



DIVISION FOR PALESTINIAN RIGHTS

**April 2010
Volume XXXIII, Bulletin No. 4**

Bulletin on action by the United Nations system and intergovernmental organizations relevant to the question of Palestine

Contents

	<i>Page</i>
I. World Bank issues report on Palestinian fiscal reforms	1
II. International Monetary Fund submits report on macroeconomic and fiscal framework for the West Bank and Gaza	3
III. Security Council holds open debate on the situation in the Middle East, including the Palestinian question	4
IV. Secretary-General submits report on the economic and social repercussions of the Israeli occupation	9

*The Bulletin can be found in the United Nations Information System
on the Question of Palestine (UNISPAL) on the Internet at:*
<http://unispal.un.org>

I. WORLD BANK ISSUES REPORT ON PALESTINIAN FISCAL REFORMS

On 12 April 2010, the World Bank published its report to the Ad Hoc Liaison Committee, which held a meeting in Madrid on 13 April. The following is the executive summary of the report entitled “Towards a Palestinian State: reforms for fiscal strengthening”:

A viable state requires public institutions that create an enabling environment for private sector-driven growth, manage public finances efficiently, and are able to deliver effective services to the population. The Palestinian Authority (PA) is making steady progress on implementing its reform program and building the institutions required by a future state: the PA has strengthened its public financial management systems, improved service delivery, and made significant reforms to increase security and shore up its fiscal position. However, only a dynamic private sector can generate the jobs required by a young and growing population and furnish the resources needed to provide basic services to citizens. While recent economic resurgence is a cause for optimism - with gross domestic product (GDP) growth in 2009 reaching about 6.8 per cent coming on top of nearly 6 per cent in 2008 – the situation remains precarious. Most growth is in the West Bank, while Gaza continues to experience falling per capita GDP. Furthermore, growth is driven by a combination of large inflows of donor assistance, PA government reforms that have increased investor confidence, and the loosening of some Israeli security restrictions. Sustainability of the growth, given the reliance on donor assistance, is a cause for concern.

Sustained private sector growth requires a shift from public sector-driven investment to a real takeoff in private sector investment. Part of this can be achieved by

the PA continuing and accelerating its reforms. However, the largest impediment to private sector investment in the West Bank and Gaza remains the restrictions on movement and access to resources and markets imposed by the Government of Israel. Sustained growth is dependent on the Government of Israel further easing restrictions it has already loosened - particularly through increased Palestinian access to the land and resources in Area C, access to markets in East Jerusalem and Israel, and by creating a higher level of predictability on movement and access.

The PA will continue to be dependent upon donor financing of its operating budget for some time to come, while it implements an ambitious reform agenda. The international community should commit to continuing to support this agenda including through more predictable flows of financing. In 2009, the recurrent budget deficit of the PA rose to nearly US\$1.6 billion compared to US\$1.3 billion in 2008. This was mostly due to the need to respond to the emergency situation in Gaza. The PA recognizes that it cannot sustain such a high deficit and that while donor funding has been generous it will not remain at such a high level. The 2010 budget commits the PA to reducing its recurrent deficit to about US\$1.2 billion while also increasing development expenditures to US\$670 million. Nearly US\$350 million of these expenditures will be committed to community development projects that are a central part of the PA's strategy to spur development and meet the

needs of the population. The PA reports that it has already completed 1,000 of these demand-driven projects and aims to complete another 1,000 by the end of 2010. Lack of predictability in external financing jeopardizes the ability of the PA to efficiently manage its expenditures and thus consolidate the gains made to date.

Critical elements of the PA's reform and institutional development agenda focus on improving public financial management and strengthening its fiscal position. The Ministry of Finance continues to steadily improve its public financial management system. It has linked all ministries to the new computerized accounting system, closed non-zero balance bank accounts, and introduced new methods of commitment control. The 2008 financial statements have been compiled and submitted to the external auditor. Public procurement remains an important issue that the Government is pursuing with a new law drafted but not yet adopted. The PA plans to refine the current draft and adopt it in 2010, which will allow the establishment of a new public procurement system based on international best practice.

