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**OFFICE OF THE UNITED NATIONS SPECIAL COORDINATOR
FOR THE MIDDLE EAST PEACE PROCESS**

**Report to the
Ad Hoc Liaison Committee**

New York, 18-19 September 2016

This report of the Office of the UN Special Coordinator for the Middle East Peace Process (UNSCO) builds on the UN's previous reports to the Ad Hoc Liaison Committee (AHLIC), which provided an assessment of the efforts of the Palestinian Government toward state-building and an update on the situation on the ground.

The report draws on a variety of sources, including inputs from UN agencies, funds and programmes, as well as published reports that are detailed in the foot/end notes. Before the report is released, it is discussed with the parties.

The reporting period is 15 April to 31 August 2016, unless otherwise noted. Many references fall outside this period to illustrate relevant trends.

The UN Special Coordinator for the Middle East Peace Process provides a monthly briefing to the UN Security Council on the situation in the Middle East. These briefings provide greater detail on the UN's positions related to the changing political situation.

Previous UNSCO reports to the AHLIC and Security Council Briefs can be found at: <http://www.unsco.org>

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List of Acronyms

ACCO	Area C National Coordination Office
AHLC	Ad Hoc Liaison Committee
API	Arab Peace Initiative
ARG	Arab Regional Grid
CBS	Central Bureau of Statistics
COGAT	Coordination of Government Activities in the Territories
DNA	Detailed Needs Assessment and Recovery Framework for G
ECD	Early childhood development
EDI	Education for All Development Index
EDSP	Education Development Strategic Plan
EFA	Education for All
ERW	Explosive remnants of war
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GEDCo	Gaza Electricity Distribution Company
GIS	Geographic Information System
GPP	Gaza Power Plant
GRM	Gaza Reconstruction Mechanism
HRP	Humanitarian Response Plan
ICA	Israeli Civil Administration
IDF	Israeli Defense Forces
IDP	Internally displaced person
IEC	Israel Electric Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
INGO	International Non-Government Organisation
IPE	Initiative for the Palestinian Economy
kg	Kilogram
km	Kilometer
kV	Kilovolt
m ³ /d	Cubic metres per day
MAG	Military Advocate General
MCM/y	Million cubic metres per year
MW	Megawatt
MoEHE	Ministry of Education and Higher Education
MoH	Ministry of Health
MoSD	Ministry of Social Development
NGEST	Northern Gaza Emergency Sewage Treatment Plant
NGO	Non-Government Organisation
NM	Nautical mile
NPA	National Policy Agenda
PACI	Palestinian Agricultural Credit Institute
PADRRIF	Palestinian Agricultural Development Risk Reduction and Insurance Fund
PCBS	Palestinian Central Bureau of Statistics
SDG	Sustainable Development Goal
TVET	Technical Vocational Education and Training
UNSCO	United Nations Special Coordinator for the Middle East Peace Process
WASH	Water, Sanitation and Hygiene

Executive Summary

Looking back at progress since the landmark AHLC meeting in 2011, the key constraints to greater Palestinian socio-economic development and effective functioning of institutions arise primarily from the persistence of the occupation and the unresolved Israeli-Palestinian conflict. Freedom of movement, access to natural resources, to financial capital, to water and energy all hinge on the occupying power. This dependency, along with the Palestinian internal political divide and still maturing institutions, deprives the Palestinian Government of the ability to extend its authority to areas outside its reach, and of key attributes to deliver adequate services to its people.

The illicit arms buildup and militant activity by Hamas, the lack of control of Gaza by the Palestinian Government, and the dire humanitarian situation, exacerbated by the highly restrictive closure regime, feed instability, damage Gaza's economic development, and hinder basic service delivery.

Palestinian development is also constrained by complex physical and administrative restrictions on the movement of people and goods, which Israel justifies as necessary for its security, including of settlements. Access constraints between East Jerusalem and the rest of the West Bank persist, affecting social, economic and development linkages. Such restrictions add costs to importers and exporters, limit access to natural resources and agricultural land, and discourage private sector investment. Against this backdrop and since the last meeting of the AHLC, the Palestinian Government has identified ten key priority areas for the next six-year period which focus efforts toward a "Path to Independence". While the supporting sector strategies and costing of this National Policy Agenda (NPA) are yet to be completed, this meeting of the AHLC provides an opportunity to reflect on recent developments as well as to review progress achieved in strengthening key Palestinian Government institutions and functions. Positive steps have been taken by the Palestinian Government in the areas of Governance, Rule of Law, Education, Health, Culture, Agriculture and Infrastructure Development. Equitable socio-economic development cannot be fully realized in any of these areas, however, without the facilitation of Israel. It is equally critical that the Palestinian Government continues to receive financial support from the international community, including budget support, development assistance and humanitarian aid.

Ultimately, what is needed to advance Palestinian development is a political horizon for a peaceful resolution to the Israeli-Palestinian conflict, on the basis of a two-state solution. The reporting period has seen very limited progress in this regard. Despite efforts by the international community, the parties have not taken any meaningful steps to create an enabling environment for a return to meaningful negotiations. Both parties should comply with their basic commitments under existing agreements. Important progress can be made now towards advancing the two-state solution on the ground. There continues to be an urgent need for affirmative steps to reverse the negative trends on the ground in order to prevent entrenching a one-state reality of perpetual occupation and conflict that is incompatible with realizing the national aspirations of both peoples.

As called for by the Middle East Quartet, a number of important steps should be taken immediately. Both sides must work to de-escalate tensions by exercising restraint and refrain from provocative actions and rhetoric. Israel must end its settlement related policies in the occupied West Bank, including East Jerusalem. It should implement positive and significant policy shifts, including transfer- ring powers and responsibilities in Area C, consistent with the transition to greater Palestinian civil authority contemplated by prior agreements. Progress in the areas of housing,

water, energy, communications, agriculture, and natural resources, along with significantly easing Palestinian movement restrictions, can be made while respecting Israel's legitimate security needs. The Palestinian Government should strengthen institutions, improve governance, and develop a sustainable economy. Gaza and the West Bank should be reunified under a single, legitimate and democratic Palestinian government on the basis of the PLO platform and the rule of law. Israel should accelerate the lifting of movement and access restrictions to and from Gaza, with due consideration of its need to protect its citizens from terrorist attacks.

Introduction

The analysis and recommendations in this report build on the UN's previous reports to the AHLC. Whilst there has been limited progress in the implementation of a number of the previous recommendations, both by the parties and AHLC members, in many of the areas there has been insufficient progress to date.

