount and quality of the electricity supply.

9/ Other, not fully dedicated transmission facilities are located within Israel.

3.108 Making these corrections can only be fully effective and sustainable, however, if parallel steps are also taken to improve the institutional framework—management, staff, operational, and financial systems of various electricity undertakings throughout Gaza and the West Bank—and to start consolidating the Occupied Territories' electric utilities. Present institutional arrangements are fragmented, unsafe to employees and the public, and highly inefficient. Consolidating electric operations should reduce management overheads, encourage more professional management, and avoid inefficient and uneconomic replication of individualized billing and revenue collection divisions, warehouses, inventories, etc. During the current transition period, however, only initial steps to a more centralized operation appear feasible. Given the staggered transition from Civil Administration control to Palestinian authority, it will be some time before the concept of regional electric utilities for Gaza and the northern and southern regions of the West Bank can be fully implemented, in addition to JEDCO which would continue to serve the central region of the West Bank.

3.109 The strategy of the Emergency Program would be to approach utilities rehabilitation and operations improvement as a single operation, centrally managed and organized, in close cooperation with the municipalities and with JEDCO. Two electric utility consolidation actions would be started on the West Bank—one in the southern area, centered around Hebron and one in the northern area, centered around Nablus. (Presently, utilities are fragmented into approximately 187 municipal systems.)

3.110 Assuming a single donor would finance the utilities program, the first step of this strategy would be to proceed immediately with the retention of an experienced engineering firm to complete program preparation and bidding documents for the procurement of economically-sized packages to repair, replace, and upgrade the current distribution system. If more than one donor finances the power program, it would still be desirable to employ a single consultant firm. Municipalities (in coordination with the consultants) may also decide to have local distribution systems maintained and upgraded according to existing plans and funded by different donors.

3.111 Assuming a single donor is involved in the sector, an implementation contractor would also be retained to help rehabilitate and reconstruct of the HV and LV system across Gaza, with support from existing municipal electric departments. An important aspect of this effort would be to effect technology transfer quickly to Palestinian counterparts.

3.112 A central site with a headquarters building would be required for the contractors implementing the sector program. It would serve as a staging area to receive, store, assemble, and maintain equipment; house specialized tools; fuel and maintain vehicles; and provide for centralized communications. Headquarters would help ensure that work proceeds efficiently during the emergency period of disbursement and could also be the embryo of a future regional electric distribution utility in Gaza.

3.113 A similar approach is proposed for the West Bank, but with two central sites to coordinate activities. Many of the systems that the contractors would have to put in place to implement the Emergency Program (such as a computerized stores control system) would then be available for transfer to a future Palestinian central power utility.

Program Description

3.114 In Gaza, the Emergency Program would include the rebuilding of at least 100 km of low voltage lines; reinforcing the 22kV system by adding at least 20 km of 22kV lines; adding at least 40 MVA of distribution transformer capacity; installing 5 MVAR of reactive capacity; providing vehicles, radios, billing equipment, tools, and operating supplies (such as transformer oil); repairing and improving existing buildings (including new furnishings) and support facilities. It will also include the construction, by turnkey contract, of a prefabricated building on land that is already available to serve as the program implementation headquarters.

3.115 In the West Bank, the Emergency Program would include the rebuilding of about 480 km of low voltage lines; reinforcing the 33kV systems by adding and reinforcing about 80 km of 33kV lines and about 125 km of 11kV lines; adding 180 MVA of distribution transformer and 15 MVA of 33kV-11kV capacity; installing 10 MVAR of static capacitors; providing vehicles, radios, billing equipment, tools, and operating supplies; repairing and improving existing buildings (including new furnishings) and support facilities; and constructing, by turnkey contract, two operational centers as the project implementation headquarters for the Emergency Program on land that is already available in the northern and southern regions.

3.116 Plans also exist for a rural electrification program on the West Bank involving the supply to 115 villages in the northern and southern regions, some of which could be included in the Emergency Program. Estimated cost for the 33kV-11kV transmission (including the low voltage distribution lines, transformers, and consumer hook-ups) is approximately US\$10.0 million. Further proposals exist for power stations, including a 10 MW diesel plant in Jericho for which donor funding may have been committed. As a general principle, however, any future generation would be decided upon only after the power generation and regional power interconnection study has been completed.

Technical Assistance

3.117 Technical assistance to support the investment program is detailed in the Technical Assistance Program report. It includes support for the design and construction program and for a distribution planning study, design of a program to reduce nontechnical losses, a study to assess future power generation and interconnections between regional grids, and management and staff training activities.

3.118 Future development options for the sector would be examined during the Emergency Program. In addition to regional distribution of utilities, feasible institutional arrangements are privatization of the Gaza distribution system, establishment of a single utility for all of the Occupied Territories; a regional, autonomous, publicly-owned utility company for Gaza; or municipal cooperatives. The power utility's final institutional structure would not be compromised by the physical infrastructure improvements proposed.

3.119 Establishing viable institutional arrangements, particularly for the regulation of private or public monopolies in the power sector is essential. Institutional issues and options are similar for the telecommunications sector (see paras 3.153-3.161) and the proposed institutional studies would consider jointly the power and telecommunications sectors, as well as possible the water and wastewater sector. Common regulatory arrangements should be put in place for all public utilities, i.e. a single regulation

for pricing and similar public utility issues. The program would be procured in several packages as shown in Table 3.4.

**Table 3.4 Power Program Costs Estimate
(US\$ million)**

Category	Year			Area		Total
	1994	1995	1996	Gaza	West Bank	
Civil works	3.4	3.4		1.0	5.8	6.8
Prefab buildings	8.0	4.0		4.0	8.0	12.0
Electricity equipment	12.3	18.0	24.3	14.3	40.3	54.6
Rehabilitation	3.0	6.0	11.0	8.0	12.0	20.0
Communications	2.0	1.5		1.0	2.5	3.5
Vehicles	3.0	3.0	1.0	2.0	5.0	7.0
Computers	1.5	1.4	0.8	1.2	2.5	3.7
Total	33.2	37.3	37.1	31.5	75.8	107.6

Municipal Roads and Facilities

3.120 The institutional capacity of Palestinian municipalities has become weaker during twenty-five years of occupation, and particularly so since the start of the *Intifada*. Because of difficulties in collecting taxes, fees, and user charges during the *Intifada*, local authorities have had to manage with inadequate funding. Despite this, local government has managed to provide a basic level of services in many municipalities, although roads and other facilities are often in poor condition. While the Civil Administration has supported current municipal budgets and is the main source of municipal development budgets, the shortage of funds and occasional inability to recover budget deficits from the Civil Administration, or through borrowing, has kept municipalities lean and avoided over-staffing.

Issues and Strategy

3.121 Insufficient municipal financial resources, often caused by poor repayment rates of electricity customers, is the fundamental cause of poor municipal infrastructure and maintenance, which in turn has resulted in high urban transport costs, low levels of traffic safety, a high incidence of flooding, and destruction of existing infrastructure. Municipal assets (such as slaughterhouses), furthermore, are often of poor quality and need to be improved or expanded. Finally, the municipal capacity to plan, manage, finance, and maintain urban services is weak and needs strengthening.

3.122 Because of this combination of institutional and financial constraints, the sector strategy should focus on:

- Rehabilitation of assets—notably urban roads—and expansion of capacity of selected roads.
- Rehabilitation and improvement of existing municipal buildings and other facilities.
- Strengthening the ability of municipalities and villages through technical assistance and budget support to improve institutional arrangements, systems, and practices.

3.123 Although regional and city land-use plans have already been prepared by the Civil Administration, municipalities, and Palestinian professionals, there is as yet no widely accepted, long-term spatial planning framework by which to assess proposals for land development or for investment in major infrastructure facilities. This is most acute in the Gaza strip, where several municipalities and refugee camps run by UNRWA share common borders and facilities, and there are issues concerning the future disposition of state land. In addition, land markets are severely distorted in the Occupied Territories, with consequent pressure on municipal boundaries. To provide a spatial basis for decision-making, technical assistance is needed to prepare regional investment, institutional, and structure plans for the Gaza strip and later for regions of the West Bank. Technical assistance would also be needed for the preparation of municipal structure plans.

3.124 Severely deteriorated roads and drains increase urban travel times and lower the efficiency and safety of cities. Accumulated storm water mixes with sewage and solid waste and is also a health hazard. The short-term strategy would be to undertake a coordinated program—initially in Gaza and selected West Bank municipalities—to rehabilitate existing main and secondary roads and drains, and to remove major traffic bottlenecks by means of better traffic planning, signalling, channelling, road markings, and signs.

3.125 Other municipal facilities (such as buildings, markets, slaughterhouses, recreation facilities, etc.) have also suffered from lack of maintenance and investment. Starting in selected municipalities and focussing initially on Gaza, feasibility studies would be carried out on building of new facilities. Selective investments would also be made in the rehabilitation and expansion of existing facilities.

Program Description

3.126 To reactivate municipal services and harness the potential of existing municipal management and service units, a planned program of rehabilitation and maintenance of infrastructure is proposed, that includes institutional support. The Program would provide assured funding for planned municipal projects (roads) over the 36-month program period; improve staff and systems through consultant support, funding for additional staff, equipment, and training; and—through PECDAR—provide external monitoring, quality control, advisory support, and training services.

3.127 Municipal roads. All twenty-nine municipalities have identified projects for carrying out deferred maintenance and rehabilitation works on roads, streets, and footpaths (including paving, curbing, street furniture and markings, street lighting, drainage, etc.). In some cases, necessary replacement of underground services (such as water and sewer mains) and some new road construction is also included. The objective is to improve traffic movements (both vehicular and pedestrian), prevent further deterioration of roads, and build up regular annual maintenance programs.

3.128 The roads program is subdivided among thirty municipalities: four in Gaza, ten in the West Bank Northern area, ten in the West Bank Central area—including Jericho, and six in the West Bank Southern area. A small but essential program of road and access improvement works in the refugee camps (proposed to be implemented by UNRWA as part of a six-year program) is included. The 1994 programs will address the worst-affected areas of each town, based on presently available data, and will be followed in 1995 by a fully-developed program.

3.129 Other municipal facilities. Many municipalities have concept plans, and even detailed designs, for needed parks and playgrounds, fire-protection services, markets, municipal workshops, etc. Before they can be accepted for funding, however, it is necessary for each of these proposals to be subjected to a feasibility study and review. Technical assistance for this purpose is included in the Program. A few of these projects are partly completed (such as the El Bireh municipal building), and funds are needed to complete them and put them to use. The municipal subcomponent would provide funding for such projects on a case by case basis, and only after clear justification.

3.130 Vehicles and equipment. The municipal road improvement program will be supported by small but essential purchases of vehicles and equipment, including inspection vehicles, trucks, road maintenance equipment, etc.

Program Implementation

3.131 The main responsibility for implementing the program of municipal activities lies with the municipal authorities themselves. Overall direction, presently provided by the Central Administration, would be taken over by PEC DAR until permanent arrangements were in place.

- **The Municipal Road Improvement Program and its subprojects would be identified by each municipal technical department in accordance with available master plans and basic needs. Each city engineer would be responsible to ensure that the proposed program works incorporate all underground services planned or allow reservations for such works. Wherever possible, all works planned for a road should be consolidated into one contract. The program would avoid works requiring land acquisition and compensation. The program of works envisaged by each municipality would be detailed either in-house (as capacity permits) or through consultants. After approval by the mayor, they would be submitted to the appropriate Program Management and Monitoring Office in PEC DAR to be evaluated for Emergency Program funding.**
- **To assist the municipalities in the preparation of detailed design and tender documents and the supervision of construction, a panel of local consultants and consultancy firms would be identified by PEC DAR. In addition, municipalities and villages could request temporary financial support to expand their engineering staff to accommodate the increased work load. Funds for such expansion have been included in the Program (US\$10 million).**
- **Municipal facilities proposed for funding would first be subject to a detailed feasibility study and review under approved terms of reference before being submitted to PEC DAR for possible funding. Technical assistance for this work would be funded as part of design costs.**

- All activities would be screened by the PECNDAR environmental specialist.

3.132 The municipal engineer and his staff would be responsible for the signing of contracts; for maintaining contract files, measurement books, etc.; and for quality control and the certification of work for payment at appropriate stages. Particularly for weaker municipalities during the early stages of the Program, assistance from sector-implementation consultants would be essential. As detailed in Chapter IV, PECNDAR would be responsible for monitoring progress. Accounts would be maintained in each municipality and consolidated by the municipalities for regular use by PECNDAR. Each municipality would submit quarterly progress reports to PECNDAR on that part of its project portfolio funded under the Program.

3.133 Components would be supported through the panel of local consultants by technical assistance for subproject review, planning and design, project supervision, and feasibility studies. To implement major studies and address complicated issues, technical assistance funds would support transport consultants recruited to assist with the nonmunicipal road program as well as with municipalities. These consultants would also help identify large new projects, define procurement procedures and documentation, provide quality control, monitor progress, and provide specialized training.

3.134 Procurement. It is proposed that PECNDAR acquire vehicles and equipment estimated to cost US\$11 million in three packages through international competitive bidding. The municipalities presently carry out their own procurement of works and small amounts of goods (after approval by the Civil Administration) through local competitive bidding procedures under local law (Egyptian law in Gaza, and Jordanian law in the West Bank). These procedures will generally continue to apply under the Program, as detailed in Chapter IV.

Risks

3.135 The main risk to the municipal works program is imperfect coordination of activities to be executed under several sectoral programs (power, water, sewage and solid waste) within the municipal works program, causing costly scheduling errors between below surface and surface works. Coordination would need to take place at the level of individual municipalities, and—to be effective—would require municipal engineers to keep close track of individual sectoral programs. The use of the transport consultants and a local consultants' panel is expected to assist municipalities in keeping track of all works under their jurisdiction. The second risk concerns coordination of the program with PECNDAR, and the potential for delays in approval and payment to contractors. The Project Management and Monitoring Office in PECNDAR would be expected to pay particular attention to the municipal program.

Next Steps

3.136 The actions needed to start the municipal works program are PECNDAR's recruitment of the consultants' panel, establishment of the Project Management and Monitoring Office within PECNDAR, and establishment of working arrangements between PECNDAR and each municipality for approving works, providing clearances for bidding arrangements, and making payments.

**Table 3.5 Municipal Works Program Costs Estimate
(US\$ million)**

<i>Category</i>	<i>Year</i>			<i>Area</i>		<i>Total</i>	<i>Agency</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>Gaza</i>	<i>West Bank</i>		
Roads	9.0	20.0	31.0	25.0	35.0	60.0	Municipality
Vehicles	5.0	6.0	0.0	4.0	7.0	11.0	Municipality
Other facilities	2.5	5.0	5.0	2.5	10.0	12.5	Municipality
Total	16.5	31.0	36.0	31.5	52.0	83.5	

Housing

3.137 The population growth rate in the Occupied Territories is high by international standards,^{10/} and household formation—reported at 5.4 percent over the last five years—is also proceeding at a rapid pace. These two factors alone would be sufficient to place stress on the housing supply. However, any assessment of the state of the sector must also contend with another, highly uncertain, factor: returnees. It is estimated that some 3.5 million Palestinians live outside the Occupied Territories, and many have acknowledged rights of return. A considerable number, however, could now return only with the consent of Israeli authorities—a subject of the on-going negotiations. But even were only a small percentage to return, it could place a considerable strain on the functioning of the housing sector.

Issues and Strategy

3.138 Key issues in the housing sector are quality, price, production, policy and institutions, finance, and land. While average housing quality in the Occupied Territories appears to be relatively good in relation to per capita income levels, the incidence of overcrowding—averaging more than 2.3 persons per room—is high given the income level. Also, about 10 percent of the population on the West Bank and 50 percent of the population of Gaza still live in refugee camps, where conditions are far worse. The camps present special problems: they appear to provide shelter disproportionately to the urban poor, including some nonrefugees; structures are generally in poor condition; tenure is insecure; and services are inadequate, leading to generally poor environmental conditions. Nevertheless, the camps are not the derelict squatter settlements typical of low-income countries. In most cases, road reservations are reasonable, basic services (though weak) exist, a rental market appears to be operating if not flourishing, and some households have erected quite substantial housing structures.

^{10/} The most recent *World Bank Atlas* indicates that only eight out of the 200 countries covered reported a higher growth rate.

3.139 By comparable international standards, the price of new housing in the Occupied Territories is high. Median new house prices are about US\$75,000, or about seven times median income.^{11/} Contributing to this high price are high building standards, large house and lot sizes, and high land prices. Fortunately, there is also a functioning rental market. About 11 percent of households rent from someone other than a relative or UNRWA—a share that reaches 23 percent in the more urban West Bank towns. Rent controls exist in both Gaza and the West Bank but are routinely circumvented or ignored. These controls, nevertheless, discourage investment in rental housing and hence contribute to increased crowding.

3.140 These problems are partly due to the fact that the housing sector is technically, institutionally, and financially underdeveloped. The only significant attempt to tackle housing problems on a larger scale was undertaken by the Palestinian Housing Council (PHC), an NGO that sees itself as the core of a Housing Department in a future Palestinian administration. The efforts of the PHC to develop multi-family housing targeted at middle-income families and to formulate sector policy have been supported by a grant from the EC. Because of the level of per-unit subsidy contemplated, however, it is not clear that these efforts are sustainable. Housing in the camps is under the jurisdiction of UNRWA, which is upgrading the worst units as resources permit.

3.141 Finance is a major constraint. New construction is usually organized by individuals, spread over several years, and almost wholly dependent on the availability of current savings. The only credit available is for new luxury flats and is limited to loans averaging three to five years. The underdevelopment of the financial sector has many causes (detailed in *Developing the Occupied Territories: An Investment in Peace* [1993] Volume 3). For the housing sector, traditional Muslim customs concerning the charging of interest and the unwillingness of the banks to accept housing as collateral have been particular constraints. There is also an inappropriate legal framework and lack of general acceptance of foreclosure.

3.142 Because of this lack of access to credit, at least 10,000 units (about 5 percent of the housing stock) are unfinished and unoccupied at any given time. Furthermore, in the absence of appropriate opportunities for investment in secure financial assets, households—particularly those with funds earned abroad—invest disproportionately in housing. There is evidence that these investments are economically inefficient. Despite the relatively modest number of new units being completed annually, for example, it is estimated that investment in construction (mostly housing with a small element of commercial building) is 20.3 percent of GDP, as compared to 7.4 percent of GDP for comparators.^{12/}

3.143 Finally, and very importantly, land is a major constraint. The development of the housing sector is significantly affected by a combination of incomplete land registries, absentee rights, and other legal restrictions on land and land development that—until recently—were strictly enforced by the Civil Administration. These include restrictions on the expansion of municipal boundaries, the imposition of village boundaries; designation of large areas outside and inside of municipalities as "green" areas, which

11/ The ratios for existing houses to income are 3.4 and 5.5 for the West Bank and Gaza, respectively. The average for comparators is 5.0. Thus while the ratios for existing units seem reasonable, that for new housing is significantly out of line.