For fiscal strengthening, the PA is concentrating on pensions, net lending, electricity distribution and municipal finances, which have substantial effects on the budget. The PA has committed to reform the public pension system and is currently working on a plan to move forward, but the pace of reform needs to be stepped up. On net lending, the results are encouraging – the PA was successful in reducing net lending by over 30 per cent between 2007 and 2009 and some 80 per cent of the remaining sum was in Gaza,

where the PA has little ability to take action. On electricity, there is some progress – a new electricity regulator is operational and the systems for the Northern Electricity Distribution Company are being established. However, more sustained efforts are needed to effectively tackle this issue in the West Bank by transferring electricity distribution from local governments to commercially-run distribution companies, as required by the Electricity Law.

The reforms of the electricity distribution system are interwoven with the broader agenda of municipal finances. In a highly decentralized system, local government units are responsible for delivering extensive services and have a large impact on the PA's fiscal position through net lending and other transfers. Thus, improving the fiscal sustainability and efficiency of service delivery of local government units is a priority. In addressing the net lending issue, the PA has analyzed local governments' fiscal operations and is developing plans to address identified constraints. Important steps have been taken, such as increasing and extending property tax collections and creating incentives to improve accounting systems. In the longer term, the PA plans to address the inefficiency of the large number of small government units by moving to a more viable structure.

By many measures, the PA is well on the way to delivering on its promise to create a Palestinian state that can deliver services and economic prosperity to its population. Nonetheless, this is not the time for complacency. Concerted action on creating the enabling environment for private sector growth is needed. This

implies continued easing of movement and access restrictions by the Government of Israel, perseverance on the reform agenda by the PA, and sustained and predictable support by the international community.

This period represents an opportunity for all parties – Palestinians, Israel, and the international community – to rise to the challenge and ensure that the underpinnings of the future state are as solid as they can be.

II. INTERNATIONAL MONETARY FUND SUBMITS REPORT ON MACROECONOMIC AND FISCAL FRAMEWORK FOR WEST BANK AND GAZA

On 13 April 2010, the International Monetary Fund submitted to the meeting of the Ad Hoc Liaison Committee a report entitled “Macroeconomic and fiscal framework for the West Bank and Gaza: fifth review of progress”. The following is the executive summary of the report:

Economic growth in 2009 picked up significantly in the West Bank, but conditions in Gaza remain difficult. The Palestinian Authority (PA) has continued to build a solid track record in institution-building and economic and security reforms, supported by generous aid. The Government of Israel has relaxed some restrictions on movement and access in the West Bank during 2009. However, there has been no additional significant easing of the West Bank’s restrictions so far in 2010, and economic activity in Gaza remains severely constrained by the persisting blockade. Real GDP growth in the West Bank and Gaza is estimated at 6.8 per cent for 2009, consisting of 8.5 per cent growth in the West Bank and 1 per cent in Gaza.

The PA’s 2010 Budget builds on the progress made last year in institution-building and public finance reforms. In 2009, the war in Gaza has imposed a burden on the budget as it required substantial non-wage emergency spending. The 2009 recurrent deficit on a cash basis was in line with the budget target. However, non-wage expenditure commitments were above budgeted amounts, and there was a shortfall

in donor aid relative to the budget’s external financing requirements, including Gaza’s emergency spending, which led to the accumulation of non-wage arrears. The 2010 Budget envisages a tightening of the fiscal stance to reduce the recurrent deficit to \$1.24 billion from \$1.59 billion on a commitment basis in 2009. To that end, it is important to step up structural reforms, including implementation of a social safety net and electricity sector reform, and to enhance commitment controls and cash management to minimize further arrears accumulation and recourse to bank borrowing.

There is an urgent need to secure adequate donor assistance to finance the 2010 recurrent financing requirements. A front-loading of that assistance is especially important given the aid shortfalls during the first quarter of the year. External recurrent financing requirements for April to December 2010 are projected at about \$1.1 billion, given the \$174 million already disbursed in the first quarter of 2010. The \$1.1 billion is in addition to about \$0.7 billion needed for public investment in the Palestinian territories in 2010.