To provide the context in which the Palestinian Government's institutional and economic efforts are being pursued, the first section of the report reviews the situation over the last five months (the reporting period is 15 April to 31 August 2016 unless otherwise noted), including recent advances and the remaining challenges on the ground in the political, humanitarian and human rights areas. To support the Palestinian Government as it embarks on the NPA for the coming six years, the second section of the report is devoted to providing a snapshot of progress and challenges in the key strategic areas where the UN focuses its development and recovery efforts.

These include:

1. Governance and Rule of Law
2. Livelihoods and Productive Sectors
3. Education and Culture
4. Social Protection
5. Health
6. Infrastructure and Water

Concrete steps that require attention by all parties are outlined in each area and summarized in the conclusion of the report. An annex is included on the status of Gaza reconstruction and recovery two years after the end of the 2014 escalation of hostilities and recommendations to support these efforts.

I. Political and Security Context

The past six months have witnessed substantial efforts by the international community to advance prospects for peace. On 17 May, Egyptian President al-Sisi called on Israeli, Palestinian and Arab leaders to take historic steps for peace, as Egypt and Israel had in 1979, and expressed Egypt's readiness to contribute to these endeavours and to play a role in facilitating Palestinian reconciliation. Meanwhile, on 3 June, France hosted a Ministerial meeting of 28 delegations which reaffirmed support for a two-state solution to the Israeli-Palestinian conflict and discussed ways the international community could contribute to this goal, including by providing incentives, including through convening an international conference with the parties by the end of the year.

On 1 July, the Middle East Quartet issued its [report](#) outlining key threats to the two-state solution and offering recommendations for creating the conditions for an eventual return to meaningful negotiations. The report reiterated that a negotiated two-state outcome is the only way to achieve an enduring peace that meets Israeli security needs and Palestinian aspirations for statehood and sovereignty, ends the occupation that began in 1967, and resolves all permanent status issues. It outlined three negative trends that make this prospect increasingly remote: violence against civilians and the incitement that fuels it; the Israeli policy of expanding settlements, the taking of land for exclusive Israeli use and denying Palestinian development; and the situation in Gaza, marked by the lack of Palestinian unity, continued militant activity and a dire humanitarian crisis, augmented by a restrictive closure regime. Stressing the urgent need for affirmative steps to reverse each of these negative trends and to prevent entrenching a dangerous one-state reality, the Quartet called on the parties to take action, independently, in line with their commitments under previous agreements that can realistically make progress towards establishing a two-state reality on the ground.

While the wave of violence that began in October 2015 saw a steady decline in the rate of attacks and the frequency of clashes, particularly since the start of 2016, fear and mistrust on both sides continue to undermine efforts to reinvigorate the peace process. This slowdown is due in large part to the effective efforts of the Palestinian Government Security Forces, who have successfully thwarted attacks, seized weapons, and arrested suspected extremists. Continued security coordination between both sides has also played a key part in reducing violence. Despite the decline, there have been a number of high-profile deadly attacks against Israelis, including the 8 June Sarna Market shooting in Tel Aviv and the 30 June stabbing death of a 13-year-old in Kiryat Arba settlement outside Hebron.

Incidents of apparent excessive use of force by Israel security forces, such as the 27 April shooting at a checkpoint of a pregnant 23-year-old and her 16-year-old brother and the 21 June mistaken killing of a 15-year old, compound the vulnerability and frustration of Palestinians living under occupation. The Palestinian Government launched an investigation into the apparent extrajudicial execution by Palestinian security forces on 23 August of a Nablus man while in Police custody, who was suspected of involvement in the death of two security personnel and the string of incidents that preceded this event. Questions remain surrounding the accountability for such acts.

Since 1 April, a number of settlement plans have been advanced for at least 2,400 units in the West Bank, including East Jerusalem, with nine announcements starting in early July, including in sensitive East Jerusalem areas. Israel advanced the so-called retroactive 'legalisation' of the Horeh Yaron and Rechelim outposts, and put forward a potentially precedent-setting proposal to relocate the illegal outpost of Amona - which is slated by Israel's High Court of Justice for dismantling by the end of the year - onto nearby 'absentee land'. Together, these actions reflect a continuing policy to expand Israeli presence and limit Palestinian development in the West Bank including in East Jerusalem. These moves have been compounded by statements from sitting Israeli ministers, openly rejecting the notion of a Palestinian state or calling for the complete annexation of Area C.

The ceasefire in Gaza continues to hold, but continued illicit arms build-up and militant activity, including the building of tunnels, the smuggling of weapons, and the production and launching of rockets towards Israel increase the risk of renewed conflict. The beginning of May saw the most serious escalation of violence between Israel and Hamas since the 2014 conflict, with Israel's discovery of two tunnels and nine incursions to destroy them. Militants fired some 45 mortars and rockets at Israel and the IDF conducted 13 airstrikes; one woman was killed and several other Palestinians injured during the exchanges. On 21 August, two rockets were fired from Gaza, with one landing in the Israeli town of Sderot without causing injury or damage, the other falling short inside Gaza territory. Israeli forces responded with some 60 missiles and shells to various locations in Gaza, directed at Hamas' and other militants' bases. Five people were reportedly injured during the operation. These incidents highlight the fragility of the security dynamics in Gaza and, particularly, the need to vigorously uphold the ceasefire.

Reconciliation talks between Fatah and Hamas, which began in Qatar in February, have achieved no progress. The parties met again in May and failed to agree on the two main issues under discussion: formation of a National Unity Government and the organization of parliamentary and presidential elections.

II. Protection and Humanitarian Needs

The humanitarian situation in the occupied Palestinian territory (oPt) continues to be best characterized as a protracted protection crisis. A total of 2.3 million people are projected to need some form of humanitarian assistance in 2016, predominantly in Gaza (1.3 million), with the 2016 Humanitarian Response Plan (HRP) seeking to assist 1.6 million beneficiaries with some form of humanitarian relief.

As indicated above, the wave of violence which erupted in the West Bank in October 2015 has continued, at a reduced level, with 18 Palestinians killed, including four children, during the reporting period, the majority recorded in the context of attacks or alleged attacks against Israelis: six Israelis were killed in the same period. The decrease in violence vis-a-vis the previous reporting period is also reflected in the number of Palestinian injuries (1118 vs. 3628) and incidents of settler violence resulting in Palestinian casualties (9 vs. 18) and property damage (16 vs. 31). Punitive demolitions targeting the family homes of suspected perpetrators of attacks against Israelis also continued during the reporting period with 10 homes targeted to date.