12/ One plausible explanation for this is that some of these funds are unproductively locked up in uncompleted housing units.

serve as security buffers for Israeli settlements; restrictions on transferring land when owners are outside the Occupied Territories or when land is incorrectly registered; and restrictions on the resources available to municipalities to finance infrastructure for land development. One result has been to raise the price for developable land near trunk infrastructure. In addition, 30 percent of all land in Gaza is owned by the state and has not been available to Palestinians for development; only about 50 percent of land in the cities have clear titles; and Palestinians hold land to store wealth and as a hedge against inflation, keeping a significant share of the developable land off the market and driving up land prices.

3.144 The Emergency Program should not concentrate on the construction of houses but rather on the creation of the institutional and regulatory framework most supportive of private development. It should, therefore, seek to expand the supply of developable, serviced land in the urban areas and to ease credit to the private sector as a significant part of the overall development of the financial sector. At least in the short term, it will also involve supporting UNRWA's ongoing program for improving housing in the camps, facilitating the provision of credit for a program to complete existing private houses, and supporting the PHC in developing appropriate and sustainable policies and expanding housing construction for low and moderate income households. Over time, as resources permit, a subsidy system that is well-targeted, transparent, and sustainable should be developed to assist the poor.

3.145 Technical assistance is proposed for:

- Resolving title and registration problems for land.
- Reforming urban planning law and procedures.
- Upgrading fiscal resources and cost recovery for infrastructure installation.
- Developing a coherent strategy for the sector.

3.146 Additional technical assistance—and some capital assistance—may be needed to introduce a capacity for housing credit into the financial sector. Such a capacity would normally develop over time, but there is an advantage to accelerating the process in order to expedite the completion of the large stock of unfinished houses, and create a housing delivery system with access to credit as needed, which would therefore be more capable of rapid response to shifts in demand.

Program Description

3.147 Immediate capital assistance for housing would be directed through UNRWA to upgrade the worst camp housing. The time horizon for resolving the fate of the camps is long enough (five to ten years) that such upgrading could have significant impact on the welfare and prospects of the poorest of the camp residents. The UNRWA-implemented reconstructions and repairs program in refugee camps would amount to an incremental total of US\$30 million over a three-year period.

3.148 The program would also include the development of a credit line through private financial institutions to provide mortgages on a commercial basis, notably to finish existing, uncompleted houses. This credit would amount to about US\$20 million in start-up capital and would be preceded by technical assistance and identification of financial institutions willing and capable of administering the program.

3.149 The program also involves support of about US\$60 million to complete funding for the PHC and to other private developers to expand the program for low and moderate income families on a sustainable basis. Such funding would also be provided through the line of credit. Finally, a number of technical assistance studies would tackle the key issues of accessibility of land, development of a relevant policy framework for housing, and development of a financial infrastructure for real estate financing. These studies must, however, await the solution of outstanding issues concerning land to be reached in the bilateral negotiations.

Risks

3.150 The main risk to the housing program is delay in the creation of an appropriate institutional and regulatory housing authority framework. While technical assistance could conduct studies and outline program options, implementation could well be affected by the pace of negotiations affecting housing policy and by political decision-making by Palestinian authorities. Risks associated with the camp housing upgrade program are modest—these houses will be of use regardless of political developments. Sustainability of the present PHC program, however, is of concern. Current levels of subsidy and the target population require review, which should be part of the sector strategy study.

Next Steps

3.151 UNRWA will need to expand the capacity of its ongoing camp housing program. Once the private sector credit program has been established, institutional capacity for mortgage lending should be developed as soon as possible.

Table 3.6 Housing Program Costs Estimate
(US\$ million)

Category	Year			Area		Total	Agency
	1994	1995	1996	Gaza	West Bank		
Camps	10.0	10.0	10.0	25.0	5.0	30.0	UNRWA
Mortgage program	0.0	5.0	15.0	10.0	10.0	20.0	Dev. Bank
PHC program	10.0	20.0	30.0	20.0	40.0	60.0	PHC
TOTAL	20.0	35.0	55.0	55.0	55.0	110.0	

Telecommunications

3.152 The situation of the telecommunications sector inside the Occupied Territories—and the Gaza and Jericho networks in particular—is mixed. In some places, very modern switching equipment is being operated, but the coverage (penetration) of telephones in the Occupied Territories is only about 2.9 per

100 inhabitants (overall compared to between 3 and 15 per 100 for the region in 1991).^{13/} There is a clear correlation between GNP and the number of telephone lines per inhabitant. The Palestinian GNP per capita of US\$1,715, however, coincides elsewhere with a telephone coverage of about 4.0 per 100 inhabitants, as compared with the actual 2.9.

Issues and Strategy

3.153 The telecommunications sector in the Occupied Territories is totally dependent on the Israeli infrastructure. There is large suppressed demand, with a backlog for new connections on the West Bank (about one-third the number of lines currently in use) and of over 40,000 in the Gaza Strip. Of the 400 villages on the West Bank, only 80 had telephone service as of the end of 1991. The lack of adequate telecommunications capabilities has had a particularly deleterious impact on the service industry.

3.154 Within the framework of the Emergency Assistance Program, the organization and expansion of telecommunications are considered crucial for the revitalization of the economy of the Occupied Territories. The telecommunications sector is in need of institutional and physical rehabilitation and expansion. While the network (local switches) serving the Occupied Territories now contains mainly modern digital technology, the number of lines installed is grossly insufficient. The likely population growth rate, furthermore, indicates that the system's planned expansion of capacity will hardly be sufficient to keep up. Even now, while the Civil Administration plans to add some 9,000 new lines in the Gaza Strip in 1994, the waiting-list is over 40,000. Mobile services (mobile telephone, paging) have recently been made more readily available to Palestinians on the West Bank through Israeli systems. Authority over frequency assignment is presently under negotiation in the bilateral talks.

3.155 Palestinians also lack local workers experienced and knowledgeable in the operation and maintenance of a complete telecommunications entity. Managers, planners, and advanced technicians are urgently needed to replace Israeli personnel when they are withdrawn. In general, the creation of a Palestinian telecommunications network after the withdrawal of the Civil Administration must deal with the following issues:

- What and how existing assets will be transferred.
- The technical and operational relationship among proposed Palestinian networks.
- Who will own and operate this sector (private, public, or a mix).
- How fast the sector can be developed.
- How to fulfill and finance unmet demand for telephone connections.
- Institutional requirements.

13/ The penetration level in Western countries is between 40 and 70 per 100 inhabitants. In Egypt it is 3.2, in Syria 4.1, in Tunis 3.75, in Kuwait 15.8, in Saudi Arabia 9.3, and in Israel 34.

3.156 In the short and medium term (1994-1996), the development objectives for the telecommunications sector are:

- **To satisfy the demand for new services, improve existing services, and expand service for the commercial and household sectors within Gaza and Jericho and possibly the West Bank. It is assumed that existing authorities could address these short-term needs of the West Bank essentially as planned, although this could change under early empowerment (allowed by the Declaration of Principles) from bilateral negotiation. In addition, the recently agreed upon enlarged area of Jericho suggests the need for expansion of the network and switching capacity.**
- **To accelerate development of telephone network services by installing switching capacity for a minimum of 57,500 new lines (50,000 for Gaza and 7,500 for Jericho by 1996). In addition, a tentative telecoms program for the West Bank (yet to be defined in detail) is suggested. Most US\$80 million is expected to be financed from private sources.**

3.157 Long-term telecommunications sector objectives are:

- **To establish a sound and efficient network.**
- **To increase automated switching to improve service quality and reduce costs.**
- **To extend coverage of basic telephone services to rural areas and reach a level of penetration of at least 15 per 100 inhabitants by the year 2000. (This would mean 400,000 lines, assuming a population of 2.7 millions).**

3.158 To ensure adequate telecommunications services for the economic development of the Gaza Strip and the West Bank, a multitrack approach would be pursued. In the short term, the program would support efforts to ensure that the sector would continue to be well-operated and maintained, provide consistent service during the transition to Palestinian control, create the institutional basis for future development, and strengthen the infrastructure of the network so that subscribers in the network could be increased by a minimum of 57,500 by 1996.

3.159 To accomplish this would require staff training, a management contract, and limited investment to maintain services in the short term. A private company could be engaged to develop, finance, and operate the system in the longer term. The future telecommunications sector in the Occupied Territories could be organized to include a telecommunications company (private or public), an independent regulatory body, and an authority responsible for exercising government control over telecommunications. The current monopoly (private or public) over the main urban fixed-wire network, transmission and switching infrastructure, and probably also basic services that encourage infrastructure development (such as telephone services) should be maintained. This infrastructure could also be used to foster competition among services in the area of terminal hardware, provision of terminal equipment (telephone sets, etc.), data services, leased lines, cellular services, paging systems, and other non-basic services. A legal and regulatory framework must be established as soon as possible to allow private companies to set up telecommunications services (particularly value-added services).

3.160 In an environment of partial or total monopoly, the role of an independent regulatory body is essential. The regulator should be independent and have a clear mandate. Its tasks would include: evaluating applications from enterprises wishing to offer monopoly or competing services; setting the conditions for and issuing service permits; setting user charges and approving rates for monopoly services; defining service quality and availability; monitoring the performance of service-providing companies; establishing conditions and standards for connecting terminal hardware; planning the use of radio-electric frequency spectrums for immediate and future needs; receiving, analyzing, and meeting out applications for frequency assignment; and supervising and controlling spectrum use. Authority of the regulator concerning frequency assignments should await the outcome of ongoing bilateral talks.

3.161 The authority responsible for exercising public control over the telecommunications sector would eventually set goals with regard to provision of public services, production, coverage, quality of service and financial profitability; ensure that corporate taxes, duties, and safety and personnel regulations allow telecommunications operators to meet those goals; and establish rules governing the relationships between the authorities responsible for telecom, operators, and those administer the rules.

Program Description

3.162 Over the next three years, at least 57,000 new lines would be installed. The projected automatic network capacity in the Gaza strip and Jericho area would grow from 23,000 to 65,000 lines. Overall investment in the telecommunications sector for 1994-1996 is estimated to cost around US\$100 million. Assuming that—for the development of most of the telecom sector—private funding would be available, only US\$13.2 million has been earmarked for public funding under the Emergency Program. There would be clear operational and financial advantages to having the private sector play a dominant role in funding telecommunications.

3.163 Because it would be needed to provide telecommunications services to the Palestinian interim self-government, there is immediate need to install a TMX100 exchange (or equivalent) in Jericho and build a subscriber network to handle 1000 new Jericho subscribers. The estimated costs are US\$3.2 million. In addition, a modest US\$10 million program would give immediate support to Gaza and the West Bank, whose needs have yet to be defined by the authorities (with the assistance of management consultants). Action on the West Bank, however, also depends on progress in bilateral talks. Since there is a strong possibility of private sector involvement in the telecommunications sector, it would be premature to allocate further public resources to telecommunications investments.

3.164 A program of technical assistance would be implemented to help train existing Palestinian engineers in Gaza, prepare sector policy and structure, and take over a management contract to maintain operations in Gaza and Jericho after the withdrawal of the Civil Administration.

3.165 The proposed new modern digital exchange in Jericho and the expansion of the network would benefit the Palestinian political and administrative leadership operating from Jericho and assist subscribers in Gaza and the West Bank.

Education

3.166 The success of the Palestinian economy in achieving prosperity for its people will depend primarily on its ability to compete in a fast-paced world economy. The Palestinian domestic market will always be too small to allow it to exploit economies of scale in most manufacturing and service industries, and the area's modest endowment of natural resources will not allow it to rely significantly on the export of low-cost, primary commodities. The Palestinian economy must, therefore, produce goods and services that meet the requirements of an increasingly demanding external market. In order to build on the competitive advantages provided by the relatively low wages of the Occupied Territories and its proximity to major international markets, the Palestinian economy will have to develop a very high quality, exceptionally flexible labor force prepared to respond rapidly to new needs. This implies stressing, within the formal education system, preparedness for acquiring new skills as well as mastery of a craft or profession. Rather than simply transferring knowledge to young people, the educational system will need to develop their capacity for life-long learning—including self-instruction and rapid mastery of the skills required for new technologies and new products. These aims require an education system that stresses not only a thorough grasp of the basic principles of science and mathematics and excellent skills in verbal and written communications but also a persistent curiosity and relentless drive to improve products and methods.

3.167 Education is currently provided to Palestinians by the Civil Administration, UNRWA, and the private sector. Primary and secondary education is dominated by the Civil Administration: about 61 percent of all students. UNRWA educates about 31 percent of all students at these levels. The remaining 8 percent of students attend private schools. Nearly all children attend primary school but only about 40 percent of the age-relevant cohort attends secondary schools. About 2.6 percent of the relevant age group are being trained in secondary-level vocational schools.

3.168 Most preschools and universities are operated by private, voluntary organizations, and 20 to 30 percent of the relevant age group is enrolled. The higher education system consists of eight universities (two in Gaza and six on the West Bank) with a total enrollment of 20,484 students. In addition, 20 community and technical colleges (four in Gaza and sixteen on the West Bank) together have 7,364 students. About 61 percent of primary and secondary schools students are enrolled in schools operated by the Civil Administration and 31 percent are enrolled in UNRWA schools. The remaining 8 percent of students are being educated by private institutions.

Issues and Strategy

3.169 The major problem confronting the Palestinian educational and training system is quality. The system has been designed to transmit knowledge rather than to develop capacities for critical thinking or skills in solving complex problems. In addition, the system has failed to overcome traditional cultural constraints to the enrollment of female students, particularly at the secondary level. The quality problem is traceable primarily to an outmoded curriculum, uncreative teaching methods, and a scarcity of modern educational inputs (particularly library books, laboratory equipment, and computer facilities). Efforts to improve teaching are sometimes frustrated by over-crowded classrooms, particularly in those UNRWA schools situated in converted rented houses rather than in buildings designed to be used as schools. In addition, the frequent and prolonged interruption of instruction during the *Intifada* denied a generation of students a sound education. (One of the priorities for the Palestinian governmental authority will be to correct the consequent deficit in learning.)

3.170 Formal education has also imparted few marketable technical and professional skills. General academic education has been over-expanded relative to vocational instruction. For example, about 62 percent of university students are enrolled in programs in the humanities, the social sciences (other than economics), and education. Labor market data suggest under-investment in high quality vocational and technical training in particular occupations. Underlying all of these problems is the absence of system-wide policies and institutions.

3.171 Over the long term, the education sector must address the core issues of quality and relevance. A serious review of the content and instructional strategies being used by the basic education system must be carried out and a set of reforms devised and implemented. The central objective of these reforms must be to strengthen students' skills in critical analysis of issues, application of a broad range of specific tools to the solution of complex problems, and creative and imaginative approaches to unfamiliar tasks.

3.172 Achieving these aims will require the development of a detailed plan for the presentation of specific topics and the development of specific skills—i.e. *a curricular framework*. New teaching materials will then need to be either purchased or developed. Teachers must be trained in the use of these materials, and assessment instruments must be developed both to evaluate success in achieving curricular goals and to direct the efforts of teachers and administrators. In addition, the offering of elective programs and courses will need to be modified to direct students into areas of study with significant job potential. This process will require at least five to seven years to complete. In the meantime, stress should be placed on maintaining education resources and enhancing the quality of instruction within the present curricular framework.

3.173 The Emergency Program for education would have four key objectives:

- **Sustaining the current system in the short run.** Resources will be committed to meeting the immediate, recurrent expenses of the preschool and university sectors.
- **Beginning a multipronged attack on quality in all parts of the system.** The attack will focus on improving the curriculum, redefining and raising the standards for exit examinations, increasing teachers' knowledge of content and performance standards, strengthening the link between vocational training and employment (through such mechanisms as tracer-studies of graduates), and upgrading the physical plant and equipment.
- **Preparing for the transfer of authority over education from the Civil Administration to a Palestinian Authority.** This task entails creation of the institutional framework required to develop education policy and integrate operational systems and procedures (including minimum teacher qualifications, salary administration, and fringe benefits).
- **Reversing the current imbalance between university education and vocational training.** The strategy will be to redirect resources to the vocational and technical education system while slowing the rate of expansion in the university system and to shift university enrollments from the humanities to fields with better job prospects.

Program Description

3.174 The following three emergency investments have been identified:

- **Supporting recurrent expenses of preschools and universities.** This item will require approximately US\$25 million a year initially, in order to replace grants obtained in the past (primarily from Gulf countries). Approximately US\$21 million will be needed to close the deficit in the recurrent budgets of the universities. A further US\$4 million will be required to support and expand preschool education. This activity must be accompanied by technical assistance aimed at achieving much greater financial viability in the longer run through enhanced cost control and cost recovery.
- **Improving the teaching and learning environment by adding library, computing and laboratory facilities and constructing study areas, teacher's rooms, and sports fields.** This component will benefit students in more than 17,000 classrooms. About 3,500 of these classrooms are located in the Gaza Strip. The total cost of these items is estimated to be approximately US\$40 million. Nearly half of the total amount will be used to upgrade laboratory and library facilities in secondary schools.
- **Upgrading the physical plant to reduce overcrowding and to convert triple shift schools to double shift operation.** (Conversion of double shift schools to single shift operation should not be pursued immediately.) The cost of these efforts is estimated to be about US\$35 million. About 60 percent of the program would be located on the West Bank. About eighty schools overall would benefit. Of the schools that will benefit from this component, three-quarters are operated at present by UNRWA.

Technical Assistance

3.175 The Technical Assistance Program to support the Emergency Assistance Program would consist of five activities:

- **School mapping.** An inventory of all existing school facilities would be prepared; maps would be drawn showing the locations of schools, population densities, the locations of important community facilities and the residential catchment area of each school and areas would be identified in which additional educational facilities are needed.
- **Identifying organizational options for a Palestinian education authority.** This technical assistance project would assist education authorities in preparing for the assumption of responsibility for the sector.
- **Prefeasibility study for a remedial education program for children.** This study would assess the magnitude of learning deficits resulting from interruptions of schooling during the *Intifada*, identify those who were most affected, determine which knowledge and skills were sacrificed most, and identify cost-effective options for rectifying these

losses—both for those still in primary or secondary school and for those who have left school.

- **Creating a pedagogic institute.** The school curriculums of the Gaza Strip and West Bank have been borrowed from neighboring Egypt and Jordan, respectively. This technical assistance project seeks to establish, develop, and sustain an institution that will design an updated and unified curricular framework, instruments for assessing learning under the revised curriculum, examination credentials for teachers, and an inservice training program for teachers, administrators, and school inspectors.
- **Task force for vocational education.** This package of technical assistance would support the development of a task force to develop a curriculum for vocational education instructors.

Impact and Benefits

3.176 The activities proposed above would help to arrest the deterioration of earlier investments in the education system, remove constraints to its effective operation, facilitate the transition to Palestinian operation of the system, and improve its quality. They would directly benefit about 450,000 students immediately through the supply of library materials and supplementary educational materials. They would also improve the learning environment for about 50,000 students enrolled in schools slated for renovation or expansion. By contributing to the establishment of a responsive, high-quality education system, the Program would also enhance the educational opportunities of future generations of students, while the Technical Assistance Program would help bring about a more rational location of schools and vocationally relevant training programs.

Costs

3.177 The total cost of the Emergency Assistance Program for the education sector is estimated to be about US\$130 million. In addition, development of new programs in the university and vocational education could cost as much as US\$1.2 billion. However, these programs would not be launched until a full analysis of need and feasibility have been completed. Particular attention would be paid to these programs' ability to provide world-class training and to the capacity of the self-governing entity to finance their operating costs.