Concerted actions by the three parties (the PA, the Government of Israel and the donor community) are critical to sustain the economic recovery and reduce significant risks to the economic outlook. Perseverance by the PA in institution-building, reforms and good governance, supported by adequate and timely donor aid, is needed to achieve increased self-reliance and sustain private sector confidence. A breakthrough in the peace process and removal of restrictions on a wider scale are essential for a durable and regionally balanced growth in

the Palestinian territories. This requires action on three fronts. First, lifting Gaza's blockade is essential to stem the continuing decline in Gazans' living standards. Second, removing impediments to private and public investment in Area C of the West Bank, which represents about 60 per cent of its territory, is needed to tap into the full growth potential of the West Bank. Finally, lifting restrictions on the Palestinian territories' external trade, especially on exports to Israel, is key to a sustained rise in real GDP per capita and a balanced growth pattern.

III. SECURITY COUNCIL HOLDS OPEN DEBATE ON THE SITUATION IN THE MIDDLE EAST, INCLUDING THE PALESTINIAN QUESTION

On 14 April 2010, the Security Council held an open debate on the theme "The situation in the Middle East, including the Palestinian question". The following are excerpts from the briefing given by Under-Secretary-General for Political Affairs B. Lynn Pascoe (see S/PV.6298):

Since the Secretary-General briefed the Council on 24 March, efforts aimed at bringing about the conditions for a resumption of Israeli-Palestinian talks have continued, including through a meeting between President Obama and Prime Minister Netanyahu in late March. The situation on the ground remains fragile and a crisis of confidence between the parties has so far prevented the resumption of talks. The United Nations will continue to engage with its Quartet partners to ensure that the circumstances which made it possible to agree to launch the proximity talks be respected.

The Secretary-General attended the League of Arab States summit on 26 and 27 March, at which he briefed Arab leaders on the meeting of the Quartet in Moscow and his visit to Israel and the occupied

Palestinian territory. He met with Secretary-General Amre Moussa, with whom he discussed the full range of issues of mutual interest to the United Nations and the Arab League. In his address to the summit, the Secretary-General encouraged Arab leaders to continue to support Palestinian participation in talks on the goal of the creation of an independent Palestinian State living side by side in peace and security with Israel and its other neighbours. He emphasized that this goal can be brought about only through a return of the parties to the negotiating table and testing their commitment in that framework.

The summit condemned Israeli actions on the ground, in particular in East Jerusalem, and conditioned continued Arab support for Palestinian participation in proximity talks on the outcome of the efforts

by the United States to create conditions conducive to the success of negotiations. In their concluding statement, Arab leaders reconfirmed their endorsement of the Arab Peace Initiative and pledged \$500 million to support the Palestinian population in East Jerusalem.

The Secretary-General also held discussions with Palestinian President Abbas in the margins of the League of Arab States summit. He reiterated to the President his own and the Quartet's support for negotiations on all core issues.

Turning to the situation on the ground, the Israeli Government's partial restraint on settlement construction in the West Bank remains in effect and, as previously noted, has led to a reduction in construction activity despite some violations. Although these developments are welcome, this policy falls short of Israel's Road Map obligation to a full settlement freeze and excludes settlement activity in East Jerusalem. The Secretary-General has reiterated that all settlement activity is illegal and must stop. He urged that the restraint be expanded into a comprehensive freeze of all settlement activity.

As a result of the transfer of Israeli settlers into the East Jerusalem neighbourhood of Sheikh Jarrah, there were further incidents of violence between Palestinian residents and the settlers. We note that there have been no house demolitions carried out in East Jerusalem since January this year. We hope that this positive development will continue.