Overall, in the reporting period, there has been a decline in the number of Palestinian structures destroyed, dismantled or confiscated by the Israeli authorities for lack of building permits in Area C and East Jerusalem relative to the significant increase in the previous period.¹ However, following the announcement of a freeze during the Holy month of Ramadan,² demolitions resumed in July, with the trend in August appearing to match the high rate witnessed in the first four months of the year. The 767 structures demolished since the beginning of 2016 to date exceeds the total for all of 2015 (523), as does the number of Palestinians displaced to date; 1067 vs. 640 in all of 2015. 193 of the displaced Palestinians were refugees. The demolition rate in East Jerusalem so far in 2016 (118) is the highest since OCHA began recording these numbers in 2008. The number of donor-funded, humanitarian assistance structures demolished or confiscated since the beginning of 2016 to date (210) also surpasses the number (107) in all of 2015.

These actions are taking place in the context of a discriminatory planning regime which makes it almost impossible for Palestinians to obtain the requisite Israeli-issued building permits in East Jerusalem and Area C. To date, 110 local outline plans for about 158,000 Palestinians in 119 communities in Area C have been prepared. Despite the proven international quality standards of these plans³, still only 3 local outline plans have been approved by the Israeli Civil Administration (ICA) out of the 95 local outline plans submitted, noting that 70 local outline plans have been lingering for more than 18 months in technical discussion with the ICA.⁴ Bedouin and herding communities in Area C remain the most vulnerable and continue to face a high risk of displacement given the coercive environment that has been created.

In the Gaza Strip, the August 2014 ceasefire has largely held. This is reflected in the low number of Palestinian fatalities (6) and injuries (137) to date in 2016 as well as the fact that no new displacement has taken place since the ceasefire. However, an estimated 12,400 families, or over 65,000 people, remain displaced as a result of the destruction of homes in the 2014 conflict, and the population continues to bear the scars of recurrent conflict and nine years of sweeping closures. Moreover, high levels of violence against Palestinians and arrests in the so-called Access Restricted Areas remain a cause for concern. At least 38 persons, including eight children, were injured by live fire in Gaza in the reporting period. There were fewer casualties compared to the previous reporting period given a decline in demonstrations by the fence.

Provision of basic services inside Gaza remains a key humanitarian concern. The lack of resolution to the longstanding salary crisis affects tens of thousands of public employees in Gaza, impairing the delivery of basic services, particularly in health and education. In late August, the Palestinian Government enabled a much-needed humanitarian payment to over 20,000 unpaid civilian employees in Gaza, made possible by the generous donation of the State of Qatar. Delivery of services is also undermined by Gaza's chronic energy shortage. The electricity deficit was exacerbated during the reporting period due to recurrent shortages of fuel to run the Gaza Power Plant, as well as persistent disruptions in the electricity supply from Israel and Egypt. This has significantly impacted the provision of basic services, particularly water supply and health care.

The Humanitarian Response Plan (HRP) is currently underfunded in both percentage terms (32% vs. 50%) and in absolute terms (\$183 vs. \$355 million) compared to the 2015 HRP at the same time last year. Only 16% of the requested funds for top priority projects have been received to date. A number of clusters (Education, Health and Nutrition and WASH) are recording low progress towards their mid-year indicators. INGOs and NGOs are particularly underfunded.

Access and Movement

Restrictions on movement and access continue to infringe on Palestinian rights, undermine livelihoods and have a serious impact on the economy, ultimately contributing to an increased dependency on humanitarian aid.

Following the Hebron security incidents in June and July referenced above, Israel increased its restrictions on Palestinian movement throughout the West Bank, with access to services and livelihoods and economic activity in the Hebron governorate particularly impacted. Following the fatal attack in Tel Aviv on 8 June, the Israeli authorities permanently suspended over 80,000 permits issued for Palestinians who hold West Bank permits to access occupied East Jerusalem for Friday prayers in Ramadan, as well as for family visits into Israel. However, an earlier announcement that permit requirements would be waived for West Bank Palestinian males aged above 45 and below 12, and females of all ages, was maintained and some 300,000 West Bank Palestinians and 300 Palestinians residents of Gaza accessed East Jerusalem during Ramadan.

The closures imposed by Israel on Gaza in 2007 remain in place, albeit with some measures relaxed on the passage of goods. The revenue from agricultural exports and transfers from Gaza in the first half of 2016 increased three-fold as compared to the equivalent period in 2015. Following a brief expansion on 3 April, Israel reduced the fishing zone along the southern Gaza coast once again from nine to six nautical miles on 26 June.

While the steady increase in the number of people crossing into Israel through Erez Crossing persisted in the second quarter of 2016 (14,393) it remains well below the monthly average for the years before the militant takeover of Gaza^{xxi}. Recent restrictions put in place in June 2016 have further constrained Palestinians' access from Gaza via Rafah. Since March 2016, almost half of the business people with permits have had their permits cancelled or not renewed.^{xx} In the first half of 2016, only 70% of permit applications submitted for Gaza medical patients who needed Israeli permits had been approved.^{xix}

The denial rate for permit applications for national staff working with international organizations to exit and enter Gaza has also increased, affecting coordination and the ability of humanitarian and development actors based in Gaza to move^{xx}.

In August Israel indicted two national humanitarian workers from the United Nations Development Program and World Vision International respectively on charges of diverting funds and/or material to Hamas. These very serious and deeply troubling accusations must be investigated thoroughly, quickly and proven in a court of law. Both organisations maintain a firm commitment to uphold the highest standards of accountability. The international community continues to enforce its policy of zero tolerance for any wrongdoing and has assured partners that robust measures are in place to ensure that aid goes to whom it is intended to.

During the reporting period the Israeli authorities reported they have intercepted smuggling efforts by Gaza militant groups, including a shipment of a chemical used for rocket manufacturing that was hidden in bags of salt, smuggling of weapons using fishing boats, and several cases in which individuals allegedly used their entry permits to Israel to smuggle cash for Hamas^{xxi}.

Despite its almost continuous closure since October 2014, Egyptian authorities opened Rafah crossing for a total of eight days during May and June 2016, permitting a total of 7,815 humanitarian cases and pre-registered Gaza individuals to enter Gaza via Rafah passenger terminal. 5,856 people were permitted access in June 2016 - the highest number of people permitted access since February 2016 (3,561) and June 2015 (2,393). Meanwhile a total of 522 truckloads of construction materials entered Gaza via Rafah commercial terminal during May and June 2016.