Risks

3.178 The systems of education now operated by the Civil Administration and UNRWA will eventually be merged. Therefore, investments in new facilities should be determined within the framework of a unified area master plan to avoid excess capacity in some communities and misplacement of schools in others. A school mapping exercise is now being carried out, therefore, to identify where to put major investments in the sector.

3.179 The effort to define a Palestinian curriculum and to introduce more effective teaching methods may encounter resistance from special interest groups. In order to minimize this risk, evaluating the current education program and designing reforms would be carried out by a Palestinian institution, to be developed under the Emergency Assistance Program.

3.180 Finally, funds may become available for the development of education reforms and programs that have not been fully appraised. To ensure proper handling of such cases, the Technical Assistance Program stresses the need to develop education data resources and policymaking institutions empowered to manage a fully integrated Palestinian education system.

Next Steps

3.181 The School Mapping Study should be completed as soon as possible in order to provide input into the preparation of a plan for the construction of schools. A consultant should be appointed to examine learning deficits resulting from the loss of schooling during the *Intifada*. A planning committee for a pedagogic institute should be appointed to facilitate its creation and to afford an interim mechanism for considering issues of educational policy and reform. Terms of reference should be finalized to engage consultants to advise on the merger of the education systems of the Civil Administration and UNRWA.

Table 3.7 Education Program Cost Estimates
(US\$ million)

Category	Years			Area		Total
	1993	1995	1996	Gaza Strip	West Bank	
Rehabilitation of schools	0.0	23.0	15.0	21.0	17.0	38.0
Library and laboratory materials; furniture	27.0	2.0	13.0	14.0	28.0	42.0
Recurrent costs	25.0	15.0	10.0	17.0	33.0	50.0
Total Education	52.0	40.0	38.0	52.0	78.0	130.0

Health

3.182 Health conditions in the Gaza Strip and West Bank are similar to those found among other lower-middle income societies: life expectancy at birth is between 65 and 66 years and the infant mortality rate is between 40 and 45 deaths per thousand live births. The communicable diseases of childhood (acute dehydration, acute respiratory infections, and malnutrition) are no longer common problems except in a few rural areas. A pattern of chronic diseases characteristic of advanced economies has begun to emerge among older adults. Injuries are more common than might be expected (reflecting widespread violence, low standards of occupational and highway safety, and generally lax law enforcement). The *Intifada* has also produced an epidemic of mental health problems. Nutritional status is generally good, with anemia the only nutritional deficiency that attracts note.

3.183 Basic health services are readily available in most communities. These services are supplied by the Civil Administration, UNRWA, NGOs, and private physicians. Hospital care is offered primarily by the government and by voluntary organizations. Two private voluntary hospitals—Augusta Victoria

and Makassad—provide most tertiary care to residents of the Gaza Strip and West Bank. Palestinians also obtain tertiary care from Israeli hospitals.

3.184 The Civil Administration and UNRWA achieve similar health outcomes, even though they operate radically different health care programs. The Civil Administration spends roughly US\$135 per capita a year to provide care to those enrolled in the government health insurance scheme. It provides public health services and relatively sophisticated hospital care. UNRWA commits less than a quarter as much per capita program that stresses primary prevention, simple curative interventions, and very selective use of hospital services. A major challenge facing the Palestinian authorities will be to create an affordable, coherent, unified program of health care from these two systems.

3.185 About 10 percent of the GDP of the Occupied Territories is spent on health activities which is a large fraction by international standards. Capital costs for most health care programs in the past have been met largely from foreign grants and private donations. Therefore, the future Palestinian health care program will require well-disciplined initiatives if it is to be affordable.

Recent Developments in the Sector

3.186 The Civil Administration has not increased the total number of government hospital beds since taking over the government health service in 1967. It has, however, upgraded equipment at government hospitals and cooperated with donors in implementing new initiatives in such areas as immunization, maternal and child health care, and rehabilitative medicine. Charitable societies have invested substantial amounts in order to make state-of-the-art diagnostic technologies available. The most innovative health care programs have been initiated by popular committees, which have opened more than 200 primary care facilities since the beginning of the *Intifada*.

3.187 The Red Crescent Society and the Palestinian Health Council have prepared a Draft Health Plan for the Gaza Strip and West Bank. The Draft Plan identifies twenty-nine program areas in which health services might be improved. It proposes implementation of a four-level primary health care system supported by secondary and tertiary care hospitals. It adopts the World Health Organization's norms for staffing such facilities. The Draft Plan does not report estimates of the total investment cost for this program but concludes that recurrent costs for health care in the year 2002 would range between 8.3 and 11.2 percent of GDP, depending on the real rate of economic growth.

3.188 The consistency of the Draft Plan's proposed program expansion with projected resource requirements has not been assessed. In addition to critically evaluating the proposals contained in the Draft Plan, further work is needed to establish priorities and determine the appropriate spatial distribution of facilities.

3.189 An Interim Action Plan has been devised that reflects the broad intentions of the Draft Health Plan. The Action Plan envisages investment of US\$221 million (in 1993 prices and without allowances for contingencies or project management) over the next five years.

Long Term Objectives and Strategy

3.190 As noted earlier, a very large (and probably unsustainable) fraction of GDP is now being committed to the health sector. Therefore, future policies must focus on increasing the internal efficiency

of the health sector and on controlling the overall costs of health care rather than on expanding the system—particularly at the hospital level. Before major investments are undertaken, a formal assessment of the cost-effectiveness and sustainability of the activity should be carried out.

3.191 A debate over the sort of health care that the Palestinian community wants and needs has already been launched, but participation in that debate should be deepened and widened. As soon as a broad consensus on sectoral objectives can be achieved, regional health plans should be prepared to guide the location of major health facilities, such as hospitals, and the acquisition of costly technology. The Occupied Territories also need to develop an equitable and efficient mechanism for financing health care. A responsible central authority should be empowered to develop a coherent health policy and coordinate activities in the sector.

Short Term Objectives

3.192 The core objective of the Emergency Program in the health sector is to halt deterioration of the existing health care system while sectoral policies and operational decisions are being made. The collapse of financial assistance from regional governments following the Gulf War has endangered the operations of many charitable and private voluntary organizations. These financial difficulties have been compounded by a reduction in support from UNRWA for the purchase of care from voluntary hospitals and by a decline in private payments, particularly for hospital-based care. In order to ensure that staff continue to be paid and essential materials and drugs continue to be available, emergency support should be provided to the recurrent budgets of existing health care institutions. While the support should not be misinterpreted as endorsement of all of the activities of these institutions, until a serious review of the costs and benefits of controversial programs can be undertaken, health care facilities should not be allowed to deteriorate seriously.

3.193 The health sector's second priority is to rectify past neglect of maintenance in existing facilities. Because of the financial constraints that have afflicted both public and voluntary health care institutions, the maintenance of many health care facilities and equipment has been neglected. In order to halt deterioration and restore facilities to full effectiveness, immediate repairs should be undertaken. In addition, minor enhancements should be funded to enable health care institutions to use their staff, buildings, and equipment more fully in addressing priority health care needs.

3.194 The health sector's third priority is to reinforce, selectively, existing health programs. Particular attention should be paid to improving access to basic health care services in rural areas of the West Bank (particularly Hebron and Jenin districts), where recent studies have found pockets of high infant and child mortality. In addition, options should be reviewed for the management of health problems dealt with in the past primarily through referral to Israeli hospitals, including the treatment of serious burns and the management of cancers.

3.195 The health sector's fourth priority is to begin to harmonize the health services of the Civil Administration and UNRWA. Together these institutions will form the core of a future government health service, yet—as noted earlier—each operates under a different policy regime. In order to develop a unified public health care system, both administrative and clinical systems and procedures will have to be redefined.

3.196 The health sector's fifth priority is to develop a financial and regulatory framework. Work is under way to define a central health insurance scheme. This scheme should allow the present pluralistic, competitive health care system largely intact. The scheme should also ensure that all citizens have access to a basic package of essential health care. In addition, systems for the accreditation of professional staff and the certification of both equipment and drugs need to be established. Particular attention should be paid to controlling the introduction of technologies that have not been demonstrated to produce health benefits commensurate with their cost.

Program Description

3.197 The proposed Emergency Assistance Program in health responds to the most immediate needs of the Gaza Strip and West Bank, while preserving options for the newly constituted Palestinian authority to make important policy choices after it assumes power. This Program is largely consistent with the Draft National Health Plan and the Interim Action Plan prepared by the Red Crescent Society and the Palestinian Health Council. Activities were selected, however, with due attention to the likely burden each might place on the public recurrent budget. Such considerations led to the exclusion of major construction projects and expensive, high technology equipment from the first phase of the Emergency Program. (Decisions about these activities may be revisited after important policy decisions have been made.) The Emergency Program stresses support for recurrent expenditures, the maintenance of existing facilities, and preparation for the eventual assumption of responsibility for a fully integrated, national health care system built from programs now being operated by UNRWA and the Civil Administration.

3.198 In order to ensure that essential staff is retained and critical materials and drugs are kept available, support would be provided to the recurrent budgets of existing health care institutions. The total need for 1994 is estimated to be US\$18 million, of which about US\$14 million is needed to facilitate the continued operation of nongovernmental hospitals. Because of the drop in household incomes and the increased difficulty of reaching hospitals for people living in the Occupied Territories, these hospitals are suffering from a sharp decline in patient fees. US\$4 million is needed to support the recurrent budget of primary health care facilities. Supplements to the recurrent budgets of these institutions are likely to be required in 1995 and 1996 as well albeit on a declining basis. Most of these institutions maintain audited accounts and have undertaken serious cost-control programs over the past few years.

3.199 The restoration of about 50 health facilities and provision of related equipment is urgently needed. These subprojects have been identified from proposals submitted to the World Bank mission in October-November 1993. Additional needs are expected to be presented as the possibility of obtaining assistance becomes better known. Such investments are expected to cost a total of about US\$7.5 million. Twenty of the facilities that have been identified thus far are operated by the Civil Administration and 17 are managed by UNRWA. Seven are owned and operated by voluntary organizations. UNRWA and the Civil Administration are prepared to implement these subprojects for their respective subsectors. Several NGOs, including the Save the Children Federation, ANERA, and Catholic Relief Services are qualified and willing to implement subprojects in the nongovernmental sector.

3.200 The selective reinforcement of existing health facilities and programs is estimated to cost about US\$10 million. These funds would rehabilitate and upgrade approximately sixty-five primary health care centers at an average cost of about US\$150,000. A third of these facilities are located in the Gaza Strip. These subprojects would be implemented in 1994-1995.

Technical Assistance

3.201 Three technical assistance projects are included in the Emergency Program. The first would assist in the preparation of plans for transferring authority for health care from the Civil Administration and UNRWA to Palestinian authority. The task initially would require only the creation of a senior administration and corresponding administrative systems to replace the Civil Administration, but as responsibility for the UNRWA health care system is assumed by the Palestinian authorities, it will be necessary to harmonize diagnostic and treatment protocols, procurement methods for drugs and medical supplies, conventions for record-keeping, and personnel policies. Technical assistance could also help identify optimal ways of providing care for conditions formerly managed by Israeli tertiary hospitals. The estimated cost of the technical assistance projects needed to prepare these plans is US\$1.0 million. In order to smooth the eventual merger of the two administrative institutions, they should be initiated as soon as possible.

3.202 Technical assistance is further needed to help develop the policy and regulatory environment for the sector and to design systems and procedures for implementing these policies. The Gaza Strip and West Bank have already developed pluralistic health care systems. Many of the voluntary organizations provide high quality services, but competition among them has led to over-investment in and under-use of facilities. Some voluntary organizations have invested excessively in high technology equipment. In order to increase the affordability and quality of health care, these institutions need to be brought under the guidance of a central authority. This study would elaborate and evaluate options and assist government in drafting the rules, regulations, and procedures need to implement the options selected. This assistance is estimated to cost US\$0.75 million.

3.203 Arrangements for financing the health sector also need to be explored. A study of health insurance options has been prepared by international consultants. The proposals need to be evaluated. Policy issues posed by the recommended health insurance scheme also need to be analyzed and debated. In addition, mechanisms need to be elaborated for implementing a Palestinian health insurance scheme. This project would provide consulting services and financial support to the Palestinian health authority to help it to carry out this task. The total cost of this effort is estimated to be about US\$1.25 million.

Impact and Benefits

3.204 The activities outlined above are intended to provide emergency assistance to enable the Palestinian authorities to take responsibility for the health sector. The program would put more than 110 health facilities in sound operating condition and would produce the analyses required to make critical policy choices.

3.205 Improvements in the health care infrastructure would directly benefit about 150,000 people. A sound policy framework for the sector would not only contribute to the provision of essential health services to all Palestinians but would also help preserve the rich civil society, developed during the occupation, as a way for communities to deal effectively with their needs for social services.

3.206 **Costs.** The total program of Emergency Assistance to the health sector is expected to cost about US\$70 million. Substantial additional spending may be necessary depending on the outcome of on-going policy debates. If the entire program of investments being proposed under the Draft Health Plan were endorsed, further external assistance of US\$205 million would be needed.

3.207 Risks. In the absence of a clearly defined national health policy and health care financing mechanism, major investment and program design issues cannot be addressed at present. The Emergency Assistance Program, therefore, focuses on the development of this policy environment and on the maintenance of existing capacity to deliver care. Depending on the outcome of the policy debate, major investments in the sector may be required.

3.208 Next Steps. A thorough review of the needs of individual institutions for recurrent cost financing should be carried out and plans formulated to ensure their speedy recovery of financial viability. The list of facilities seeking assistance for rehabilitation and expansion should be vetted and detailed plans prepared for the work. Task forces should be appointed for the study of the merger of Civil Administration and UNRWA programs, preparation of a regulatory framework for private and voluntary providers of care, and the financing of health services.

Table 3.8 Health Program Costs Estimate
(US\$ million)

<i>Category</i>	<i>Year</i>			<i>Area</i>		<i>Total</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>Gaza Strip</i>	<i>West Bank</i>	
Rehabilitation of clinics and hospitals	6.0	4.3	3.0	3.6	9.7	13.3
Equipment	2.0	2.2	0	2.0	2.2	4.2
Recurrent costs (excl. UNRWA)	19.0	18.0	10.0	21.0	26.0	47.0
Total	27.0	24.5	14.0	25.6	36.9	64.5

Non-Governmental Organizations

3.209 Over the past quarter century, Palestinian society has developed a broad spectrum of institutions and organizations that operates educational systems, medical services, agricultural cooperatives, social welfare systems, research institutes, and legal assistance centers. Under the occupation, this infrastructure has been a diversified and responsive provider of services that were otherwise inadequate or nonexistent. Supported mainly by external financiers, Palestinian NGOs have been the main architects of this infrastructure.

3.210 The initial social and religious institutions in this sector originated when the area was under Jordanian, British Mandate, and even Ottoman jurisdiction. These institutions (particularly charitable societies), initially tended to be urban based with narrow social constituencies, usually recruited from the more privileged sectors of society. While the services they extended were highly valuable, their grass-roots reach tended to be limited.

3.211 Beginning in the late 1970s, popular-based social organizations began to emerge. Members of these new organizations tended to view their more established counterparts as socially conservative, politically passive, and increasingly out-of-touch. New popular committees directed their attention to the community and combined the provisions of services with an activist political message. In the initial period, most of these organizations recruited their practitioners from a broad spectrum of political sympathies.

3.212 The *Intifada* ignited an explosive growth in these popular committees. External funding for the Occupied Territories increased sharply following the *Intifada* and stimulated a proliferation of new NGOs in all fields of activity. The health sector captured international imagination and the lion's share of new funding. Broadly speaking, the rapid expansion of medical clinics related not only to obvious and urgent medical and health needs confronting the Palestinian population, it also reflected competition among the political factions for the stature, deference, international recognition, and supporters that stood behind the various popular health committees. The exponential growth in the number of NGOs (especially in the health sector) was accompanied by an accelerating sectarian rivalry and competition. Even NGOs that tried to separate themselves from these political tensions eventually found themselves engulfed in factional discourse.

3.213 In spite of these excesses, the period of Occupation and the *Intifada* have supplied Palestinian society with a multiplicity of voluntary organizations extending essential services. They also accustomed Palestinians to active and energetic participation in molding their own community institutions. NGOs embody local, private initiative coupled with community engagement.

Description

3.214 The current Palestinian NGO sector is large, uncoordinated, and fragmented. The estimated 1,000 NGOs can be roughly classified into three distinct groups:

- **The Unions of Charitable Societies** form the largest, and in many respects, the most established group. Its membership includes the Red Crescent Society, the University Graduate Union, and the Islamic Charitable Society. In total, some 318 different local societies are organized into four regional groupings. Ninety percent of the members are located on the West Bank. These NGOs combined have some 15,000 employees and a membership of 21,400 individuals. They organize numerous activities, including adult literacy classes, weaving and sewing courses for women, orphanages, physical rehabilitation centers, welfare programs, and kindergartens. They also run major nongovernmental hospitals and universities. It is organized under residual Jordanian or (in the case of Gaza) Egyptian law and thus have enjoyed legal status since 1968. They are required to have statutes, elected boards and officers, and annual audited financial statements.

The aggregate budget for the Unions of Charitable Societies is currently US\$61.5 million (mostly salaries), of which only some US\$19.5 million are covered by internally generated revenues, leaving some US\$42 million to be covered from other sources. Historically, the Societies have received major funding from Jordan, other Arab countries, and the PLO. Jordanian contributions fell drastically after 1988, when it

relinquished its claims to jurisdiction over the West Bank.^{14/} Assistance from other Arab countries, and more recently from the PLO, has almost vanished. The Societies' aggregate current deficit could be on the order of 50 percent of their annual budgets.

- The *Zakat* Committees operate under the jurisdiction and partial coordination of the Islamic trusts, or *Waqf*. Operating under Islamic law, *Waqf* property is held in perpetuity, with its income reserved for specified groups of persons or for charitable purposes. In the case of the *Zakat* Committees, members (under *Waqf* supervision) collect, administer, and audit funds collected from the local community and other sources in order to provide a range of welfare and health services to the community.

In general, *Zakat* committees are regarded as relatively efficient organizations and financially much more self-reliant than other NGO sectors. ANERA estimates the annual budget of these committees at about US\$9 million, of which over 90 percent is disbursed on the West Bank. *Zakat* committees should not be confused with the many underground welfare organizations established by militant Islamic groups, although to a certain extent, membership overlaps. Unlike the *Zakat* committees, these latter groups emerged only in the late 1980s, particularly in Gaza. The effective, nonpartisan manner in which they extend needed welfare services appears to provide them with increasing respect and influence.

- The "Popular Sector" is the most recent part of the NGO sector. Most of its groups originated after 1987 as a host of committees and groups covering the full spectrum of social activities. Provision of health services has received particular attention, arguably to the detriment of other needed services and activities.

3.215 While the NGO sector as a whole can be considered the alternative infrastructure of Palestinian society under Occupation, the Popular Sector has operated as the alternative, grass-roots social infrastructure of the *Intifada*. Its members tend to be younger, more innovative, and more aggressive with regard to international financing than those of the other two NGO subsectors. Until recently, its committees were unregistered and consequently operated without any form of regulation. While some of the Popular Sector groups have operated with high and impressive standards of professionalism, others have mainly been political recruiting grounds and show-cases for their political sponsors. Many popular NGOs have now registered as nonprofit organizations. Most of their finance has come from Europe, notably the Nordic countries, and Canada.