In the West Bank, there were almost daily clashes between settlers and Palestinians during the reporting period, as

well as incidents of stone-throwing at Israeli vehicles. These incidents caused four Palestinian injuries; two further Palestinians were injured and a Palestinian youth was killed in three incidents of Palestinians being hit by vehicles driven by settlers. Citing security concerns, Israeli security forces carried out 58 incursions into West Bank towns and villages, and 112 Palestinians were arrested. Forty-one Palestinians and seven Israelis were injured during the reporting period. On 7 April, Palestinian prisoners in Israeli prisons and detention centres held the first in a planned series of coordinated one-day hunger strikes in protest at the conditions of detention.

In Jerusalem, Palestinian Christian access to Easter celebrations was limited due to an extraordinary closure of checkpoints between the West Bank and East Jerusalem, which lasted from 25 March to 6 April. On 28 March, a protest by Christians in Bethlehem against Israeli access restrictions resulted in the detention of 11 Palestinians, including Fatah Central Committee member Abbas Zaki. There were also instances of restricted access to Haram al-Sharif/Temple Mount for Muslim prayer. Demonstrations against the route of the barrier continued, in particular where it is constructed inside the West Bank, in contravention of the advisory opinion of the International Court of Justice. An increasing number of senior Palestinian officials have joined the call for peaceful popular protest against Israeli occupation.

We note with concern that a street in the Ramallah district has been named after a Palestinian militant responsible for the murder of a number of Israeli civilians. We would like to remind all concerned that, under the Road Map, the Palestinian Authority has the obligation to end incitement.

The Palestinian Authority continues to exert efforts to meet its obligations to maintain law and order and combat terrorism in areas under Palestinian control in the West Bank. There has been continued security cooperation with Israel during this reporting period.

In a worrisome development, an Israeli military order that gives the military commander the power to evict a broad category of individuals whom the Israeli authorities deem not to be residents of the West Bank went into effect yesterday, 13 April. This could have the effect of enabling Israeli authorities to deport these individuals and has provoked strong Palestinian and Arab reaction. Special Coordinator Robert Serry raised the issue with Israeli authorities, and his Office will continue to monitor this development closely.

Palestinian municipal elections planned for 17 July will be an important democratic element of the State-building agenda. The Central Elections Commission has now completed the registration of over 200,000 new voters in the West Bank. The nomination of candidates is scheduled to take place from 1 to 10 June, and campaigning will be between 3 and 15 July. Hamas has not allowed voter registration to take place in Gaza and has called for a boycott of the poll. We reiterate our call on Hamas to allow Gazans to exercise their right to participate in elections. We call on parties to ensure that the elections are free, fair and transparent.

Turning to the important Palestinian State-building agenda and United Nations and international community support for those efforts, the Ad Hoc Liaison Committee for the Coordination of International Assistance to Palestinians met in Madrid

at senior official level on 13 April. The meeting was chaired by Norwegian Foreign Minister Støre and was hosted by Spanish Foreign Minister Moratinos Cuyaubé. The Ad Hoc Liaison Committee was also joined by Quartet Representative Blair, and the United Nations was represented by Special Coordinator Serry. The Ad Hoc Liaison Committee discussed measures necessary to support the Palestinian Authority's budget and institution-building as part of the State-building agenda aimed at attaining Prime Minister Fayyad's goal of readiness for statehood in 2011.

The Ad Hoc Liaison Committee reconfirmed its support to the Palestinian Authority State-building agenda. During the meeting, Prime Minister Fayyad said that the Palestinian Authority was approaching "the home stretch" in the implementation of its programme and expressed confidence that the remaining tasks of the programme can be implemented over the period June 2010 to June 2011.

The Palestinian Authority requires an estimated \$100 million a month in external financing for recurrent budgetary expenditures, but since January, only an estimated \$174 million has been transferred. Projected shortfalls in the Palestinian Authority's budget could undermine its reform and State-building agenda. Member States are encouraged to commit funds they pledged, wherever possible through direct support to the Palestinian Authority. We take positive note that the Palestinian Authority has requested budget support of \$1.2 billion in 2010, down from \$1.35 billion in 2009 and from \$1.8 billion in 2008, thus reflecting what Prime Minister Fayyad termed an effort to secure a reduced reliance on the international community.