Human Rights Situation

Since the upsurge in violence in late 2015, concerns remain regarding cases of the apparent use of excessive force by Israeli forces in response to Palestinian attacks and a general lack of accountability for past killings and injuries. According to the Israeli Ministry of Justice, 24 criminal investigations have been opened against members of the ISF since the eruption of violence in October 2015. During the same period, the ISF killed over 170 Palestinians and injured nearly 15,000 Palestinians, the majority of whom suffered from tear gas inhalation^{xx}. Seventy-one cases are under consideration for investigation by the Military Advocate General (MAG) and the State Attorney's office, whilst another 71 were closed after preliminary investigation without any action taken^{xxi}. On 24 August 2016 the Israeli Military Advocate General announced, among other things, its decision to not undertake a criminal investigation into the deaths of civilians as the result of a shelling in the vicinity of an UNRWA School in Rafah^{xxii}.

The number of Palestinians - including children - detained by Israel, remains at historically high levels. According to the latest available official statistics, there were 6295 (including 260 children) Palestinian security detainees and prisoners held at the end of May 2016.^{xvii} According to the Israeli authorities, close to 30% of the attacks against Israelis during the recent wave of violence were perpetrated by Palestinian children, including a few under the age of 14. Close to 100 fishermen have been arrested since the start of 2016, making it the highest number of detentions at sea on record for any one year since the UN started to track these figures in 2009. Of particular concern is that increasingly, following their release to Gaza, these fishermen are additionally subjected to prolonged arbitrary detention by Hamas security forces in Gaza.

In August 2016, the Israeli Knesset passed an amendment to the Israeli Youth Law that allows for children between the ages of 12 and 14 to be sentenced to prison for specific serious crimes. Until the age of 14 minors would stay in a closed residence facility designated for minors and will at the age of 14 would move to a detention facility dedicated to the specific age group.^{xviii}

Although the law applies to all children in Israel and East Jerusalem, Knesset members, which cast the law as a response to terrorism, raise concerns that it may be used predominantly against Palestinian children. The number of Palestinians held under administrative detention are among the highest in a decade^{xxiii}.

In Gaza, the resumption of executions by Hamas is a matter of great concern. A number of individuals have been condemned to death by military courts in Gaza. Despite international outrage, in June 2016, Hamas carried out three executions; the first executions since early 2014. These executions were implemented without the approval of Palestinian President Mahmoud Abbas, which is required under Palestinian law.

The right to freedom of expression is being limited on many fronts across the oPt. During the reporting period, 73 violations committed by Israeli forces against journalists, bloggers and media officers in the oPt, including arrests, travel bans, confiscation of equipment and physical assaults were documented^{xxiv}. There were also 51 violations committed by Palestinian forces against journalists, bloggers and media officers in the oPt in the same period. This includes 29 violations by Palestinian security forces in the West Bank and 22 by the Gaza authorities - ranging from detention and arrest to confiscation of equipment and harassment and intimidation.^{xxv}

The fate of three Israeli civilians who disappeared in Gaza during the past two years continues to be unknown. So far, Hamas has not released any information on their status as well as on the remains of two Israeli soldiers who are missing in Gaza since the 2014 hostilities.

IV. Status of State-Building and Development Agenda

Against this political and security backdrop, the Palestinian Government has made progress in following through on the state-building agenda set out five years ago to provide opportunities for greater socio-economic and institutional development. These achievements risk being lost or reversed if the lack of a political horizon continues. These achievements are further at risk without a continued focus on pro-development efforts by the Palestinian Government, facilitation by the Government of Israel on a number of issues, and continued financial support from the international community, in line with AHLC recommendations.

An analysis is provided below which outlines progress made and challenges faced by the PA in the areas of socio-economic development and institution building in which the UN is closely involved through its agencies, funds and programmes.

Governance and Rule of Law

Governance

The Palestinian Government has taken a number of steps during the reporting period to strengthen governance and rule of law.

On 13 September, the Israeli and Palestinian government signed an agreement to resolve outstanding electricity debts and transfer authority for the administration of the energy market in the oPt to the Palestinian government. The agreement will set forth a new tariff structure for future energy consumption as well as provide a provision for the establishment of a Palestinian electricity company to administer consumers and transfers to Israeli Electricity Company. Two joint committees will be established to implement the provisions of the agreement, which is one of the most significant transfers of authority from Israel to the Palestinian Authority since the signing of the Oslo Accords.

On 21 June, the Palestinian Cabinet announced its decision to hold technical, municipal elections on 8 October. Hamas welcomed the decision and announced its agreement to participate and to allow elections to take place in Gaza. On 8 September, however, the Palestinian High Court ordered the suspension of all preparations for the poll while deliberations continue on a petition to cancel the elections. With the participation of all major Palestinian factions, except Islamic Jihad, and with polls organized throughout the West Bank and Gaza - the first since the 2006 Presidential elections - the local elections could provide a boost to healing Palestinian divisions, critical for establishing a negotiated two-state solution. To ensure that the elections take place in the most conducive environment, all sides must refrain from intimidation and violence. The CECs call for observers from international organisations and governments should be supported and facilitated.

The preparations for the NPA have also progressed, in accordance with plans described in the last AHLC report. Following an extensive consultation process, ten policy priorities have been identified and endorsed by the Palestinian Cabinet in June 2016 implementation in the next six years (2017 - 2022). The NPA sets out strategic priorities and policy interventions and will be operationalized through sector strategies, currently being developed by line Ministries and slated for completion before the end of the year. To this end, the Ministry of Local Government has prepared a draft strategic framework, translating the priorities of the NPA into a national framework on local economic development; it is also restructuring Local Government Units to strengthen administrative, technical, financial, and human capabilities through amalgamation and the introduction of a new approach to regionalization in the country's local governance system.

The Palestinian Government has made a commitment to integrate human rights and the Sustainable Development Goals (SDGs) into the NPA and associated sector strategies. To track progress on the SDGs, a National SDG committee was established in February 2016, under the leadership of the Prime Minister, and consists of 15 members drawn from the Palestinian Government, the private sector and civil society.

Since the AHLC last met, the Palestinian Government established an Area C Coordination Office (ACCO). The ACCO is tasked with the coordination and monitoring of the situation in Area C. It will also be looking into the possibility of establishing an Area C Emergency Trust Fund to respond to emergencies.