Funding of the NGO Sector

3.216 Funding of the Palestinian NGO sector^{15/} currently flows through a multitude of channels and in vastly disparate amounts. Some NGOs (perhaps the majority) receive external contributions limited to only a few thousand dollars annually. Others depend on contributions of hundreds of thousands monthly. Whatever the sums, the Palestinian NGO sector is highly dependent on external financing.

14/ The Jordanian contribution in 1993 is estimated at only JD 340,000.

15/ All of the figures cited here are approximations only and should be treated with caution.

Very few finance a significant portion of their activities from internally generated revenues. A reliable overview of the current financial situation is impossible to obtain, among other reasons, because no published figures exist concerning funding from Arab governments or Islamic institutions. This funding has been estimated to have once been in the range of US\$30 to 100 million annually in the past, although current contributions have dropped to only a small fraction of this figure since the Gulf war.

3.217 The UNDP estimates that the overall flow of recorded external assistance to the Occupied Territories in 1992 was on the order of US\$174 million.^{16/} This figure includes support for UNRWA's recurrent expenses of US\$98 million and capital expenditures of US\$11 million. If all funding to UNRWA were excluded from these flows, UNDP figures would suggest that in 1992 some US\$65 million was channeled into the Occupied Territories of which US\$43 million came from bilateral (mainly Western) donors and US\$22 million from multilateral ones.^{17/} ANERA estimates that the "popular NGO sector" of approximately 200 committees and institutes of various sorts received some US\$15-18 million of the total flow. It must be stressed that these figures probably significantly underestimate the extent of the Palestinian NGO sector's reliance on external assistance. Not only are contributions from Arab and Islamic sources absent in these calculations, but the substantial funding previously provided by the PLO is also largely missing.

3.218 **Channels of funding.** International assistance to Palestinian NGOs has taken diverse—sometimes highly obscure—forms, including the deposit of substantial funds into Israeli bank personal dollar accounts of resident Palestinians with foreign citizenship. In addition to disbursements to multilateral channels such as UNRWA, however, most recorded bilateral disbursements have been directly made to local NGOs. Some countries have channelled funds to local NGOs through their own national voluntary organizations. To a large extent, it has been foreign NGOs rather than national governments who have been entrusted with selecting Palestinian partners, identifying projects, monitoring them, auditing accounts and evaluating results. Hundreds of foreign NGOs are involved. The competence of these NGOs (like that of their Palestinian counterparts) has been rather mixed. Regardless of the degree of competence, however, proper auditing and accountability have been problematic, particularly in the Popular NGO sector.

3.219 **Sectoral distribution of assistance.** The overwhelming majority of disbursements have gone to social service activities in health, education, and humanitarian assistance. If funding to UNRWA is included, these activities in 1992 absorbed some 85 percent of total recorded disbursements. If UNRWA figures are excluded, 60 percent of the remaining flow was directed to social service activities. Health services receive more external funding than any other single sector, with approximately half of all European assistance to the Occupied Territories in 1991-92 going to health-related programs. The numbers of Palestinian NGOs operating in the health sector is both a cause and a result of this fact. Education, the second largest recipient of external assistance, absorbed at least US\$15 million in 1992.

16/ UNDP. 1993. *Compendium of External Assistance to the Occupied Palestinian Territories*, Jerusalem.

17/ The total contribution from Western Europe during this period was approximately US\$30 million. NENGOOD, 1992. *Directory of European Governmental Support to the Occupied Palestinian Territories*. Jerusalem: Occupied Territories.

3.220 Unfortunately, assistance to the critical areas of social infrastructure aimed at women and youth and, most notably, to economic development (such as agriculture, industry, and job creation), have remained a relatively low priority for the donor community. In fact external recorded investment in the economic sector represented only 5 percent of total disbursements.^{18/}

3.221 **Regional distribution of assistance.** Because of UNRWA's large recurrent costs, external assistance appears to be focused on Gaza. If UNRWA is excluded from the equations, however, a more complicated picture emerges. According to UNDP figures, some 42 percent of non-UNRWA funding in 1992 was targeted to Gaza and 58 percent to the West Bank.

3.222 If one objective is to reach the more vulnerable groups within Palestinian society, and particularly the refugees in Gaza, this might appear as an equitable regional distribution of funding. Of the more than 1,000 estimated Palestinian NGOs, however, only about 100 are located in the Gaza Strip. The majority of the better-financed NGOs are headquartered in relatively affluent areas outside Gaza, and in Gaza, there is widespread rancor at what is perceived to be preferential treatment accorded to the West Bank. If the largest NGO sector, the Union of Charitable Societies, is examined, the same pattern of regional concentration is revealed. The allocation of the Societies' employees clearly reflects the allocation of its activities, and of the 15,000 individuals employed by the Charitable Societies, only some 800 are employed in Gaza. Within the West Bank itself, the poorer Hebron has less than half as many the charitable societies as the more prosperous, Nablus area of the West Bank.

3.223 No direct correspondence between the geographical distribution of NGOs and geographical disbursements of external funding is being suggested. Nevertheless there seems to be a marked tendency among many NGOs to concentrate funding on relatively well-endowed sectors (such as health) and on Palestinians who already have the best access to services—a pattern that exacerbates sectoral and regional disparities.

Palestinian NGOs during the Interim Period

3.224 Despite past problems—the competitive duplication of services, the importation of inappropriate and at times harmful technologies, the diversion of funds and the subordination of professional standards for political advantage—the rich and varied Palestinian NGO sector is an immensely valuable resource. The maintenance of the diversity of this sector, together with its diversity, should be regarded as a high priority. Palestinian NGOs provide a wide variety of basic social services to large portions of Palestinian society, literacy classes, agricultural cooperatives, vocational training, credit associations, sports clubs, housing councils, cultural activities, child care and health services. It would take considerable time before the newly emerging, still fragile Palestinian public institutions could supplant the services extended by the NGO sector. It will also require a long and considered policy discussion as to whether such an eventuality would be desirable.

3.225 The current structure of the NGO sector reflects the conditions under which it evolved. The exigencies of the *Intifada* fashioned the types of activities that received priority from NGOs and donors alike. But as political authority is changing, so are the priorities of Palestinian society. NGOs should be challenged to align their activities with the requirements of emerging realities. Issues such as the enrichment of social life for youth, the enhancement of the social and economic status of women, the

18/ UNDP. 1993. *Compendium of External Assistance*. Jerusalem.

environment, human rights, and economic development should receive much more attention than they have hitherto. In this context, the exceedingly valuable work done by the various women's committees should be mentioned. These groups have succeeded in forming a single umbrella organization and, therefore, have the functioning cooperative structure that is lacking in many other areas. Moreover, their activities on the community level have made a special contribution to the more vulnerable, often neglected groups. They deserve more attention and support from international financiers.

The Legal and Regulatory Framework for Future Assistance

3.226 In many Middle Eastern countries, NGOs are integrated into the relevant government ministry, which funds them and exercises dominant control. The cost of this arrangement is usually loss of independence and the inability to safeguard the expression of a plurality of views. It would be regrettable if such a model were selected for regulating the Palestinian NGO sector. To maintain NGO independence while bringing the sector under regulation by the statutory framework, a system of independent funding, economic accountability, transparency (both financial and in NGO activities), and professional standards of performance needs to be developed. This system must also be simple, easy to understand, and readily applicable.

3.227 All NGOs that receive external funding (either Palestinian or foreign) or are employers should be officially registered. The documents required for registration would include a list of executive board members, NGO officers, and the statutes of the NGO. For all NGO activities that involve specialized professional interventions, a minimal list of professional standards and specifications would be drawn up by PEC DAR and adhered to for all NGO-related activities.

3.228 The Funding Framework. All registered NGOs would be free, without prior approval, to submit applications for funding for their ongoing programs, either to Palestinian authorities or to international agencies. Concerning funds assigned from international agencies under the Emergency Assistance Program, either PEC DAR could serve as the intermediary receiver of funds or the NGOs could inform PEC DAR about direct fund transfers. Final arrangements need to be agreed upon. Whatever is agreed, all NGOs should be required to submit a full statement of accounts for inspection by independent public or private auditors acceptable to the funding agency. It is proposed that any shortfalls that cannot be satisfactorily accounted for would, pending the process, become the personal liability of the executive board members of the relevant NGO.

3.229 The Role of the International Community. While many international agencies have operated at high levels of professionalism in the Occupied Territories, others have not adhered to the same standards. Some have been motivated primarily by political concerns, some have failed to expend sufficient effort to assess the community's real needs, contributing to duplication of effort and the construction of ill-suited facilities. By using non-professional considerations in the selection of staff and of NGOs, international agencies have exacerbated the factionalism that has increasingly become destructive in the NGO sector. While neither the NGOs nor the international agencies who fund them have been able to coordinate their actions in the past, continuation of this state of affairs under the present and future conditions—when much larger sums of money are involved—would be disastrous. With long-term sustainability of key importance, future projects should be carefully screened particularly carefully for the capability of the institutions involved to carry recurrent costs.

3.230 Youth and Women Development. An urgent priority during the Emergency Program is to re-establish normal personal and community life and, most importantly, to reintegrate youth into an orderly society. The generation of youth who reached adolescence during the *Intifada* bypassed many normal developmental experiences in their transition to adulthood. Programs are now needed to help these youth acquire a capacity for participation and leadership in formal and informal community groups. A program of summer activities (including competitive sports, community service, and crafts) is being planned to facilitate the resumption of normal life and to strengthen social and organizational skills.

3.231 The *Intifada* has also profoundly affected the roles and opportunities available to women. On many women, it forced greater responsibility and more public roles, and contributed to the development of new service opportunities. As Palestinians resume a more normal life, women are likely to return to more traditional roles and responsibilities. By creating new options for female service and leadership, the place of women in the society can be improved and solidified. A pilot program for Youth and Women Development, estimated to cost US\$15 million and focussing on Gaza, is being proposed for the 3-year Emergency Program.

Private Sector Development

3.232 This report focuses on activities and investments normally undertaken by public sectors, but it is clear that the private sector would have to play a critical role in the overall development of the Occupied Territories. Public sector investment alone is not sufficient to boost economic growth beyond the short term; without the development of the private sector, any economic growth stimulated by the public sector-led Emergency Assistance Program activities would, in all likelihood, prove unsustainable. Because of eventual public financing constraints and limited public administrative and institutional capacity, a development strategy based upon strong development of the private sector is most appropriate for a self-governing Palestinian authority.

3.233 The private sector now plays the central role in the production and distribution of goods and services in the Occupied Territories and would, in the future, continue to dominate agriculture, manufacturing, construction, housing, commerce, tourism, and other service sector activities. To assist private sector development, there are certain themes and basic guidelines for government policymakers. Analysis of private sector development elsewhere suggests that authorities should seek to establish an enabling overall policy—conducive to both domestic and foreign investment—that promotes private sector activity, and an efficient financial system to support private sector development.

Establishment of an Overall Enabling Policy Environment

3.234 The existence of an overall enabling policy environment conducive to private sector development is dependent, first and foremost, upon macroeconomic stability. The macroeconomic policy environment currently existing in the Occupied Territories is defined through their economic relationship with Israel. With monetary and trade arrangements still to be negotiated, self-governing Palestinians will need to make macroeconomic stability their key policy objective.

3.235 Private sector development also requires a legal framework, property rights that are respected, contracts that are enforced, rules that are transparent, and an impartial arbitrator for contract disputes. Bankruptcy procedures and rules must be clear, and also laws to protect the private sector from capricious

acts, or seizure, on the part of the state. An adequate legal system and regulatory framework is therefore essential to business. In the case of the Occupied Territories, the occupation has imposed special difficulties that need to be addressed immediately by the Palestinian self-governing authority to foster development of the private sector.

3.236 The microeconomic policy environment includes domestic regulations and policies affecting goods prices (such as price controls, trade policies, and other government interventions that could lead to market and price distortions), policies and regulations affecting the prices and functioning of factor markets (such as labor legislation or interest rate controls), competition policies (including controls over market entry and exit), and tax policies and administration. A tolerant public attitude toward private profit-making also helps private sector development.

3.237 The policy framework is also needed for direct foreign investment. Harnessing the financial and human resource potential of the Palestinian diaspora could prove of major importance to the Occupied Territories' economy. In addition to bringing in much-needed capital, foreign direct investment in the Occupied Territories could contribute up-to-date technology, management know-how, and access to world markets. Success in promoting and encouraging direct foreign investment for the Occupied Territories would require, however, good prospects for political stability and peace and the Policy, regulatory, and judicial elements mentioned above. To promote private enterprise from the grass roots up, government should concentrate on upgrading the human resource-base and on making information and services (such as standards testing) readily available through a wide range of market-supporting institutions. It could also open up to private sector the provision of public services such as water supply, road maintenance, health care, and education.

Development of an Efficient Financial System

3.238 Financial systems are essential for mobilizing savings, managing risk, allocating resources from savers to investors, and facilitating financial transactions. A well-functioning financial sector is therefore central to expanding investment in and enhancing the productivity of the private sector. Growing evidence from empirical multicountry studies links financial sector development and economic growth to improvements in economic efficiency. Evidence further suggests that the level of financial development is a predictor of future economic growth and efficiency advances. By motivating the return of flight capital, financial sector development also eases constraints on private investment.

3.239 The development of the financial system in the Occupied Territories is presently considerably less than one would predict, given economic indicators for comparable economies. Currently, the Occupied Territories are served by only two banks—the Bank of Palestine in Gaza and the Cairo-Amman Bank in the West Bank. There are also branches of Israeli banks, used primarily by Israeli settlers, in these areas. This situation will surely change as new Palestinian banks are formed and foreign banks open branches and subsidiaries in the Occupied Territories.

3.240 In addition to a paucity of banking institutions to handle normal banking transactions, there is also a scarcity of financial intermediation to facilitate the transformation of short-term savings into long-term loans to the private sector. The establishment of a supportive institutional setting to allow such intermediation will take time to develop, and banks cannot be expected to finance long-term investment until long-term financial instruments become available.

3.241 Donors, however, have recently earmarked loans for the private sector and could earmark more resources for this purpose in the future. Currently, these funds are intermediated by a large number of institutions created specially to handle them. While there are exceptions, these institutions lack the professionalism needed to carry out lending operations and suffer from low rates of collection. Their staffs appear to operate as grant dispensers rather than financial intermediaries. Clearly, a more efficient approach is required for the future.

3.242 A strategy to develop an efficient financial sector would be to enact needed legal environment and regulation inside and outside the banking system, favoring growth of a sound commercial banking system. Over time, institutions could be built to provide sufficient risk-sharing mechanisms in the local economy and to increase the domestic long-term savings. The creation of a Development Bank is proposed as a provisional mechanism to allow for the channelling of external loans of longer maturity to the private sector in a way that would support the emergence of a sustainable domestic financial system in the future.

3.243 The two non-Israeli banks operating in the Occupied Territories do so under two different legal frameworks—the Bank of Palestine in Gaza was licensed under Israeli legislation, while the Cairo-Amman Bank in the West Bank was licensed under Jordanian law and updated by an Israeli decree to conform to the latest developments in Jordan. This introduces a double standard in the functioning of the Palestinian banks and complicates their supervision. The procedures now being used by Israeli and Jordanian Central Banks are common all over the world for the operation of branches. In most parts of the world, however, foreign branches represent a small part of the banking system. In the Occupied Territories, they would represent a very large part of it. While these arrangements may help accelerate the establishment of banks in the Occupied Territories, they should be seen as temporary.

3.244 In the future, banks throughout the Occupied Territories should operate under a single law and be supervised under a single set of regulations. Regulation and supervision could be unified under a Palestinian Banking Authority. Initially, the system would necessarily rely heavily on bank inspections carried out by examiners from neighboring countries. It should, however, immediately hire Palestinians to begin intensive training on the job and in special courses. These courses, taught by experienced supervisors, could be taken both abroad and inside the Occupied Territories. Training should include extended visits to supervising agencies abroad. In the case of foreign banks, the new Banking Authority should encourage the creation of full subsidiaries capitalized inside the Occupied Territories and licensed as Palestinian banks. In the case of subsidiaries, home country authorities should guarantee their capital. Also desirable is the creation of joint ventures between foreign banks and domestic investors.

3.245 The creation of a Development Bank is mentioned in the Declaration of Principles as a means to provide long-term lending for investment. There are also strong arguments for the creation of a long-term credit facility to meet the immediate needs of such credit in the Occupied Territories, and several proposals are currently being discussed on how to create such an institution. To design a long-term credit facility, it must be decided whether it should lend at subsidized interest rates and direct its credit toward preferred activities and whether it should be a retail or a wholesale institution.

3.246 Interest Subsidies. Many proposals presented for the establishment of a Development Bank argue that in an environment where entrepreneurs have been reluctant to invest for many years, subsidization is needed to promote investment. However, in light of international experience in these matters, there are important reasons why the Occupied Territories should avoid heavily subsidized credit:

- The presence of subsidized credit prevents the emergence of market-based instruments and institutions to provide investment credit on a sustainable basis.

- Subsidized interest rates tax domestic savings by artificially lowering the cost of capital. This reduces incentives for self-financing of investment, because agents with capital that could be invested in the economy can borrow instead and meet their capital needs at subsidized rates.
- Subsidized interest rates promote the adoption of capital-intensive technologies, artificially reducing demand for labor. This hurts the poor and reduces the competitiveness of the economy, which does not then benefit from its true comparative advantage. Lower-than-market interest rates create a situation of excess demand for subsidized credit. To equilibrate demand and supply, subsidized credit has to be rationed, which opens the door for corruption and biases competition in favor of a few fortunate enterprises. Credit subsidy encourages excessive risk-taking, because the subsidies conveyed through interest rates are higher the higher the debt. This encourages the creation of excessively leveraged companies. By artificially increasing the risk to the banking system, it can lead to a contraction of credit elsewhere in the economy (especially for smaller and medium size firms).
- Interest-rate subsidies are regressive, with big enterprises benefitting more from them than smaller ones, for the simple reason that they have more scope to borrow. This would be particularly perverse in the Occupied Territories, where the rapid creation of enterprises is needed to diversify the economy, and given the fact that new enterprises generally start small.

3.247 In sum, if the public sector wants to provide subsidies for investment, interest rates are not the appropriate vehicle and directed credit should also be avoided. The Development Bank should lend at market-interest rates under market terms of contracting and repayment.

3.248 The Palestinian Development Bank. There are two main ways in which a long-term credit facility can be created. One is through a retail institution that lends directly to enterprises. This is the standard model of a Development Bank. The other is an apex, or second-tier, wholesale institution, which lends to the public through commercial banks and other retail agencies.

3.249 The retail alternative. Most of the Development Banks created during the 1960s and 1970s were Government-owned institutions, borrowing from bilateral and multilateral aid agencies and lending directly to investors. Experience with this kind of institution, however, has been disappointing. Existence of a retail Development Bank prevents the emergence of a healthy, competitive, diversified financial system. Financial intermediaries are rightly reluctant to compete with development banks and therefore tend to abandon markets where they operate. Retail, long-term development institutions generally suffer from insufficient knowledge of market conditions and personalities. One of the key elements in a good credit decision is knowledge of the customer. Institutions working only with long-term credit are exposed to their customers only when they are planning a major long-term investment—which tends to happen infrequently. In the process of long-term lending, an intimate connection with commercial banks, which work daily with their customers and therefore know them well, is essential.