The 2010 draft budget projects expenditures at \$3.9 billion, of which half will be allocated to Gaza. Reflecting positive Palestinian Authority reforms, the Palestinian Central Bureau for Statistics reported that real gross domestic product increased by an estimated 6.8 per cent in 2009 as compared to 2008. However, it is of concern that this figure is driven by the growth in the West Bank, whilst the Gazan economy continues to stagnate. The United Nations has aligned its programming in support of the State-building agenda and intends to focus its efforts in critical areas, including Area C, East Jerusalem and Gaza.

Let me turn to progress that is now being made on entry of materials for a number of approved United Nations projects since the Secretary-General's visit to Gaza on 21 March. As a result of Israeli approval of the entry of aggregate and cement, work has now began on the sewage pumping station project at Tel el-Sultan, and work on the other approved projects, including the 151-unit Khan Younis housing project, is expected to commence shortly. The commercial import of wood and aluminium has been approved and will be allowed entry this week. There have also been other positive measures carried out by Israel, such as the continued exports of cut flowers during the reporting period and an increase in the amount and type of goods entering the Strip, including clothing, shoes and further imports of glass. However, the entry of materials still falls far short of what is required to address the immense reconstruction and development needs of Gaza.

The approved United Nations housing, water and sanitation projects are a modest start of what needs to be done in Gaza. More than half of the population is under the

age of 18, and it is their future that should concern us most. More schools need to be built in Gaza to ensure that Palestinian children receive an education that broadens their horizons and prepares them for a better future. The quality of health care is also declining, due in part to the lack in building materials, equipment and supplies necessary for health facilities. In all these critical areas the United Nations will continue to exert its utmost efforts to expedite the entry of needed materials and to expand the scope of activities in Gaza to address these needs. In order to enable these goals and United Nations projects in both Gaza and the West Bank, the United Nations and the Palestinian Authority have agreed that a trust fund will be established at an appropriate time. I would encourage all donors to consider supporting the work of the United Nations through that mechanism.

Beyond the entry of materials into Gaza, other key elements of Security Council resolution 1860 (2009) remain unfulfilled and continue to contribute to the instability in the Strip. In particular, the resolution's calls for the commitment of the parties to a durable and sustainable ceasefire and intra-Palestinian reconciliation are yet to be implemented. Without renewed and determined efforts to implement resolution 1860 (2009) in all of its aspects, the situation in Gaza cannot be fully addressed. A more comprehensive and strategic approach to Gaza is urgently required.

It is of serious concern that the security situation in Gaza is again volatile. On 26 March, a clash near Khan Younis led to the deaths of two Israeli soldiers and three Palestinian militants. The military wing of Hamas, the Al-Aqsa Martyrs Brigade and a group called Palestine Taliban, all claimed responsibility for the action. In another

incident on 13 April, two Palestinian militants belonging to Islamic Jihad were killed by Israeli security forces, reportedly while trying to place improvised explosive devices near the Gaza-Israel border.

During this period, a total of 35 rockets and mortars were fired from Gaza, and 16 reached southern Israel, with no damage or injuries reported. One Palestinian civilian was killed and 15 others were injured in the course of 14 incursions and six air strikes by Israeli security forces. There are reports that Hamas is trying to prevent further outbreaks of violence, and the major factions in Gaza have agreed with Hamas that they will maintain calm. However, rockets continue to be fired from the Strip. We condemn the rocket fire and call for calm to be respected and for international humanitarian law to be upheld.

Egypt is continuing its efforts to combat smuggling, and on 31 March uncovered a significant cache of missiles and shells in northern Sinai, which were reported to be destined for the Gaza Strip. Smuggling of all goods, including arms, continues through tunnels into Gaza and one Palestinian died and six were injured in tunnel collapses during this reporting period. It is vital that all legitimate crossings for imports and exports be opened, as envisaged in the 2005 Agreement on Movement and Access, in accordance with resolution 1860 (2009). There has been no progress in efforts to secure the release of Corporal Shalit in exchange for Palestinian prisoners.