During the reporting period, the Palestinian Government prepared reports on the human rights situation in the oPt for submission to UN treaty bodies, as required under the terms of the seven human rights treaties ratified by the Palestinian Government in 2014. The baseline human rights assessment contained in these reports, of which four are nearing completion, provide an important evidence base for evaluating progress on implementation of human rights and national policy priorities in the years to come.

Planning is underway by the Palestinian Central Bureau of Statistics (PCBS) to conduct the third Palestinian Census of Population, Housing and Establishment in 2017. As an essential pillar of the official statistical system in any country, it provides the foundation for good governance and for measuring development progress. The census will contribute to state-building as well as to political independence through securing high quality statistics for better developmental planning in all aspects of life. With only a few months to go before launch, donors have provided support for a little over half the budget^{xxvi}. Support to this crucial national endeavor is critical as financial uncertainty would force PCBS to postpone or cancel the census. This would have serious repercussions for policy-making and sectoral planning.

The tripartite social dialogue process - between unions, employers and the government has witnessed significant deterioration in the reporting period. In February and March 2016, in response to the dissolving of the Teachers Union, a major teachers' strike paralyzed the education sector in the West Bank. In April, the Palestinian Government acting through the Palestinian Monetary Authority froze all trade union accounts of the Palestine General Federation of Trade Unions until further notice and is currently undertaking a thorough investigation of their financial situation and looking into internal governance issues. These developments may result in the reversal of the many earlier achievements under tripartite governance, and pose serious threats to the fundamental principles of freedom of association and the right to organize.

No progress has been made towards civil service integration in Gaza, despite the ongoing discussions and the efforts invested by the international community to facilitate such a process. Civil service integration in Gaza is essential for a harmonized governance and legal framework across the entire oPt. The Palestinian Government is making efforts to reform and modernize its existing public administration through the formulation of a public administration strategic framework and the development by the General Personnel Council of a human resources information system, streamlining the administrative processes and linking government institutions, including the idea to link the civil service and payroll databases, in the future.

Rule of Law

While there have been many positive inroads in improving institutional capacities, strengthening services, and advancing access to justice and security, many of the fundamental pre-conditions for rule of law development have yet to be realized. Fractured jurisdictions, the dysfunctional legislative environment, national institutional division, weak institutional capacities, and a lack of clarity around institutional roles and mandates are all key factors inhibiting rule of law development in Palestine.

The Palestinian Government's commitment to enhancing the rule of law is reflected in its incorporation of a strong justice and rule of law agenda for the coming six years in the NPA. Since the last AHLC report, several adverse developments related to rule of law merit particular note. First, in April 2016, President Abbas issued a Presidential Decree appointing nine judges to the High Constitutional Court, activating this court for the first time some ten years after its formal establishment by Law No.3 of 2006, enacted by the PLC. This development effectively establishes a separate system of constitutional control over legislation. The move, which was widely unexpected, has been opposed by civil society and some political parties, and openly rejected by Hamas' leadership in Gaza. Second, in terms of legislation, the draft Police Law and the Family Protection Law are approaching the final stages of development, pending approval by the President. It is understood that a draft law on the establishment of a High Criminal Court is also under consideration by the Cabinet. Third, a national legal aid system is now under discussion among the main actors of the Palestinian justice sector which would help to harmonize the support provided by the various service providers (CSCs, Universities, Palestinian Bar Association, etc.) and make it more

sustainable, through the development of a national framework. Fourth, there has been a sharp spike in the demand for legal assistance on cases in East Jerusalem linked to demolition orders, residency rights, family unification, among other issues. Access to justice for Palestinians living in East Jerusalem continues to be a key concern.

The United Nations continues to advocate for and support transparent, democratic lawmaking, strong judicial independence, accountable government institutions, and basic access to justice and protection as key elements of the rule of law in line with the obligations assumed by the Palestinian Government in ratifying the core international human rights treaties in 2014.

Livelihoods and Productive Sectors

Employment

Exacerbated by the economic constraints stemming from the occupation, Palestine's unemployment rate is likely to be the single most important economic driver of socioeconomic exclusion in the oPt. It is also a silent economic epidemic among women, particularly young women. In the second quarter of 2016, the unemployment rate in the oPt stood at 26.9% (44.1% for women, 22.1% for men). Youth unemployment continues to be particularly high with 20-24 year olds having the highest unemployment rate (42.6%) of all age groups. The unemployment rate among 20-24 year old women stands at 68.4% and that for 25-29 year old women stands at 61.0%.

Gaza's unemployment problem is more severe than that of the West Bank. In the second quarter of 2016, 41.7% of labour force participants were unemployed (compared with 18.3% in the West Bank). Nearly 62% of 20-24 year olds, and 53.5% of 25-29 year olds in Gaza are unemployed. It is important to note that youth unemployment rates in Gaza are the highest in the world, and are far higher than that of any of the countries in the Arab region.

Recognizing the urgency of the unemployment situation, the Palestinian Government has identified "creating job opportunities" among its key national policies in its NPA. These include expanding the Palestinian Employment Fund, expediting job creation through public-private partnerships, developing job creation programs for graduates, and ensuring a safe work environment through application of health and occupational safety standards.

The NPA also recognizes the need for facilitating the transition from education to employment for youth. To that end, it identified policy interventions that include aligning technical vocational education and training (TVET) and higher education with development and labour market needs, upgrading TVET infrastructure and facilities, and strengthening Palestine's science and research capacity.

These measures will have to be complemented by measures to reinvigorate Palestine's economic growth to increase the absolute number of jobs available. While recognizing the context of the occupation and associated restrictions, the NPA nonetheless seeks to rebuild Palestine's productive sectors by focusing on the policy elements under its control, including manufacturing, agriculture, tourism and to restore Gaza's industrial base. It identifies policy measures that include attracting domestic and foreign direct investment, expanding international trade, investing in strategic infrastructure, strengthening the financial sector's role in supporting private sector growth and bridging the West Bank-Gaza Strip development gap. In addition to the Palestinian Government's policies, sustainable economic growth will require Israel to facilitate the process by moving towards ending occupation-related policies, including by enabling a planning regime in Area C that allows Palestinians to develop their industrial base, adequate permits for infrastructure, residential and commercial building, greater access and movement to enable domestic markets across the oPt to be connected, and enabling Palestine's capacity to undertake trade. In addition, business man permits for Gaza based private sector should be reinstated as a priority.