3.250 Being owned by the Government, development banks are subject to political influence in their credit and staffing decisions. Over time, portfolio quality deteriorates, generating heavy losses with detrimental developmental impact. To reduce such problems, a Development Bank's loans, to the extent possible, must be subject to a market test.

3.251 The wholesale alternative. Apex (or wholesale) institutions tend to have the same internal problems (political influence, a culture with principles different from those of the market, lack of incentive to allocate resources in the most efficient way and to collect loans) as retail ones. The advantages stem, rather, from the market test of having to lend through private retail banks. Since the apex institution cannot lend directly, it can only react to the demands coming from the market through an intermediary institution. As long as the intermediary—or first tier—institution reacts to market incentives, the process of lending is subject to the discipline of the market regardless of the ownership of the apex institution.

3.252 Suggested principles for the operation of the proposed Development Bank:

- The Development Bank should be an apex institution. It should give top priority to keeping its capital intact, and furthermore, to increasing it through the years at a rate higher than the rate of inflation. Commercial risk should be with the first-tier intermediaries, so that, if a final borrower does not repay, the first-tier intermediary would take the loss.
- The Development Bank should qualify first tier intermediaries on the basis of financial strength and good performance. The criteria used to qualify institutions should be publicly known and adhered to without exception. The apex institution should be under the supervision of the proposed Palestinian Banking Authority.
- The Bank would lend at market interest rates determined by an agreed indicator in the relevant currency that would adjust according to changes in market conditions. Lending at market rates should be the rule, without exceptions. If the Development Bank gets loans at concessional rates, the extra profits would go to enlarge its capital.
- The Development Bank would not make long-term loans on the basis of short-term resources but would operate instead in the medium- to long-term markets depending on the maturity of the loans obtained. The allocation of its resources should be determined by demand from the market.^{19/}

Proposed Support

3.253 Under the Emergency Assistance Program, while private sector activities in housing, telecommunications, and agriculture would receive support through the proposed Development Bank, the need for support to the private sector far exceeds investments suggested. Total investment support to the private sector is estimated at US\$300 million over three years, US\$80 million for housing, US\$100 million for telecommunications, and US\$20 million for agriculture. Financial resources of the Development Bank would be supported through direct contributions by donors or by guarantees for specific bond issues floated by the Bank.

^{19/} This could pose a problem with some bilateral or multilateral institutions, which might insist that their funds be used for specific sectors. Taking money on these terms would be detrimental for the performance of the institution, which could find itself paying interest or fees on funds that have no demand. In these cases, the Development Bank might volunteer to manage the funds as an agency—that is, without borrowing them but charging for their management, allocation, and collection.

3.254 Technical Assistance. To support the development of the private sector in the emerging Palestinian self-governing authority, a number of technical assistance activities are envisaged. They cover many of the areas mentioned above and would consist of studies, training, and institution building. For example, an in-depth study is needed before a definitive structure for the proposed Development Bank—including the way it should treat foreign exchange risk and define lending rates to reflect market forces—can be recommended.

Agriculture

3.255 On average, in fiscal 1991, the agricultural sector accounted for some 28 percent of GDP in the West Bank and 26 percent in Gaza. The sectoral share of GDP and sectoral employment levels are high given the level of national income. Although the sector was successful in targeting export markets in the 1970s, exports have declined considerably since then, while production has kept growing. Production growth has continued despite restrictions on internal distribution, limited access to natural resources, modest and declining levels of private and public investment, and little new technology. The Occupied Territories' regulatory framework and institutional support services have not been conducive to sector development. The paradox of growing production in a highly constrained environment can only be explained by the counterbalancing effect of distortions in the labor markets, such as limited opportunities in the rest of the economy and growing unrecorded exports to Israel.

3.256 NGOs currently perform a dual function: providing public sector services and supporting private sector operations. Most agricultural investment is currently handled by NGOs and the farmers themselves. NGOs have become the preferred vehicle of implementation for both foreign and locally financed programs. However, this way of development financing in an uncertain, changing, and inconsistently applied policy environment has resulted in a patchwork of activities with variable objectives—some of which lie outside the purview of agricultural development altogether. Considerable overlap exists between programs and few programs are area-wide. Some projects—exploiting the current ambiguity concerning the roles of the public sector and NGOs—mix public and private components. Other projects are not sustainable without subsidy (some of it directly to private farmers). Still, others involve NGOs in the agroindustry or in production activities that should be private as a matter of principle.

Issues and Strategy

3.257 The current policy framework is not sustainable. The recently signed Declaration of Principles, while providing an impetus to normalization of sectoral performance in the longer term, will in the short term create additional policy uncertainty. The agriculture sector is not one of the five areas of early empowerment in the Declaration of Principles, and the timing of the transfer of authority in the West Bank is still the subject of negotiations. It appears likely that several key policy issues will remain unaddressed, or only partly addressed, for some time. These include the improvement of internal transport and external market access, the improvement of production technology (with better agricultural support services and greater access to research), the adjustment of policies and institutions regulating access to natural resources, food quality and safety aspects.

3.258 The second key issue is the weak performance of the public sector, and the multiple and overlapping roles of the NGOs. Uncertainty over the exact timing of the transfer of authority can cause gaps in regulation and poses further problems for those designing future institutional functions. With the transition to Palestinian authority in Gaza and Jericho scheduled ahead of that for the West Bank, for example, many issues may have to be addressed sequentially and solutions be area-specific. Determining and establishing the future functions of public authorities in the sector and redefining the role of the NGOs will be key elements of success of future sector performance.

3.259 The example of the effect on water management in Gaza is illustrative. Early indications are that, in Gaza, Civil Administration control over water use has already been substantially reduced, while Palestinian water management institutions and policies have yet to be prepared and established. In an area in which continuing resource management is essential, the resulting regulatory vacuum has led to a rapid increase in the number of unlicensed irrigation pumps. Excessive exploitation of the aquifers in an area restricted during the occupation now threatens Gaza's water resources. Given the limited sustainable yield and overexploited state of the aquifers even before this expansion, the uncontrolled exploitation currently taking place will soon seriously affect the quality of water available for domestic and agricultural use, with potentially catastrophic implications. Controlling water use in Gaza, therefore, should receive top priority.

3.260 During the three-year Program period, the overall agricultural sector objective would be to define and strengthen essential public functions, seek agreement with Israel on key issues related to transport, marketing and access to natural resources to lay the basis for long-term policy and regulatory reform while maintaining essential public services currently provided by NGOs. Aspects of environmental management that are within Palestinian authority should also be vigorously pursued. Structural adjustment of private sector production should follow establishment of new sector policies.

3.261 With the agricultural sector facing a crisis in marketing traditional products and the increasingly acute water constraints in Gaza, initial steps to advancing the policy dialogue on access to markets and natural resources should have high priority. Meanwhile, investment support is suggested for specific infrastructural works essential to agriculture—rural roads, rehabilitation of public wells—that have lacked sufficient investment in the past. Labor-intensive environmental investments—which benefit large segments of the rural population—are also high priority. While structural adjustment of production should be pursued by the private sector, to assure the continuation of essential agricultural support services and address existing imbalances in these services, budget support to NGOs would be provided in such area as extension, training, product quality, animal health, and product safety. Specific extension activities and regulatory measures to be reviewed by the PEPA would be supported to sensitize farmers regarding excessive use of pesticides. The definition of the role of the public sector, strengthening of the performance of newly created institutions, the analysis of sector issues and the design of new sector policies would be supported under the Technical Assistance Program.

3.262 As long as the institutional and policy picture remains uncertain, large-scale investment in the private or NGO sector should be approached with caution. Until basic rules concerning market access, taxes, the local regulatory regime, land, and water have become clearer, support for such investment—with the exception of rehabilitation of wells in the West Bank—should remain limited. Even during the Emergency Program, investment in productive activities should, in principle, be left to private investors and the past practice of supporting and subsidizing farmers through semipublic schemes funded by external donors be discouraged. Too often in the past, private investment has reflected the political and regulatory framework rather than sound financial principles. New ventures need to be carefully

reviewed, particularly where expensive land reclamation and olive grove expansion is proposed. Sound private sector investment, however, should be encouraged under the Emergency Program with the proposed Palestinian Development Bank extending credit for valid private agricultural investment.

3.263 In the longer term (five years or more) the agricultural sector should focus on enhancing those agricultural areas with competitive potential through:

- Efficient handling of such public sector functions as policy, regulatory control, natural resource management, agricultural support services (education, extension, applied research, coordination of research, data collection), and market promotion (through public and private institutions).
- Development of a policy framework that improves access to markets and internal movement of product, reduces regulatory constraints, regulates and improves access to natural resources, and encourages structural changes in production patterns.
- Expanding and maintaining essential infrastructure.
- Strengthening financial-system support for private investment in the sector.

3.264 Restructuring of the institutional framework should seek to retain a plurality of services while preventing the overlap of functions. Changes in the sectoral production pattern, and in the functions and structure of public institutions, should be carefully scheduled to avoid excessive shocks in production or employment.

Program Description

3.265 General. The three-year Emergency Program proposed supports infrastructure investment (including construction of rural roads, refurbishment of public wells, and investment in such environmental activities as erosion control) institutional strengthening (including strengthening of agricultural support services such as agricultural education, training and extension, training programs for rural women, improvement of food safety, animal health, and management of pesticide use) and support for private sector activities. With institutional development and policy formulation of overriding importance, a sector policy study to identify and analyze institutional and policy alternatives should receive top priority.

3.266 Investment Program. This program supports investments in essential public infrastructure and institutions.

- The rural roads construction program would be executed mainly by NGOs which have been effective in the past building rural roads. About US\$8.0 million would be allocated to this activity.
- Refurbishment of existing, publicly-owned wells (provided licenses have been issued for such work) should be supported under the Program. It is estimated that about fifteen public wells (three in the Jericho area) could be refurbished over the next three years, at

a total cost of US\$8.5 million. Technical assistance is helping to prepare detailed designs and implementation arrangements for these wells.

- Investments in the area of improvement of the environment (such as erosion control through forestry development, land reclamation, and measures to enhance water infiltration) would be supported at a total cost of US\$5 million.
- Investment in public sector support functions and strengthening of public sector food safety regulation and enforcement (US\$5.0 million). The design of this component would be based on the recommendations of the proposed sector policy and institutional study.

3.267 Private Sector. Future private sector performance requires investment to restructure production in order to enhance efficient resource use and focus on new markets and products. Support through the proposed Palestinian Development Bank would also aim at on-farm and agro-industry investments. In addition, reconstruction and refurbishment of existing private wells on the West Bank (provided permits and licenses have been obtained) would be supported in principle, provided adequate financing and cost recovery arrangements were determined. These cost-recovery arrangements should take into account that during the past twenty-five years many private owners of wells were unable to perform refurbishment and repair and that many wells (although privately owned, usually by traditional groups of farmers) perform a public function. If adequate cost-recovery arrangements can be put in place for these private wells, US\$5.0 million would be allocated for their repair and refurbishment. For Gaza, no public support for well rehabilitation is recommended as long as the existing break-down of water management measures continues. Assistance for well rehabilitation may be contemplated once a sustainable water management program has been put in place by the Palestinian public sector.

3.268 Institutions. Support for the sector program should generally be directed through existing channels. However, support to strengthen future public sector functions in agriculture would be directed at the future Palestinian agriculture department and PEPA (US\$5.0 million). Direct budgetary support is suggested for ongoing and new agricultural training programs executed by NGOs (US\$2.0 million); for the joint program linking the agricultural faculties of Heron, An-Najah, and Gaza universities (US\$1.5 million); and for continuing NGO activities in the fields of training (regarding fertilizer and pesticide use) and animal health (US\$1.5 million).

3.269 With the structure of agricultural extension still under discussion, only current levels of extension would be supported. Further expansion of NGO programs should await results of the agricultural policy study recommended as part of the Technical Assistance program. Given the important role of women in agriculture, however, strong support and an expansion of training programs directed at women is suggested, as is support that enables women to strengthen their economic role in agriculture production, processing, and marketing activities, and those related to home economics and nutrition. Applied research should be supported primarily during the second half of the Program, once a policy framework and research priorities are in place.

3.270 Level of Preparation. Actual investment projects received cover only a small part of the proposed sectoral investment program, reflecting the difficulty of obtaining proposals from most agencies involved in the sector in a timely fashion. For a considerable portion of the proposals received, furthermore, it is uncertain how far design studies have progressed or whether background documentation and procurement documents are available. Most need additional design work. Most proposed projects,

involve relatively simple civil works, for which construction could generally be executed by local contractors or institutions.

3.271 Risks. The main risk to the program is delay in the establishment of a public institutional and policy framework or in bilateral trade negotiations—either of which could delay structural adjustment of the agricultural sector. Program funds for NGO activities could also be misdirected to activities that either have low priority or that belong in the private sector. To help prevent this, a sector policy and institutional study should be completed and its recommendations implemented as quickly as possible.

Table 3.9 Agriculture Program Costs Estimate
(US\$ million)

<i>Category</i>	<i>Year</i>			<i>Area</i>		<i>Total</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>Gaza</i>	<i>WB</i>	
Rural roads	2.0	3.0	3.0	1.0	7.0	8.0
Public Well Refurbishing	2.5	3.5	2.5		8.5	8.5
Environmental Investment	.5	2.0	2.5	0.5	4.5	5.0
Institution strengthening	1.0	2.0	3.0	2.0	3.0	5.0
Total	6.0	10.5	11.0	3.5	23.0	26.5

Memorandum Items (Included in NGO and Private Sector components of main program)

<i>Category</i>	<i>Year</i>			<i>Area</i>		<i>Total</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>Gaza</i>	<i>WB</i>	
Vocational training		1.0	1.0	1.0	1.0	2.0
Agricultural faculties	.5	.5	.5	.5	1.0	1.5
Food safety, quality	.5	.5	.5	.5	1.0	1.5
Total NGOs	1.0	2.0	2.0	2.0	3.0	5.0

Private wells	--	2.0	3.0	--	5.0	5.0
Other Private Investment	1.0	5.0	9.0	5.0	10.0	15.0
Total Private	1.0	7.0	12.0	5.0	15.0	20.0

Environment, Cultural Resources and Tourism

3.272 Successful economic recovery of the Occupied Territories would require the effective integration of environmental, cultural resources, and tourism management into the development process. In January 1994, the Palestinian Environmental Protection Authority (PEPA) was established. Currently, there is no formal Palestinian structure for management of cultural resources—including archaeological and historical sites and significant vernacular architecture. Local organizations concerned with these issues to date have been universities, research institutes, and NGOs. The Higher Council for the Arab Tourist Industry, founded in 1992, channels private sector support for tourism.

Issues and Strategy

3.273 Available personnel with specialized expertise in these three areas are limited in number. They generally have a high level of academic training however, and most have experience as academic administrators and consultants. In the last several years, foreign support has been provided for small-scale capacity building, applied research, and environmental education projects by Palestinian environmental and cultural resource organizations.

3.274 These issues have not been a priority for the Civil Administration and active management by Israeli authorities has been restricted to administration by the National Parks Authority for major sites, such as Jericho. Only in the last few years, for instance, have major projects prepared by the Civil Administration included environmental studies. There has been no systematic collection of basic data on environmental conditions. Available information is limited to that collected by the Civil Administration, UNRWA, local universities and research institutes, or by Egyptian and Jordanian authorities before 1967. Information on areas of ecological significance and on some types of archaeological sites has been collected by Israeli specialists. Data concerning historical sites and areas of significant vernacular architecture is inadequate for management purposes.

3.275 To date, the Higher Council for the Arab Tourist Industry has sought assistance for the preparation of a tourism master plan. In the environmental sector, the first large project to be supported is the preparation of an Environmental Profile for Gaza, with official funding from the Netherlands.

3.276 As noted in the sector presentations concerning agriculture, water supply, wastewater, and solid waste, environmental conditions in the Occupied Territories are generally poor and those in Gaza are among the worst in the Middle East. While the proposed interventions under these sector programs would significantly assist in addressing environmental problems, concurrent measures should also be taken to develop the management framework and institutional capacity to prevent these types of problems from being exacerbated in the future. The need to create a local management capacity for the environment is recognized in the Declaration of Principles (Article VII, Para 4) and has been acted upon through the recent establishment of the PEPA. It is proposed that, under the Program, support be provided for development of the PEPA and for a complementary structure for management of cultural resources and tourism. Development of these structures would help provide the management and administrative framework necessary to address environmental issues in the early stages of development, rather than to add them later at significantly higher physical, social, and fiscal cost.

3.277 Actions also need to be taken to ensure that new public and private sector investments made by local and foreign interests do not result in the degradation of nonrenewable natural and cultural resources. This is especially important with regard to the protection of scarce water resources from direct and indirect forms of pollution; management of pesticides to avoid harmful health affects and pollution; damage to cultural resources that are the basis for tourism; and protection of the coastal zone, which provides potential for an expanded tourism and recreational industry. The absence of information about these resources or basic monitoring systems to measure key parameters makes it difficult for local experts to evaluate current conditions, monitor trends, and formulate strategic approaches for their management.

3.278 Over the next three years, the strategy would be to focus efforts in environmental and cultural resources and tourism management on the development of institutions, establishment of administrative frameworks, and preparation of practical plans for the effective management of these resources. In the case of tourism, efforts would focus on a partnership between public and private interests. The strategy would be to focus efforts on preventative measures to avoid future problems from occurring and on curative measures to correct present problems. Emphasis would be on creating a capacity within these organizations to participate in the planning and implementation of economic development programs for the Occupied Territories. Support for monitoring systems and analytical capacity in the PEPA would be designed to complement investment programs undertaken in other sectors—particularly water, wastewater and solid waste management, and pesticide management.

3.279 Throughout the three-year time-frame, institutional strengthening and human resource development would continue and organizations begin to move into a routine operational pattern. This period would see the implementation of additional field-level environmental operations identified during the preparation of the Environmental Action Plan.

3.280 The cultural resources inventory, to be completed in under the Technical Assistance Program, would provide detailed information on which cultural areas should receive attention during this phase. The tourism master plan would provide the basis for the implementation of a series of priority activities to promote environmentally sound tourism development. In both the short and medium term, successful establishment of a local capacity for environmental and cultural resource management would require sustained support for applied training. Tourism would require training at all levels.

Program Description

3.281 Overview. The three-year program includes a series of activities for environmental management, cultural resource management, and tourism planning and development. The activities for environmental management include:

- Development of a management framework and capacity building (including the acquisition of and training on scientific equipment).
- Preparation of environmental laws and regulations, including environmental assessment procedures.
- Preparation of an environmental planning framework.
- Support for environmental education and public awareness programs.

- Preparation of a groundwater management and monitoring system for Gaza.

3.282 Cultural resource management activities include:

- Development of a management framework.
- Preparation of an inventory of cultural assets.
- Development of an applied training program.