The Arab League summit stressed the importance of Palestinian unity; however, there has been no further progress in finalizing an agreement based on the

Egyptian proposal. We reiterate the Quartet's call for the promotion of Palestinian unity based on the commitments of the Palestine Liberation Organization and the reunification of Gaza and the West Bank under the legitimate Palestinian Authority.

On 29 March, Hamas took over the bank assets of a benevolent society in Gaza. Such measures jeopardize the whole banking sector and aggravate the humanitarian situation. There are also reports of increasing human rights abuses. We are concerned at public statements by Hamas authority figures indicating the intention to carry out executions of prisoners.

...

The Secretary-General has made clear the commitment of the United Nations to the goal of a comprehensive peace in the Middle East. As he outlined last month to the Council, for that to be achieved, there is no alternative to the urgent resumption of negotiations on all core issues for a two-State solution. This must be enabled by positive developments on the ground. Peace is in the hands of the parties themselves, but the international community must continue to play a crucial role.

The situation is critical. We cannot afford to lose this opportunity to reach an agreement that will end the occupation that began in 1967 and that will result in the emergence of an independent, democratic and viable Palestinian State living side by side in peace and security with Israel and its other neighbours in accordance with Security Council resolutions, previous agreements, the road map and the Arab Peace Initiative.

IV. SECRETARY-GENERAL SUBMITS REPORT ON THE ECONOMIC AND SOCIAL REPERCUSSIONS OF THE ISRAELI OCCUPATION

On 20 April 2010, Secretary-General Ban Ki-moon submitted to the Economic and Social Council a report on the economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the Occupied Palestinian Territory, including East Jerusalem, and of the Arab population in the occupied Syrian Golan, prepared by the Economic and Social Commission for Western Asia. Following is the summary of the report (A/65/72-E/2010/13):

The Israeli occupation of Palestinian territory, including East Jerusalem, the use of arbitrary detention, disproportionate use of force, property destruction, home demolitions, mobility restrictions, lack of building permits and closure policies continue to intensify the economic and social hardships of the Palestinian residents in the occupied Palestinian territory. Despite the constraints posed by the occupation, the Palestinian Authority continued to make progress in implementing its reform agenda and security plan and in building its institution.

Between February 2009 and February 2010, 67 Palestinians were killed and 145 injured by Israeli military operations. At the same time, attacks by Palestinian militants and the launching of rockets into Israel from the Gaza Strip continued, although at a diminished rate over that of previous years.

Between February 2009 and February 2010, Israeli authorities demolished 220 Palestinian-owned structures in the West Bank (excluding East Jerusalem). As a result of those demolitions, over 400 Palestinians were displaced. In occupied East Jerusalem, the Israeli authorities demolished approximately 80 Palestinian-owned structures between February 2009 and March 2010, thereby displacing approximately 260 Palestinians.

The blockade imposed by Israel on the Gaza Strip following the forceful takeover of Gaza by Hamas in June 2007 entered its third year as of August 2009. The blockade detrimentally affects reconstruction and economic recovery in the Strip in addition to exacerbating humanitarian conditions. In the West Bank, there has been a general relaxation of the crossing procedures at most checkpoints to the east of the barrier. However, since November 2009, there has been a steady increase in the number of “flying” (ad hoc) checkpoints erected for short periods.

Contrary to its obligations under the road map, Israel continued illegal settlement activity in the West Bank, including East Jerusalem. On 26 November 2009, Israel announced a 10-month settlement “freeze order” in the West Bank, but it does not apply to the East Jerusalem area.

The Syrian Golan has been under Israeli occupation since 1967. The decision of the Government of Israel to impose its laws, jurisdiction and administration in the occupied Syrian Golan was deemed null and void and without international legal effect by Security Council resolution 497 (1981). That annexation continues to affect the lives and human rights of the Syrian citizens living in the occupied Syrian Golan.