Agriculture

In 2016, the agriculture, fishing, and forestry sector accounted for 3.1% of Palestine's GDP and 7.5% of people employed.^{xxx} Most of the labour engaged in the agriculture, fishing, and forestry sector was that of unpaid family members (total 37.2%, 42.2% in the West Bank, 18.9% in Gaza) in the second quarter of 2016.^{xxx} Only 42% of the cultivable land in the West Bank and Gaza Strip is currently cultivated.^{xxx} The agriculture, fishing, and forestry sector supports some of the most vulnerable segments of the population of the oPt. The NPA recognizes the role of agriculture in building Palestine's economy, and resilient communities, particularly in rural areas.

To help farmers and herders expand production and manage risks better, the Palestinian Government has recently launched the Palestinian Agricultural Credit Institution (PACI) and the Palestinian Agricultural Development Risk Reduction and Insurance Fund (PADRRIF). These are government reference institutions mandated with promoting and regulating agricultural credit and insurance and both require technical and financial capacity development support to perform their mandated functions. Strengthening farmers' cooperatives, market linkages and productive services including promotion of production quality standards, and capacity development on packaging, cold storage, transportation and marketing will enhance the viability of small scale farmers by enabling them to optimize their farming practices and align them better with demand.

To actualize its potential the agriculture, fishing and forestry sector will need access to adequate land, water resources, inputs, the sea, and markets outside the oPt. Agri-food exports currently account for 21% of West Bank and Gaza Strip exports. Israel is the main destination, accounting for more than three quarters of the total export value, followed by Arab countries (12% in 2013) and Europe (5% in 2013).^{cxv} Trade restrictions have threatened the viability of well-established Palestinian agribusinesses in recent times. Notably, in March 2016, the Israeli Ministry of Agriculture, citing public health concerns, banned the entry of meat and dairy products produced by seven West Bank-based, Palestinian companies to East Jerusalem representing a monthly economic loss of more than USD 1.4 million to the Palestinian economy. In response, one of the affected companies launched legal proceedings, which then delayed the implementation of the meat and dairy ban until the time that a legal decision might be reached. Negotiations for a resolution are on-going in an effort to preserve the status quo, granting market access to long-standing Palestinian meat and dairy suppliers from the West Bank to East Jerusalem, while also supporting the capacity of Palestinian companies to comply with international food safety standards and the Palestinian Government's capacity to verify compliance.

Livelihoods of Gaza's fishermen have been increasingly threatened since 2007 on the fishing zone limitations imposed by Israel.^{xxvii} Such longstanding restrictions have led to overfishing and depletion of marine resources off the coast of Gaza. Israel is strongly urged to extend the fishing zone, as done in the past, in accordance with the Oslo Accords.

Preserving and enhancing access to water is essential for agriculture to thrive. The use of treated wastewater, water collection and harvesting systems and infrastructure as well as investment in water conveyance should be promoted along with the transformation of irrigation and farming practices. To this effect unblocking long standing bottlenecks, such as the provision of electricity to reactivate the North Gaza Emergency Sewage Treatment Plant is an urgent priority. The rehabilitation of existing wells and water carrier networks in the West Bank is also a priority for both livelihood and sustainable water use in irrigation. To this end, it is important that there is a resumption in issuing well-rehabilitation permits. In addition, the maintenance of irrigation networks that do not influence water extraction from the aquifers but increase water use efficiency should not be subject to restrictions. The construction of new wells compatible with environmental sustainability principles should also be authorized.

Education and Culture

Education

There have been continued advances in the Education Sector in the oPt over the reporting period. The oPt ranks 53 in the countries' ranking table according to the level of Education for All (EFA) Development Index (EDI) with an overall EDI of 0.957, positioning the oPt among the countries that have achieved or are close to EFA as a whole (0.95-1.00).^{xxviii} Remarkable achievements have also been made in the areas of adult and youth literacy (with 96% of adults - age 15 and over - in the period 2005-2012 and 97% as a projection for 2015 (yet to be registered); and a consistent 99% for youth - age 15-25, over the last fifteen years); primary education (age 6-9); and enrolment in secondary education (age 10-17). Another major step for the oPt has been the inclusion, for the first time, of Early Childhood Development as a separate programme in the new Education Development Strategic Plan (EDSP 2014/2019). Some important progress has been made in this area, with the opening, for the first time in Palestinian public schools, of grade 0 classrooms (one year of pre-school before grade 1) in pilot-schools in the West Bank and in Gaza, an important step in making Early Childhood Development part of the formal education system.^{xxviii}

In 2015, the Ministry of Education and Higher Education (MoHE) also launched its Inclusive Education Policy, in line with international standards and principles. Technical and Vocational Education and Training (TVET) has been included in 2016 as part of the standard education system. A new legal framework for basic education in the oPt has also been launched in 2016, with the drafting of a basic education law, currently under review by the Cabinet. Furthermore, in response to the increase in violence in Palestinian schools, in 2013, the MoHE adopted a Policy to Combat Violence and Enhance School Discipline which aims to create violence-free school environment. The policy has been implemented in all schools in the West Bank and Gaza.

Notwithstanding these important achievements, there are some enduring challenges that are increasingly affecting the quality of Education in Palestine. Proper teacher training remains insufficient.^{xxix} Access to quality education for all Palestinian students, is a matter of increasingly serious concern. In Gaza, due to chronic classroom shortages, double- and even triple shifting reduced the number of school hours affecting students' right to both access and quality of education they receive. In East Jerusalem the fragmentation of the education system, inadequate facilities and classroom shortage, lack of financial support, restrictions on the use of curricula as well as protection and access incidents are among the critical challenges leading to high drop-out rates among Palestinian students.

The issues of construction and access difficulties also apply to the provision of education in Area C. It is essential that permits be issued for expansion and construction for new schools in East Jerusalem and Area C as well as lifting restrictions on curricula and the provision for safe access by teachers and students from the West Bank and areas behind the Barrier to schools in East Jerusalem.