3.283 In tourism, the strategy would be:

- Support for creation of a Tourist Authority.
- Expansion of the sector.
- Preparation of a master plan to help avoid potential environmental, cultural heritage, and social problems.

3.284 This program assumes that a significant amount of the work would be undertaken by Palestinian institutions and experts, who could collaborate with foreign specialists as required. It does not include funding for priority activities for which funding is already committed by bilateral donor agencies. As noted above, these activities would complement investment actions taken under other sector programs.

3.285 Environmental activities would be implemented by the recently established PEPA. It is anticipated that informal arrangements for cultural resource management would remain until a Palestinian Tourism Authority has been established, and that the Higher Council for Arab Tourist Industry would manage tourism activities and continue representing private sector interests.

3.286 Environmental Management Framework. The Program would support development of the PEPA as a public environmental organization. This would involve the preparation of a charter of authorities and responsibilities, design of an effective institutional structure (including a central organization and a network of regional offices), and preparation of basic environmental policies and guidelines. Training would be provided in administration, program planning, and in technical topics to both full and part-time personnel. Emphasis would be placed on making the PEPA fully operational in as short a time as possible.

3.287 Environmental Action Plan. The Technical Assistance Program would support preparation of an Environmental Action Plan for the Occupied Territories to provide a strategic framework for a long-term program of environmental management and to establish priority needs for environmental investments, capacity building, and applied research in coordination with regional environmental plans. The Plan would include an EAP overview volume (which would provide a strategic plan for actions in both Gaza and the West Bank in an integrated manner, including a regional perspective), an Environmental Profile of Gaza, and an Environmental Profile of the West Bank. Currently the Government of the Netherlands is supporting preparation of an Environmental Profile for Gaza, and at the request of the Palestinians, it plans to provide funding for the West Bank Environmental Profile and the Plan overview activities as well.

3.288 Environmental management mechanisms. Using a consultative process to allow for maximal public participation, development of the PEPA would also include preparation of environmental assessment procedures designed to be an integral part of the development and land use planning process; preparation of environmental standards and a complementary monitoring, laboratory, and data management system to provide a capacity for water-quality monitoring in the short-term, supporting efforts in improvement of environmental health conditions; and establishment of an Environmental Information Center funded by the Government of Austria, which would facilitate access to environmental information.

3.289 Environmental education and public awareness. There is widespread agreement among Palestinian experts that—if environmental conditions are to be improved in Gaza and the West Bank—high priority should be given to environmental education and public awareness activities. This is especially important in terms of changing attitudes at the community and individual level towards sanitation, waste disposal, and the use of pesticides. Special programs are especially needed for women, who play a central role in education and household management. It is proposed that the Program would support a variety of efforts in this area, to be conducted by the PEPA and various educational institutions, research institutes, and NGOs.

3.290 Planning framework and Gaza groundwater management and monitoring. The Technical Assistance Program would support preparation of a Coastal Zone Management Plan and an Oil Spill Contingency Plan for the Mediterranean coast of Gaza, which would include a coastal land-use plan and recommendations for land-use control in the context of the Mediterranean Action Plan. A Management Plan for Parks and Protected Areas, including a proposed staffing structure, is also needed.

3.291 Recognizing the critical problem of groundwater management in Gaza, the Program would support the preparation and implementation of a Management Plan and Monitoring System in two phases, to be developed on an interim and long-term basis by Palestinian and international experts. The monitoring system for Gaza's fragile groundwater resources would allow for routine assessment of water quality trends and additional management decisions made to support the Management Plan.

3.292 Cultural resources management. Program-supported activities for cultural resources management would include development of a policy for the protection and conservation of these resources; design of an organizational structure for their management; preparation of guidelines for their evaluation as part of the planning and environmental assessment process; and development of "chance find" procedures for use by construction contractors. An inventory of sites would be prepared for use in their management. This inventory would be prepared in three phases through a preliminary inventory conducted as part of development of the cultural resources management framework, a review of existing administrative reports and literature to identify priority areas, and a directed field survey. Priority would be given to inventory efforts in areas potentially under the greatest pressure from public and private development activities, such as redevelopment in historic urban areas. An applied training program would be instituted to help give staff the administrative, program planning, and technical skills required to manage a cultural resources program.

3.293 Tourism planning and management. Program-supported activities for tourism planning and management would include development of a Palestinian Tourist Authority, development of a cooperative structure to coordinate public and private tourism activity, and preparation of a Tourism Master Plan. A new Tourism Authority would need a charter defining responsibilities, authority, sector policies, legislation, and guidelines for institutional development. The Tourism Master Plan would focus on the

development of a local and regional sector strategy, local development plans, infrastructure and staffing requirements, the potential impact of increased tourism, measures to avoid negative effects, and tourism marketing plans.

3.294 Project Formulation. The environment, cultural, and tourism sectors of the Occupied Territories need to receive far more attention than it has in the past in the following areas:

- **Environmental planning.** In development planning process for Program-funded activities and in the selection of sites, environmental concerns need to be given priority. Special attention should be given to proposed development activities on sites near places of existing or potential value to tourism, areas currently protected as nature preserves or for cultural reasons of heritage, and all activities that affect the Mediterranean coastal zone or the shores of the Dead Sea.
- **Protection of water resources.** Given the very limited availability of water resources in both Gaza and the West Bank, special caution should be taken in the selection of sites and in facility design to avoid the direct or indirect pollution of surface and groundwater. Only technologies that conserve the use of water should be selected. Careful attention should be paid to the reliability of wastewater treatment technologies, and properly treated wastewater should be reused to the fullest extent possible.
- **Management of pesticides and hazardous wastes.** To minimize risks to human health and ecology and to avoid water pollution, projects supported under the Program should take measures to assure that only internationally approved pesticides are used in agricultural and health activities. Actions should also be taken to minimize or avoid the use of hazardous materials and to evaluate how these materials should be properly handled and disposed of.
- **Land acquisition and involuntary resettlement.** Preparation of proposed projects should give careful attention to issues of land acquisition and involuntary resettlement. Currently, procedures exist under Egyptian and Jordanian law and under Military Orders for the acquisition of land. Palestinian cultural traditions accord high social status to land ownership which may limit the willingness to sell, despite economic incentives. All sites should be field-checked to verify that they have either formal or informal settlements. It should be noted that some areas are used seasonally by Bedouin, who may claim traditional ownership or land-use rights.
- **Protection of cultural resources.** Specific measures should be taken during project planning and design to assure that adverse impacts to archaeological sites, historical sites, and areas with significant vernacular architecture are avoided. Given the high density of archaeological and historical sites in Gaza and the West Bank, project-specific reviews should be conducted concerning the existence of known sites, including archaeological surveys when appropriate. Construction contracts should also contain stipulations of "chance find" procedures should archaeological or historical materials be discovered in the course of project implementation.

- **Transboundary environmental impacts.** Given the size and location of the Occupied Territories, proposed Project activities could well result in transboundary environmental impacts or affect the Mediterranean Sea. These possibilities should be addressed carefully during project planning and measures adopted to minimize such impacts to the fullest extent possible. Potential impacts to the Mediterranean Sea or its coastal area should be assessed with reference to the Mediterranean Action Plan. Palestinian representatives would have to deal with transboundary environmental issues through bilateral or multilateral forums for these discussions of environmental issues.

Environmental Review Procedures

3.295 In the Occupied Territories today, there are no environmental assessment procedures or legal environmental standards. Applicable Egyptian and Jordanian legislation principally concerns review of water quality by health authorities and protection for archaeological and historical sites. Preparation of environmental assessments and standards for use by the Palestinian authorities are priority actions under the World Bank-managed Technical Assistance Program to support the PEPA. Support would also be provided for development of a management framework for cultural resources (archaeological sites, historical sites, vernacular architecture, etc.). Until these procedures and standards are prepared and in place, it is recommended that all proposed projects be reviewed in consultation with Palestinian Authorities with regard to their potential environmental impact, using either World Bank Operational Directive 4.01, "Environmental Assessment," or the environmental review procedures of the cooperating funding organization.

Potential Environmental Benefits

3.296 The proposed environmental, cultural resources, and tourism sector program would give priority to activities that promote capacity building and investment activities that confer environmental benefits. Support for development of the PEPA and environmental education programs, for example, would help provide a capacity for environmental management and increase public understanding and commitment. These would be complemented by measures to develop a management structure for cultural resources.

3.297 Program-supported education activities would also improve the water distribution system by informing people how to reduce waste and preserve water quality. They would help improve the collection of municipal wastewater, support proper treatment, and promote reuse for groundwater recharge, irrigated agriculture, and other beneficial purposes.

3.298 By providing additional collection vehicles and waste containers, the Program would also support the improved management of solid wastes. It would fund the construction of transfer stations and a series of properly sited and designed sanitary landfills. Activities supported under the proposed Program would also improve the management of liquid and solid wastes. With the agricultural sector program, it would support actions to reduce the use of pesticide and promote the improved management of natural resources—including measures to reduce erosion.

3.299 Provided that all Program activities are subject to careful environmental review during the design and site-selection process, that environmental mitigation is included where necessary, and that environmental issues are properly addressed during implementation, the proposed Emergency Program is anticipated to have an overall significant and positive environmental impact on the Occupied

Territories. With the exception of the possible resettlement of a small number of people to expand sanitary landfills, there are no other project proposals whose implementation would result in involuntary resettlement. A number of activities require the purchase of privately held land by local authorities. Some major investments considered for implementation in the future (to be evaluated later in feasibility and environmental studies supported under the proposed Program) may require involuntary resettlement of a limited number of residents. Finally, under the Program at its present stage of definition, no known archaeological or historical sites would be affected.

IV. Implementation Arrangements

4.1 The effectiveness of the assistance pledged by the international community to the Occupied Territories depends to a large degree on the capacity of the Palestinians to allocate, coordinate, and use that aid effectively. For that purpose, the Palestinian Economic Council for Development and Reconstruction (PECDAR) was established on October 31, 1993. In addition to its aid management and investment implementation functions, PECDAR is intended for a transitional period to also provide the nucleus for economic policy formulation, overall expenditure programming, training policies and other functions of economic self-government. (Figure 4.1) As and when independent self-governing institutions are created for these purposes, PECDAR will transfer the corresponding functions and staff to those institutions.

Structure and Operations of PECDAR

4.2 PECDAR's governing body is the Board of Governors, which appoints the Managing Director and Office Directors, provides overall policy guidance for PECDAR activities, sets general Program priorities, establishes personnel and administrative policy (including procedures for procurement, accounting, and auditing), and approves PECDAR's budget as well as individual projects. It is expected that PECDAR's procedures will be fully defined in the immediate future. The broad organizational arrangements were approved by the Board of Governors on January 11, 1994. (Figure 4.2) Key staff have been appointed since that date and offices and other facilities are being mobilized. Thus, PECDAR has begun to function on the ground.

4.3 The Managing Director formulates (in consultation with the Office Directors) policy, submits PECDAR budget to the Board, presents to the Board (upon submission by the respective Office Director) individual projects for which Board approval is required, approves individual contracts smaller than a specified amount, approves major decisions by Office Directors, and is responsible for the management of PECDAR as a whole. An internal auditor, legal advisor, and procurement advisor would be attached to the office of the Managing Director.

4.4 PECDAR has an office for financial, administrative and support services and five functional offices:

- **Economic policy formulation and Project Review.** Eight or nine professional economists experienced in economic analysis and forecasting, public expenditure programming, and project evaluation methodology. The office formulates, or directs the formulation of, economic policy options, current and investment expenditure programs, and sector strategies. It plays a major role in the review of projects, screening and evaluating them for economic and social soundness. It would rely for analytical support and basic studies partly on the Palestinian Development Institute, and liaise closely with the Palestinian Bureau of Statistics.
- **Aid Coordination and Facilitation .** Five or six professionals organized along donor lines (e.g., EC "desk", US "desk", etc.). This office is the focal point for relations with donors concerning the design and preparation of all official aid (except assistance given directly to non-governmental organizations). To avoid duplication, donors should provide

this office with timely information. The office would be a facilitator of contacts, coordinating the formulation of aid agreements with multilateral and bilateral donor institutions, seeking foreign aid and matching it with the requirements, participating and leading negotiations regarding individual programs and projects, disseminating information on available aid programs and on the priorities and procedures of different donor institutions, facilitating contacts and exchanges between external institutions and local agencies, and (in cooperation with the other offices of PECNDAR), regularly reporting to donors on the execution of the Program and its economic and social impact.

- **Program Management and Monitoring Office (PMO).** Discussed below.
- **Nonproject Technical Assistance, Training, and Capacity-building .** Three or four professionals accountable for managing nonproject technical assistance, reviewing training needs, screening donor proposals, disseminating information, and facilitating candidates' (including in-house candidates") selection. As in the case of the PMO, this office would act as much as possible by subcontracting. It would establish close contacts with Palestinian educational institutions.
- **NGOs and Special Programs:** 5-6 professionals. Provisionally, the office would be responsible for dealing with matters relating to the non-governmental organizations as well as for providing the overall framework for dealing with UN agencies. It will also be responsible for directing special programs and activities (such as the program for the rehabilitation of detainees), as well as formulation of policies to encourage private sector development.

4.5 Program and Project Responsibility. While overall responsibility for policymaking and Program guidance would lie with the Board of Governors of PECNDAR, responsibility for Program and project implementation and monitoring would lie with the Director of the Project Management and Monitoring Office. The PMO itself would be directly involved in project implementation only where no other agency was appropriate or available, or where projects were large enough to span municipal jurisdictions. To the extent practicable, the PMO will rely on the services of competent consultants (including for management and procurement) and on a panel of local engineering consultants, to assist agencies in the implementation of investment projects. The use of consultants would help ensure that PMO remains lean and agile, capable of responding to the challenges of managing a complex program in a changing environment. To guard against over-centralization and ensure that local needs and priorities are attended to, the PMO will establish an office in Gaza, responsible for overseeing development and coordination of the Program and of project components in Gaza.

4.6 PMO Organization and Staffing. Apart from its Director and a Deputy Director for the Gaza office, the PMO would be organized and staffed as follows (Figure 4.3):

Main Office:

Sector Specialists. Seven in all, one each for education, health, power and telecoms, water and sanitation, roads and transport, solid waste, and environment. Sector specialists would assist the Director in ensuring that proposals were technically and economically sound and justified; work with and advise project-implementing agencies on "best practice" in specific sectors; help expedite subproject preparation and implementation; help draft terms of reference for technical assistance and review and supervise technical assistance proposals and projects; and undertake other general tasks essential for successful sector and project development.

Procurement Officer. The Procurement Officer would work with implementing agencies on all matters involving the procurement of goods, oversee PEC DAR's management and procurement consultants for bulk purchasing of materials and equipment for Program projects, help define procurement requirements of these projects, draft and review specifications and contracts, and expedite and ensure delivery of goods to their final destination.

Gaza Office:

- **Sector specialists.** Four in all, one each for education and health, water and sanitation, municipal roads and drains, and solid waste.

4.7 Managing and Procurement Consultants. For the duration of the Emergency Program, the PMO would contract the services of a reputable, competent, and internationally recruited firm of consultants. These Managing Procurement Consultants would report directly to the Director of the PMO, assisting with overall programming and budgeting (including periodic—at least quarterly—revision and updating to ensure attainment of Program and budget objectives). While the accounting department of PEC DAR would be responsible for all payments, overall consolidation of PEC DAR's accounts, and commissioning PEC DAR's audit, the managing consultants would be responsible for payment certification and the design and maintenance of project accounts. The managing consultants would also help with development of effective operating procedures and systems; project screening and evaluation; contract evaluation and award; contract, project, and program monitoring; payment certification; project data-processing and accounting; compliance with financial audit and other program and project covenants. On all matters necessary for ensuring effective implementation of the Program, the Management consultants would work with the implementing agencies. The Managing consultants would also maintain a team in the PEC DAR branch office in Gaza. The managing consultants would provide qualified team leaders and specialists in programming, budgeting, data processing, accounting, project financial and economic evaluation, civil engineering, and project management, procurement and supervision.

4.8 After screening projects on the basis of established criteria, the Managing consultants would recommend selection to the Director of the PMO and the Deputy Managing Director, who would have final responsibility for project selection. Individual projects estimated to cost above certain benchmark levels (to be decided) would have to be subject to economic evaluation by the Economic Office and cleared by that office prior to consideration by the Managing Director. Smaller projects would be "bundled" and submitted for Economic Office clearance based on general review of economic and sector soundness of the "bundle". In all cases, projects and programs of implementing agencies, including those

where PEC DAR itself is the implementing agency, would have to be screened and reviewed by the Managing Consultants prior to final approval and financing.

4.9 Consultants' Panel. Under the Program, support would be provided to municipalities through PEC DAR. PEC DAR would review and select a panel of four to six qualified and reputable local (civil/structural/mechanical) engineering and architectural firms. Qualified individual consultants with a minimum of five to ten years' experience could also be recruited for this purpose. The consulting firms/individuals would be selected (following transparent selection criteria) from among proposals invited by PEC DAR. The Panel's role would be to assist municipalities to identify, prepare, contract, and supervise infrastructure rehabilitation and improvement projects suitable for financing under the Program. The decision on which consultants from the Panel to employ would be left to the implementing agency, which could select (on the basis of a lump-sum contract) bids invited from three firms. The Program would support financing for the employment of consultants.

4.10 Project Selection Criteria. In order to be eligible, projects to be funded under specific subsector programs would first have to be screened and approved by PEC DAR staff, assisted by the Managing Consultants. The Managing Consultants will develop detailed criteria, based on community priority, economic and social impact, distributional equity, economic and technical feasibility, readiness for implementation, environmental impact, consistency with Program objectives and short-term sector strategies, and avoidance of unaffordable recurrent cost commitments. These criteria would be applied fairly, explicitly, and transparently to minimize disputes and ensure effective project selection.

Role of Implementing Agencies

4.11 Municipalities and villages would be responsible for implementing activities for municipal road and drainage, water, wastewater, and domestic sanitation, and solid waste management. In addition, municipalities and villages could be involved in modest-sized projects for power system and rural roads rehabilitation. They would be assisted in this by local consultants selected from the Consultants' Panel. In undertaking these responsibilities, municipalities and villages would be required to identify, select, prepare, bid, contract, and supervise projects to be executed by qualified contractors. Detailed procedures would first have to be developed by the Managing Consultants and PEC DAR. Generally speaking, municipalities and villages would be required to:

- Identify individual projects and develop a program of overall rehabilitation and improvement works on the basis of accepted criteria;
- Prepare and submit projects—including technical data, costing, and cash flow requirements—to PEC DAR for screening review;
- Apply to PEC DAR for permission and funding to employ consultants from the Panel;
- On approval and receipt of funding from PEC DAR, contract the necessary consultants;
- With consultants' assistance, prepare detailed designs and project documentation, invite and evaluate bids, and decide on contract awards;

- Submit project documentation, contract award proposals, and cash-flow requirements to PEC DAR and seek funding and approval for executing contracts (not required for contracts smaller than US\$0.25 million). On receipt of funding and approval, execute contracts;
- Undertake technical and financial supervision of contracts;
- Submit monthly progress and financial reports to PEC DAR; and
- Submit, from time to time, other information PEC DAR might reasonably request regarding execution of the Program.

4.12 Although funding support under the Program would only be provided for projects approved by PEC DAR, municipalities and villages would have some autonomy in contracting for works estimated to cost US\$0.25 million or less, subject to upward adjustment following review of performance. To ensure conformity to its guidelines, PEC DAR would review the first two such contracts for each municipality. All contracts for works of greater value would have to be reviewed in detail by PEC DAR prior to signing and would be monitored regularly thereafter. The basic contracting procedures would be similar for goods contracts. To the extent practicable, goods packages requested by implementing agencies would be bulked by PEC DAR and procured at once on the basis of international competitive bidding procedures acceptable to the funding agency. Agencies would be required to submit their requirements to PEC DAR for review and subsequent action.

4.13 It should be noted that the general arrangements outlined here might be altered for projects funded by donors who have their own rules for consultant selection, procurement, and disbursement.

4.14 Sector Implementation Consultants. Institutional arrangements for the municipal roads and water and sanitation sectors can be used as a model for project implementation. According to this model, responsibility for implementation is vested in local governments to the extent possible, with existing municipal procedures used as is or suitably amended to conform to donor requirements. To supplement and build their capacity, municipalities would be provided with consultant assistance. In sectors (power, telecommunications, solid waste, inter-city roads, and transport) where program size, technical complexity or inter-municipal requirements require special arrangements, responsibility for implementation would rest with separate, specialist, sector implementation consultants. Sector implementation consultants would report directly to PEC DAR and coordinate their work with respective municipalities.

4.15 Sector implementation consultants would be internationally recruited and contracted by PEC DAR on terms acceptable to the funding agency. Their role would be to advise and assist PEC DAR and the existing utilities in undertaking feasibility studies; preparing detailed designs and costing for improving plant, equipment, and systems; overseeing the bidding and contract-evaluation process; recommending contract awards; supervising contract implementation; and training the utilities staff to operate plants, equipment, and systems. Since they would evaluate and recommend contract awards, the role of the sector implementation consultants would be broader than that of the local consultants contracted to assist the municipalities, but procedural arrangements for project implementation would be the same in all other respects.

4.16 The arrangements for implementing the intercity roads program would also rely on the contracting of internationally recruited, sector-specific consultants. These consultants would work closely with existing staff of the Transportation Department of the Gaza Civil Administration or its successors, and later with the West Bank Civil Administration, in developing a five-year road rehabilitation and maintenance program and establishing the core of a future Highway Authority capable of planning, managing, and maintaining the Occupied Territories' intercity roads network. The first two years of this program would be detailed by the consultants and the Transport Department staff for implementation under the Program. In all other respects, the implementation arrangements outlined above would apply. PECDAR would be the implementing agency but would rely on the Transport Department of the Gaza Civil Administration or its successors for day-to-day coordination of implementation activities.

4.17 The preparation and implementation of the solid waste management component of the Program might follow slightly different procedures. In this case, specialists in solid waste management would be employed to assist in preparing and implementing projects. Because such specialist skills are in short supply in the Occupied Territories, these consultants would be internationally and locally recruited on terms and conditions acceptable to the funding agency. For those parts of the subsector program (such as transfer stations and disposal sites), moreover, that are shared by several municipalities and villages, the municipalities with the greatest managerial and technical capacity would play the lead role in preparing and implementing the program. In all other respects the procedures outlined above would apply. In cases where many donors are involved, each donor could use its own consultants, contractors, and approval procedures, and the task of sector coordination would fall entirely on the sector specialists within PECDAR.

4.18 UN Agencies and NGOs. UNRWA would be responsible for Program implementation in the refugee camps in Gaza and the West Bank. These components include rehabilitation and improvement of the physical plant and equipment of UNRWA schools; procurement of essential books, equipment, and teaching materials; rehabilitation and improvement of camp housing; and—in coordination with municipalities—rehabilitation and improvement of camp roads and drains. Detailed arrangements for implementation of its share of the Emergency Program would be worked out between UNRWA and PECDAR, and PECDAR should give high priority to completing its operating arrangements with UNRWA, other UN agencies, and NGOs.

4.19 Civil Administration. In the near future, Palestinian authorities are expected to take over responsibility for the Gaza Civil Administration, which currently plays a pivotal role in the Occupied Territories. How this new responsibility will be discharged is unclear at this point. What is clear is that this Civil Administration has the capacity to contribute significantly to the success of the program. While only contingency plans can be made at this stage, the Gaza Civil Administration, in close consultation with the municipalities and with PECDAR, would certainly be responsible for the education sector component of the Emergency Program in Gaza. The Gaza Civil Administration would also oversee interurban roads implementation. It is thus proposed that PECDAR's Gaza suboffice work closely with the Gaza Civil Administration and that integrating the Gaza office of PECDAR into the operations of the Palestinian Central Administration, once established, as a special Implementation Unit be actively considered.

4.20 On the West Bank, except for the Jericho area, the Civil Administration will be controlled by Israelis for the near future. In the initial stages of the implementation, its main role will be in granting permits and facilitating the work of the Palestinian organizations.

Procurement

4.21 To avoid a proliferation of different procurement practices, bidding documents, and evaluation and approval procedures—it is recommended that all donors financing the Emergency Assistance Program adopt standardized procurement procedures to promote maximum transparency and cost effectiveness.

4.22 Engineers and administrators working for municipalities, NGOs, UN agencies, and PEC DAR would be fully trained in procurement procedures. At present, due to PEC DAR's newness and the Project-implementing agencies' lack of international procurement experience, knowledge of international commercial practices and the procurement procedures is almost totally lacking. Managing and Procurement Consultants would therefore be recruited to assist PEC DAR. PEC DAR's own procurement specialists will coordinate all procurement activities under the Program. These specialists will be responsible for coordinating and monitoring all procurement activities of the implementing agencies for all donors, overseeing all international competitive bidding and technical assistance-related procurement, and maintaining the records required for accountability in the use of funds.

4.23 **Procurement Arrangements for Emergency Assistance Program Components Funded by IDA.** All goods and works would be procured in accordance with the IDA's *Guidelines for Procurement* (May 1992). OT manufacturers competing under international competitive bidding would receive a preference in bid evaluation of 15 percent of the CIF price or the prevailing custom duty applicable to nonexempt importers, whichever is less provided they can prove that the value added to the product in the Occupied Territories exceeds 20 percent of the ex-factory bid price. Occupied Territories contractors competing under international competitive bidding for civil works contract would receive a preference in bid evaluation of 7.5 percent. Contracts for equipment and materials estimated to cost more than US\$250,000 equivalent each will be procured through international competitive bidding, using IDA Standard Bidding Documents modified to suit the requirements of individual project packages. International shopping—with at least three quotations from three eligible countries—will be used for contracts estimated to cost less than US\$250,000. Local shopping will be used for off-the-shelf items costing less than US\$25,000 per package. Direct Contracting will be allowed for items of a proprietary nature or for items required to ensure compatibility with equipment already installed.

4.24 It is estimated that the packaging of civil works contracts will reflect the nature of the works, state of preparation, and implementation capacity of local contractors and implementing agencies. Because they would be widely dispersed geographically and run by a multitude of agencies—such as the municipalities and NGOs, it is not expected that works contracts costing less than US\$3 million (with the exception of those requiring special construction and installation expertise) would be of interest to foreign contractors. Specialized contracts, therefore, and works contracts costing more than US\$3 million per contract will be procured through international competitive bidding (using the IDA's Standard Bidding Documents for Civil Works modified appropriately). All other works contracts will be awarded under local competitive bidding procedures following the implementing agencies' normal procurement procedures.

4.25 Presently, the pre-1967 procurement laws of Egypt (with elements of Palestine Mandate Law and some Israeli Civil Administration regulations) are in force in Gaza, while those of Jordan are in force on the West Bank. These procurement procedures are satisfactory to the IDA with the following provisos:

- Tenders must be advertised for at least two consecutive days in a local newspaper of wide circulation.
- Prospective bidders must be allowed a minimum of thirty days between the first appearance of notification and bid submission.
- Bidding documents must follow the format of the IDA's Standard Bidding Documents or that used by UNRWA or the UNDP in the Occupied Territories.
- Foreign bidders must be allowed to submit bids.
- Bids will be submitted in sealed envelopes, and both mailed and hand-carried bids will be accepted.
- All bids will be opened in public at the same time.
- Contracts will be awarded to the lowest evaluated bidder.
- Bidders will not be asked nor allowed to change the substance of their bids after the bid-closing date, and price negotiations with the lowest evaluated bidder will be confined to those cases listed in the IDA's Procurement Guidelines.
- In the absence of prequalification, postqualification criteria will be explicitly stated in the bidding documents.

4.26 Consultancy assignments will involve both individual consultants and consulting firms (mostly those firms hired to support activities coordinated by PEC DAR). Consultants to be financed by funds administered by the IDA will be selected in accordance with the *Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency* (August 1981), and using the Bank's standard Letter of Invitation and Sample Form of Contract for Consultants' Services.

4.27 Import Arrangements. Arrangements for the importation of goods and equipment—and for the use of foreign contractors and consultants—would have to be worked out individually with the responsible authorities. For the proposed IDA Emergency Rehabilitation Project (jointly cofinanced by a number of donors), arrangements are being worked out to facilitate the importation of goods and equipment through Israel without payment of duties and taxes. Arrangements for recuperation of Value Added Taxes are also being negotiated. While permits and licenses for foreign contractors and consultants will be required, details of these arrangements will depend on negotiations concerning the movement of persons and the area concerned. In general, the Israeli Government has indicated it will make every effort to facilitate implementation of the Emergency Assistance Program.

Accounting and Auditing

4.28 PEC DAR's accounting system would record all lending and borrowing transactions, grants and aid received from international donors in accordance with accepted standard principles and practices. Recorded transactions, therefore, would give the complete picture of PEC DAR's state of affairs—including its financial position, operating results, and the financial performance of all PEC DAR-

run projects and programs. Proper records would also facilitate PECNDAR's financial control over all its transactions and activities.

4.29 Where donors choose not to pay contractors directly, PECNDAR's Treasury and Cash Management Unit would receive the funds transferred from the donors. It would then deposit these funds into individual bank accounts until the time authorized for their disposition. PECNDAR would also analyze the funding requirements of each implementing agency, authorize release of funds to these agencies, and prepare monthly reports on the Authority's cash position and on all of PECNDAR's financial activities, complete with comparisons of actual and planned expenditures.

4.30 For each fiscal year, PECNDAR would prepare two semi-annual reports on its activities. These reports would include a Statement of Financial Position, a Statement of Income, a Statement of Cash-Flow, and a Statement of Execution of the Budget of Investments—all presented in accordance with proper accounting standards and principles and with generally accepted practices among financial institutions. These PECNDAR financial reports would be available to the public.

4.31 PECNDAR's Board of Governors would appoint a qualified firm of chartered accountants—acceptable to the principal donors—as external auditors. Selection of the audit firm would be made in accordance with regular audit procedures or using other procedures acceptable to the donors.

4.32 Accounting arrangements for all other implementing agencies would generally follow donor guidelines. Since transparency and accountability are essential for the Program, detailed arrangements for record keeping, reporting, and audit have been developed. Donors would require annual audits of all agencies involved in implementation of the Emergency Program—including all NGOs. NGOs involved in the Program would have to be registered and meet professional standards (to be developed by PECNDAR by the end of 1994). It is further recommended that PECNDAR implement arrangements making NGO executive board members personally liable for any undocumented expenditures related to the Program.

4.33 PECNDAR's Treasury Division would open an account in a banking institution for each donor entity. This account would be used to record receipt of the amount of loans, grants and remittances from each donor institution in accordance with its respective Grant Agreement, as well as PECNDAR's release of these funds to implementing or beneficiary agencies. Within its accounting system, PECNDAR will also establish an identified Project Account for each project of the Program.

4.34 Each NGO, municipality, and implementing agency would open a separate bank account to record cash remittances received from a disbursing NGO or from PECNDAR, as well as all payments made against the account on behalf of the program, project, or service under execution. In addition, each NGO will open a Project Account in its own accounting system and a Chart of Accounts solely for the purpose of recording transactions made for the execution of that project.

4.35 Before receiving funds agreed upon for a specific project or service, each NGO would establish an accounting and financial system adequate to the specifics of that organization; an adequate structure of internal controls; and a formal system of authorizations for the use of funds, contract procurement, and bidding for purchases and services related to the execution of the project financed through donor grants or loans (see Program documents on accounting and auditing).

4.36 Audits of the NGOs, municipalities, and other beneficiary agencies would be performed by auditors acceptable to both PEC DAR and the donors. In order to issue an umbrella opinion regarding the total use of the funds, PEC DAR's auditing section should also receive a copy of all individual project audits.

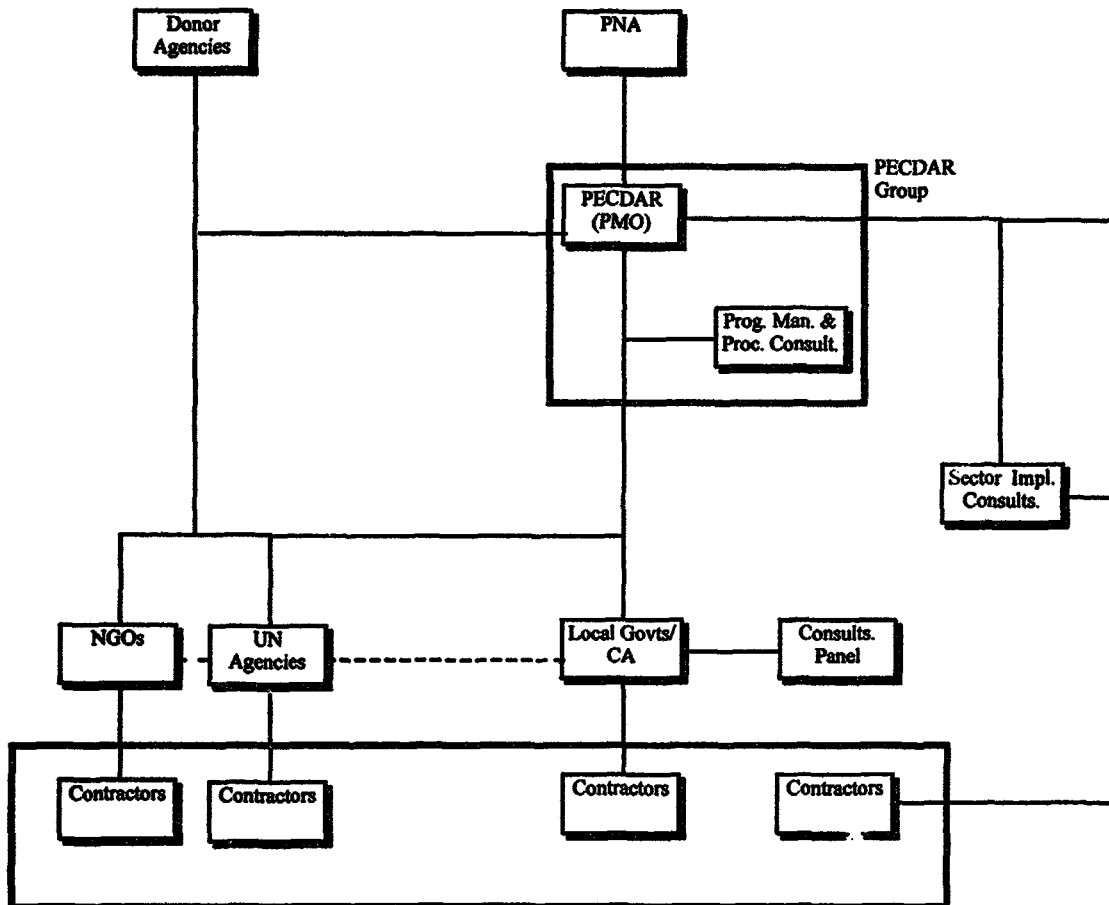
Environmental Aspects

4.37 If all Program activities are subject to careful environmental review (especially during the design and site-selection process), if environmental issues are properly addressed during implementation and mitigation included wherever necessary, the Program could significantly improve the environment of the Occupied Territories. While no present project proposals require involuntary resettlement, a number require the purchase of privately-held land. Future major investments (to be evaluated in feasibility and environmental studies supported under the proposed Program) could require limited involuntary resettlement. As of now, no known archaeological or historical sites would be affected by proposed Program activities.

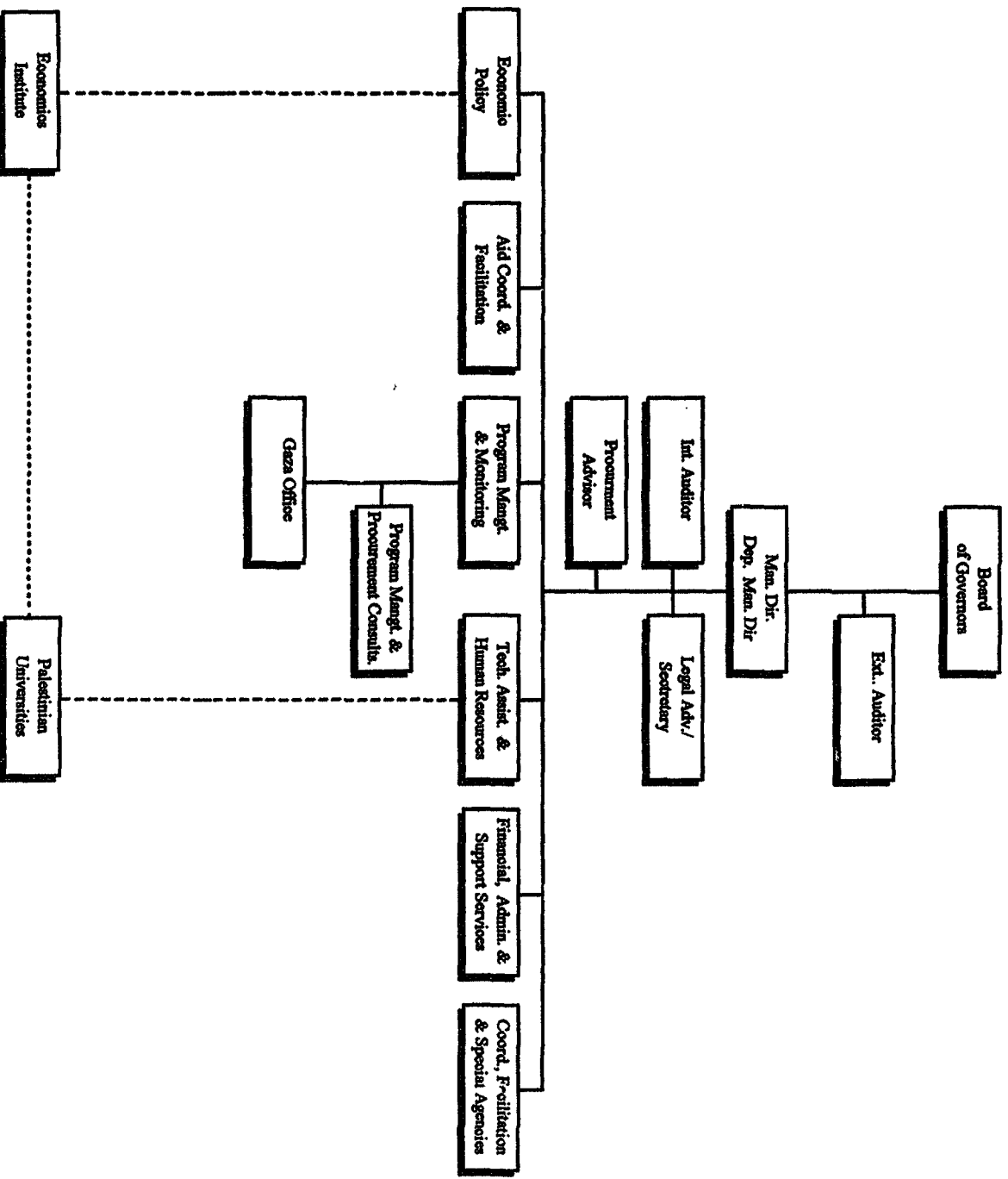
4.38 **Environmental Review Procedures.** There are presently no environmental standards or assessment procedures legally in effect in the Occupied Territories. Applicable Egyptian and Jordanian legislation principally concerns review of water quality by health authorities and provisions for the protection of archaeological and historical sites.