Culture

The protection and promotion of Palestinian cultural heritage was part of previous National Development Plans (both 2011-2013 and 2014-2016) and have been included in the forthcoming NPA. The Palestinian Government has undertaken significant steps to support this area through development of strategies, ratification of relevant international conventions and the support to civil society organization working in the field of culture and cultural heritage protection.^{xxx}

The oPt has ratified/accessed all six UNESCO conventions and protocols in the field of culture and, following the ratification of the *World Heritage Convention*, two sites have been so far inscribed on the UNESCO World Heritage List. The sites were simultaneously inscribed on the List of World Heritage in Danger due to factors affecting their state of conservation).^{xxxi}

The ratification of these conventions also requires an update of the Palestinian national legal and regulatory framework, to ensure its alignment with international standards and principles towards an effective management and conservation of Palestinian heritage. Significant steps have been taken since May 2016, with the revision and redrafting of the Palestinian Cultural Heritage Law (currently being reviewed by the Ministry of Tourism and Antiquities) for the conservation of built heritage. The Ministry of Culture is reviewing a draft Law on the Safeguarding of Palestinian Intangible Cultural Heritage.

However, until these draft laws are finally approved and fully in force, the oPt lacks an updated legal and regulatory framework for the conservation, protection and promotion of its heritage. This also contributes in often uncontrolled urban development in historic cities and villages. A swift endorsement of the draft legislations on the protection of Palestinian tangible and intangible cultural heritage will provide adequate legal framework for their effective protection and management, in line with the international conventions ratified by Palestine in the field of culture. Moreover, the lack of access to Palestinian cultural heritage sites located in Area C and H2 prevents Palestinian public officials and skilled labour forces from assuming their full role in the effective conservation and management of those sites.

Social Protection

With poverty rates of 25% (16% in the West Bank and 39% in Gaza),^{xxxii} social protection is one of the key priority areas of the NPA. Today, the Palestinian Government operates a large portfolio of social protection programmes covering the three main pillars of social transfers, social work and social insurance. The first two pillars are administered by the Ministry of Social Development (MoSD), whereas the last pillar is managed by the Ministries of Health and Labour and the Palestinian Pension Authority.

While food assistance is the most common type of social transfer, the coverage of cash assistance has expanded rapidly in recent years, from about 55,000 families in 2010 to 115,000 families in 2016.^{xxdii} Despite the political division in the West Bank and Gaza, the programme has managed to operate as one national programme. In the aftermath of the 2014 conflict in Gaza, it was modified to provide emergency cash assistance to internally displaced families and other families affected by the conflict. The MoSD also operates an economic empowerment programme that provides poor families with microfinance and small business development support. This programme focuses on the promotional aspect of social protection by creating a pathway out of poverty. Since its inception in 2006, the programme has created approximately 13,800 businesses and 45,000 jobs for families previously dependent on social assistance and humanitarian relief.^{xxxiii} It also helped more than 150,000 children, youth, women and people with disability to access basic services.^{xxxiii}

The coordination around the three programmes has improved substantially in the last five years. The cash transfer programme was born out of the merger of two safety net programmes, and a harmonized proxy means testing formula was developed as a tool to determine programme eligibility and benefit levels. Today the cash transfers, food assistance and economic empowerment

programmes use the same tool in determining their eligibility. The tool is considered an international best practice.

Most recently, the MoSD is embarking on a strategic shift in its approach to social protection through greater integration of social transfers and social work. This is reflected in the introduction of an online case management system being piloted in the West Bank, whereby case workers link their clients to relevant programmes and services depending on their specific needs and vulnerabilities such as disability, domestic violence and unemployment. The system is expected to strengthen linkages among different departments within the MoSD, as well as between the MoSD and other line ministries. The recent renaming of the Ministry - from Social Affairs to Social Development - is also aimed at emphasizing its enhanced development role.

Looking ahead, increased donor support is needed to develop integrated social protection systems and strengthen the capacity of social workers to engage vulnerable families and develop and monitor their case management plans.

Health

While the health system in the oPt is considered well developed in the areas under the Palestinian Government's jurisdiction, the Palestinian Government continues to adopt various measures to further improve the delivery of services and to strengthen the health system. To improve the quality of primary care services and the health system at large, the Ministry of Health (MoH) implemented the family practice model in three pilot districts in 2016 in order to provide more holistic and comprehensive services at the primary health care level. In addition, progress has been achieved in the development of tracking tools to monitor national health and disease trends. The Palestinian Government has further demonstrated its commitment to improve health system performance to fulfill the goal of Universal Health Coverage by 2030.

The formal establishment of the Palestinian National Institute of Public Health was endorsed by the Cabinet of Ministers in June 2016. The Institute's functions include supporting the MoH to strengthen health system core functions including through the development and improvement of health registries, disease surveillance and assessments of health services. A health workforce census in the West Bank for the Human Resources for Health Observatory in Palestine was established and has been extended to the Gaza Strip in early 2016, along with a GIS mapping of health facilities.

In response to the lack of progress in the oPt in reducing the under-5 mortality rate, MoH enhanced efforts to reduce newborn deaths and complications with an emphasis on Gaza in 2016 by introducing a WHO evidence-based package of care. In the area of emergency preparedness, the MoH prepared contingency plans for 13 public hospitals and implemented emergency preparedness trainings for workers in hospitals and primary health care clinics.

Despite the efforts, the Palestinian health sector still faces many challenges including shortages of essential medicines, medical supplies and equipment. The Palestinian Government's financial crisis and the increased security procedures put in place by Israel have created additional obstacles for importing essential medicines and medical disposables to the West Bank and Gaza^{xxxxi}. The lack of medical equipment and medicines are the two most frequent reasons for referrals of patients out of the West Bank and Gaza. To address this challenge, there is a need for a policy to exempt Palestinian Government procurement of medical goods from Paris Protocol trade restrictions by considering them essential humanitarian items, taking into consideration the disproportionate economic status between the oPt and Israel which makes the cost of pharmaceuticals relatively higher for the Palestinian Government, leading to constant shortages. To address the shortage of medical supplies and medical equipment the Government of Israel must ensure timely permit approvals for the import of medical and health-related equipment and of respective spare parts.

Health service delivery and the quality of care are also affected by the movement restrictions on patients and health personnel in the West Bank and Gaza. To access health services in East Jerusalem, patients and health personnel from the Gaza Strip and the West Bank (including refugees living in camps) are required to obtain permits to pass through the Israeli-controlled checkpoints. The permit procedures are very complicated and can often result in denial of entry and ultimately the denial of care provision. Referral of patients from Gaza to hospitals outside of Gaza is more complicated by the access restrictions at Rafah and Erez checkpoints. A large number of patients have entered Israel or passed through Israel for medical care during the reporting period. For patients in the Gaza Strip permit applications for referral medical care have increased by 20.7% over one year. Access restrictions that either prevent or delay patients, ambulances and health personnel from reaching health facilities should be lifted.