4.39 The Technical Assistance program places high priority on support of the Palestinian Environmental Protection Agency (PEPA) and the preparation of environmental standards Palestinian authorities can enforce. Support would also be provided to develop a management framework for cultural resources (such as archaeological and historical sites and vernacular architecture). Until procedures and standards can be prepared and adopted, it is recommended that all proposed projects be reviewed in consultation with Palestinian authorities with regard to their potential environmental impact using either Environmental Assessment (World Bank *Operational Directive 4.01*) or the environmental review procedures of the cooperating funding organization.

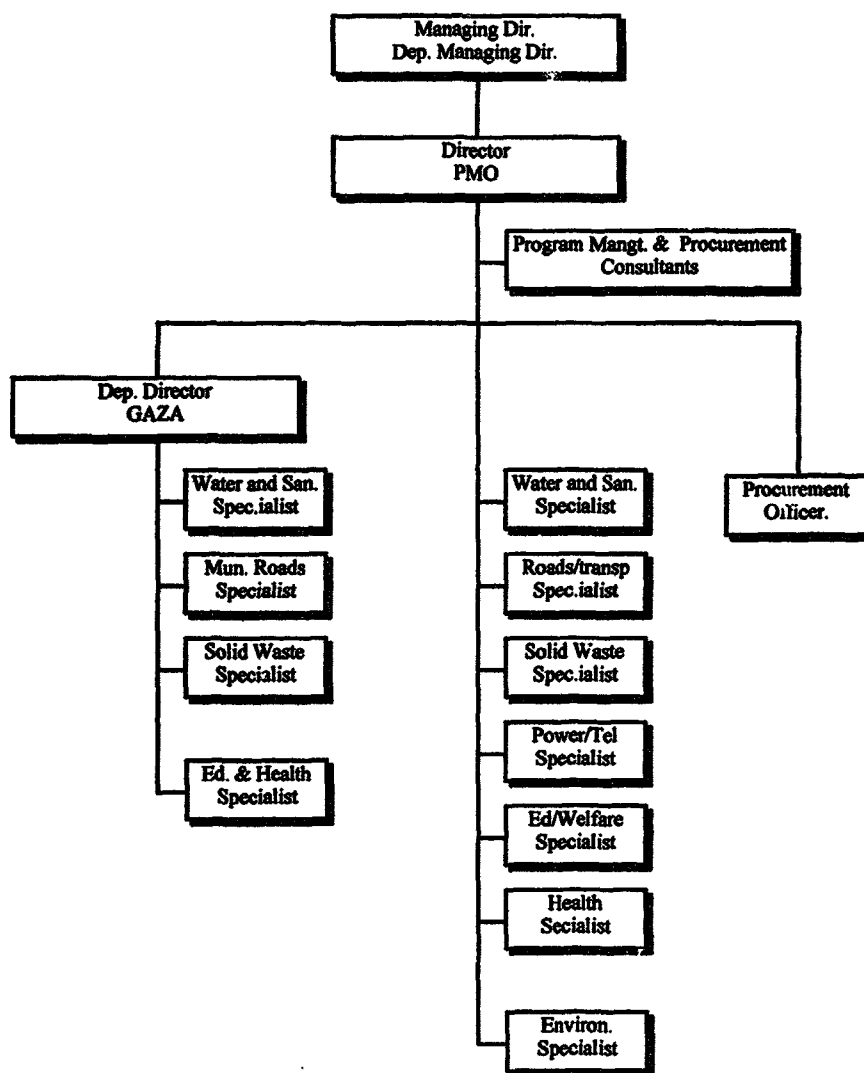
Emergency Assistance Program
Figure 4.1: Overall Program Organization



Emergency Assistance Program
Figure 4.2: PECDAR - General Organization



Emergency Assistance Program
Figure 4.3: PECDAR - Program Management and Monitoring Office



**Attachment I: List of Mission Members
(October 11-November 22, 1993)**

Mission Member	Specialty or Title
Garg, Prem C.	Head of the Mission
Abu-Akeel, Aly	Attorney
Berkoff, Jeremy	Water Resources Economist
Berryman, Sue	Education Specialist
Castro, Claudio	Vocational Training Specialist
Cointreau, Sandra	Waste Management Specialist
Concepcion, Leonardo	Architect
Devarajan, Shantayanan	Economist
Diamond, Doug	Housing Specialist
Diwan, Ishac	Economic Team Leader
El-Khoury, Samir	Public Finance Specialist
Fernando, Elmo	Municipal Engineer
Gollodav, Fred	Human Resources Team Leader
Gonzalez-Malaxechevarria, Angel	Accounting and Auditing Specialist
Hamman, Sonia	Housing Specialist
Hayward, John	Water Resources Specialist
Heering, Mogens	Environmental Specialist
Heiberg, Marianne	Anthropologist
Hinds, Manuel	Financial Sector Specialist
Howarth, David	Procurement Specialist

Lamb, Geoffrey	Public Administration Specialist
Lintner, Stephen F.	Environmental Specialist
Macoun, Andrew	Sanitary Engineer
Mertz, Robert	Technical Assistance Team Leader
McKechnie, Alastair	Infrastructure Team Leader
Moore, Ted	Power Engineer
Myklebust, Nils	Telecommunications Specialist
Robotham, Kingsley	Lending Task Manager
Saghir, Jamal	Telecommunications Specialist
Schiavo-Campo, Salvatore	Institutional Specialist
Shaban, Radwan	Labor Economist
Skelton, Rama	Power Sector Specialist
Tyler, William	Macro-Economist
van Santen, Gert	Implementation Team Leader
Wolden, Terje	Transportation Engineer
Yucel, Cengiz	Transportation Economist
Yukcel, Gultekin	Procurement Specialist

Attachment II: List of Palestinian Counterparts

		<u>Office</u>	<u>Home</u>
I. Core Team			
Samir Abdullah Saleh - Head		828693	957112
Mohamed Shtayyeh		958521	
Samir Hulleileh		857066/7	956602
Said Haifa		951444	
Maher Almasri	(09)	376010	854294
Abdulrahman Hamad	(07)	860560	
Abdulrahman Altamimi		823354/8	
Riyad Alkhudari	(07)	860333	863595
Mahmoud Okasha	(07)	861868	
Maha Shawa	(07)	860595	
Ibrahim Dakkak		284272	
Hassan Abulibdeh		951038	
Atef Alawneh		952508	955248
Amin Haddad			
II. Infrastructure			
Coordinators			
Abdulrahman Hamad	(07)	860560	
Samih Alabed			
Water			
Abdulrahman Altamimi		823354/8	
Ayman Rabi		823354/8	
Hazim Tarazi	(07)	860084	863494
Abdulkarim Asa'ad		956551/2	
Taher Nasser Eldin		958660	
Riziq Nijim	(07)	822026	
Salim Agha	(07)	851168	851003
Hussam Elaloul	(07)	863851	861171
Transportation			
Samir Abu A'esheh	(09)	370042	
Abdullah		274659	273701
Jacky Qattan	(07)	864101	
Hussam El-Khuzundar	(07)	868515	860707
Jamil Elbanna	(07)	866267	

	<u>Office</u>	<u>Home</u>
Electricity		
Abdulrahman Hassan	951487	958665
Abdulrahman Hamad	(07) 86056	
Omar Ketaneh	957650-3	
Sa'd Kharmeh	(07) 869099	
Mohammed Algharib	(07) 835625	
Hisham Elomari		
Solid Waste		
Mouhamad Alhmeidi	958193	
Nasir Alyaziji	(07) 864670	822617
Jaber Almghayyer		
Sayed Aljadba	(07) 860080	868627
Telecommunications		
Nawal Tayseer Ghannam	(07) 853444	772155
Housing		
Nash'at Tahboub	950801	271666
Nader Alsaqa	742642	
Abdulrahman Hamad	(07) 860560	
Sleiman Abu Samhadaneh	(07) 835622	
Samir Manneh	(07) 835622	864713
Abed Salam Zaqqout	(07) 851014	
Municipalities		
Raji Zeidan	956436	
Munif Treish	956445	
Hani Arafat	(09) 382908	
Hazzim Tarazi	(07) 863494	860084
Mahmoud Abdullah	985072	953606
Husam Alkhazendar	(07) 868515	860707
Khalil Matar	(07) 859311-953	
Sleiman Sheikh Eid	(07) 835633	835075
Ibrahim Elnahal	(07) 835292	835075
Planning		
Hassan Abu Shalbak	955965	
Samih Alabed	952403	957650
Maher Alhanbali	(09) 376779	
George Tarazi	(07) 869995	
Suad Amiri	953768	958187
Jamil Albanna	(07) 866267	
Suliman Shaikh	(07) 835622	835075
Nihad Almughani	(07) 869147	

Naser Khudair	(07)	<u>Office</u> 869691	<u>Home</u> 867464
Salah Sakka	(07)	865077	863611
Mohammed Sbakky			
Environment			
Muhamad Shtayyeh	(09)	370042	
Jad Ishaq		741889	
Agriculture			
Adnan Shugair			
Ismael Duaig			
Sufjan Sultan			
Saed Jasser			
Judeh Abdullah			

III. Human Resources

Coordinator
Mouhamad Shtayeh

Construction		
Maher Alhanbali	(09)	376779
Spero Khouri		955661
Hatem Abu Sha'ban	(07)	863140
Rafiq Hassouneh	(07)	862383
Ali Abu Shallah	(07)	864631

Education		
Na'im Abu Alhumus		951208
Abdullah Abdulmuni'm	(07)	853195
Ghassan Alhelu	(09)	370042
Ahmed Hillis	(07)	863466

Vocational Training		
Mahmoud Alghbeish		833942
Ali Habayeb	(09)	370042
Hilmi Hammad		

Returnees Program		
Salim Tamari		953768
Antrik Bakrajyan		284235

	<i><u>Office</u></i>	<i><u>Home</u></i>
Health		
Mustafa Barghouti		
Munther Al-Sharif		
Ziad Abdin		

IV. Implementation

Coordinators		
Samir Huleileh	557066	956602
Maher Almasri	(09) 376010	85294
Contracts		
Ali Safarini	956982	
Raja Shehadeh	956441	953471
Ghassan Faramand	956713	957650-3
Tawfiq Abu Ghazaleh		
Jawdat Alkhudari		
Ahed Bseiso	(07) 866603	860120
Salah Alsaqqa	(07) 865077	863611
Financial Management, Accounting, and Auditing		
Naser Abdulkarim	(09) 370042	
Nader Aldajani	716618/9	284513
Jihad Hamdan	(09) 370042	
Amin Haddad	(09) 386053	273330
Habib Jaradeh	(07) 861963	862008
Soufian Ala'shi	(07) 860026	
Azzam Alshawa	(07) 867126	
Public Administration and Institution Building		
Daoud Istanbouli	271265	
Hussein Ala'raj	(09) 370042	
Mufeed Alshami	289126	
Atef Alawneh	952508	955248
Hilmi Hammad		
Sami Tarazi	(07) 865824	860116
Technical Assistance		
Abdulfatah Abu Shukur	(09) 371122	377257
Bassem Makhoul	(09) 370042	
Labib Nashashibi	273330	
Moi'in Rajab		

		<u>Office</u>	<u>Home</u>
V. Macro-Economic			
Samir Abdullah Saleh, Head		828693	957112
Mohamed Shtayyeh		958521	
Samir Hulleileh		857066/7	956602
Abdel-Fatah Abu Shokr			
Amin Haddad			
Nabil Kassis			
VI. Administration			
Wa'el Abu-Ne'me		272383	
Jumana Abu-Zyad		271748	
Sleiman Abu Samhadaneh	(07)	835622	
Suleiman Al-Aref		956672	
Omar Awaad			
Laura Bawalsa			
Leila Calnan		953271	
Salwa Duaibis		954568	985372
Firas Huseini		828526	
Omar Ibrahim	(07)	855452	
Rania Muhtadi		746704	273330
Ibrahim Najjar		957037	
Suha Rabah		952647	
Ma'moon Sbeih		952255	828693
Ashraf Shuibi		953423	
Futna Shahwan			
Mohammed Sub-Laban			
Ghada Zeidan		741770	
Mohammed Zeidan		272934	

OCCUPIED TERRITORIES WEST BANK AND GAZA STRIP

✈ AIRPORTS / AIRFIELDS

— MAJOR HIGHWAYS

— TWO OR MORE LANES,
HARD SURFACED ROADS

— RAILROADS

■ BUILT-UP AREAS

○ UNRWA REFUGEE CAMPS

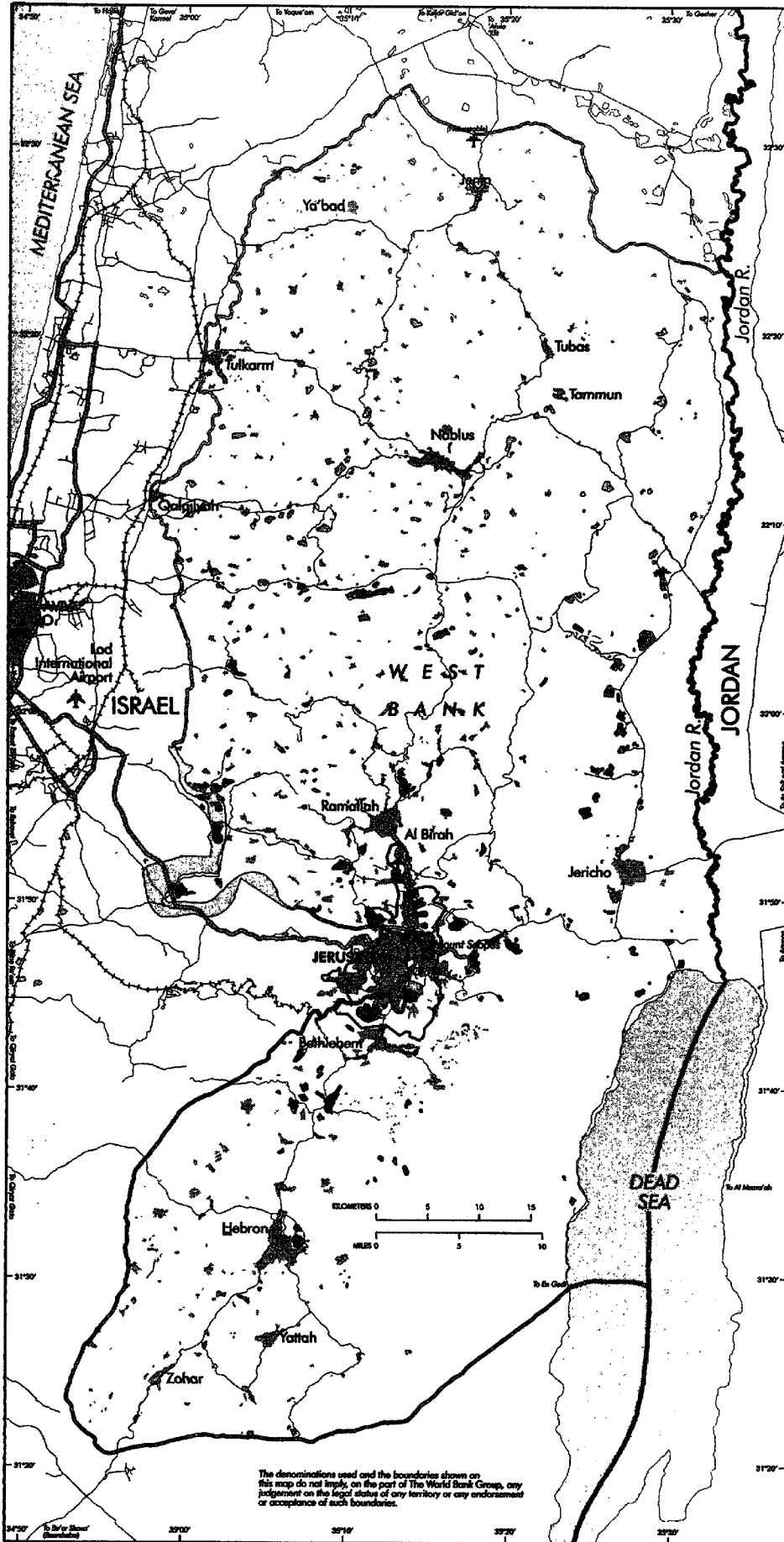
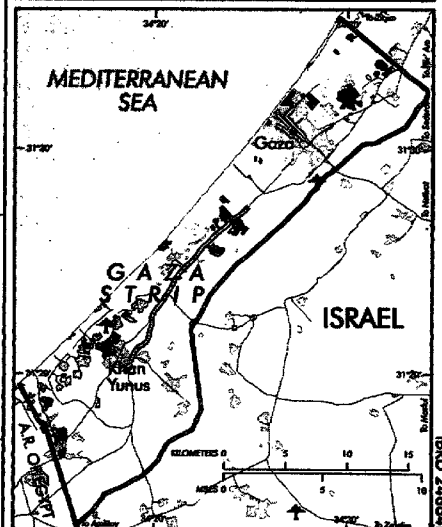
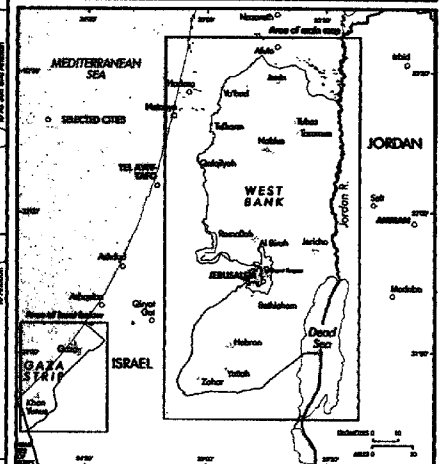
■ ISRAELI SETTLEMENTS

— ARMISTICE DEMARCATION LINES, 1949

□ NO-MAN'S LAND AREAS,
ARMISTICE DEMARCATION LINE, 1949

— JERUSALEM CITY LIMIT, UNILATERALLY
EXPANDED BY ISRAEL JUNE 1967;
THEN ANNEXED JULY 30 1980

— INTERNATIONAL BOUNDARIES



The denominations used and the boundaries shown on this map do not imply, on the part of The World Bank Group, any judgement on the legal status of any territory or any endorsement or acceptance of such boundaries.