The Palestinian health sector remains dependent on international assistance and donors have continued, in this light, to provide financial and technical support to the Ministry of Health. Donors and partners are additionally requested to consider prioritizing funding of long term health system development and reform efforts and to support advocacy for the right to health of Palestinians.

Infrastructure, Water and Energy

Infrastructure

The oPt is facing a massive deficit in infrastructure, including energy, water, waste, communications and transport systems, which have direct impact on the humanitarian situation and the provision of services, and are key enablers of trade and growth. Building infrastructure is a long-term commitment that is difficult and expensive to reverse, with major infrastructure investment locking in patterns of development and financial commitment for decades to come. It is therefore critical that the infrastructure deficit be addressed in a comprehensive and well planned manner with consideration for the long term.

In an effort to enable growth and development, the Palestinian Government has shown a willingness to continued investment in physical works and institutional development. The Palestinian Government needs to make the most efficient use of existing infrastructure assets, while aligning planning, decision making and policies for infrastructure service provision to not only address short term immediate needs, but also consider and address the uncertainties of the long term future. At the same time, the Palestinian Government needs to make the most effective use of scarce financial resources, as well as concurrently attracting new sources of funding, including from the private sector. The Palestinian Government needs to move forward on structural and approach reforms in the planning and decision making for infrastructure investments if it is to tackle the major infrastructure deficit and address its SDG obligations.

Planning for major infrastructure is also impeded by Israeli-imposed restrictions. More specifically, in East Jerusalem and Area C, the Israeli authorities fail to deliver the adequate social infrastructure and basic services to Palestinian communities, due to the restrictive planning regime that it maintains in those areas. One year ago during the AHLC meeting, Israel announced that it authorized the continuation of planning procedures for 19 master plans in Area C and approved, in principle, 13 additional master plans. Unfortunately, this has not yet materialized. It is critical that these additional master plans be approved, that community-driven plans be given serious consideration and that permits are granted for the construction of schools and clinics in Area C.

The Government of Israel is encouraged to approve the 95 submitted Palestinian community developed Master Plans to the ICA, of which 8 have been in the public objection (last phase) for more than 18 months. In this undertaking Israel must stop promoting the Partial Special Outline Plans that started in 1987 onwards. The Partial Special Outline Plans, which were prepared with no to little public participation, are typically small in area and are drawn tight to the built up area of the village. They also have inappropriately high residential densities, lack of public space, and low mixed-use features, which are not ideal for rural planning.

The easing of restrictions imposed by Israel on importing the required technologies and allowing unhindered access to deliver on the massive needs is essential to be able to design and build the required infrastructure that will underpin reasonable and sustainable socioeconomic growth, as well as reducing the risks perceived by potential investors to attract new streams of funding required to meet these needs, including from the private sector.

Water and Energy

Throughout the Palestinian territory, shortage of water and energy - and related infrastructure - is both chronic and recurrent, with energy and water deficits in Gaza being particularly urgent, especially since all decisions to the water infrastructure are to be made by the Joint Water Committee, which has not met since 2011^{xxxxii}. In Area C of the West Bank, refugee camps and other communities are affected by inadequate water for drinking, domestic consumption and for livestock, affecting the overall resilience of these communities. Around 10% (30,200) of Palestinians living in Area C are not connected to a water network^{xxxxiii} and water consumption can be as low as 20 liters per person per day in communities without water infrastructure^{xxxxiv}. During June and July, some areas in the West Bank faced a further reduction in water supply. This crisis impacted approximately 150,000 Palestinians in the Northern West Bank (Nablus, Salfit, Jenin), creating health hazards and negatively impacting livelihoods. There were reportedly shortages in water supply also to settlements in those areas during that period. As a result of a request from the Palestinian Water Authority, the Government of Israel increased the quantity of water supplied to the area by 40%.

Further aggravating the situation, over 30 humanitarian structures related to the water, sanitation and hygiene infrastructure - including cisterns, latrines and water tanks - were destroyed by the Israeli army in Area C since the beginning of 2016^{xv}. The near impossibility for Palestinians to obtain permits to repair, rehabilitate and construct even basic water and sanitation infrastructure in Area C severely impacts access to adequate services to many communities. The destruction of essential infrastructure has led to displacement, poverty and increased risk of disease and illness for the Palestinian population.

The water crisis in Gaza is even more acute. As indicated in previous AHLC reports, the underground coastal aquifer is the main source of potable and domestic water supply to the population along the Gaza Strip, but over the years, irrigation and domestic water demand have led to over-abstraction, causing saline intrusion and contamination of the aquifer. Materials required to construct and sustain the operation of essential water, sanitation, and hygiene services must be authorized for entry into the Gaza Strip in a timely manner so that a chronic water and sanitation crisis be avoided. Currently 23 water, sanitation and hygiene items are on the dual-use items list^{xvi}. Additional water should be supplied by Israel in order to assist in tackling immediate needs in Gaza.

The water crisis in Gaza is inextricably linked with the energy crisis. A comprehensive approach is necessary to address structural issues and meet future water needs in a sustainable manner^{xvii}. Less than 45% of Gaza's electricity needs are being met, with rolling blackouts of 12 - 16 hours per day. Insufficient electricity means that 70% of Gaza's population only has piped water for 6-8 hours per day, every 2-4 days^{xviii}. Short-, medium- and longer term solutions were outlined in the Annex to UNSCO's report to the AHLC in September 2014^{xix}.

The capacity of the Energy Authority in Gaza has been severely undermined with damages sustained by the Gaza Power Plant during previous wars yet to be fully rectified, curtailing the ability of the power plant to operate at its design capacity to less than 40-50%. More recently the ability to purchase fuel to run the plant has also been undermined, following a change in the arrangement with the Ministry of Finance, which provided the Gaza Power Plant with partial exemption on fuel taxes in 2015. While this was partially resolved, pressures on fuel have significantly increased.

Conclusion/Way Forward

The most crucial enabler for Palestine's development will be a credible political horizon for the resolution of the Israeli-Palestinian conflict. In the eyes of the international community, as reaffirmed by the Middle East Quartet and the 3 June Paris Communiqué, and according to the public commitments of Palestinian and the Israeli leadership, the only viable option for a peaceful future remains the two-state solution. Without progress towards establishing a Palestinian state, the Palestinian Government's efforts in the areas of socio-economic development and institution building are significantly constrained and risk regression.

It is the responsibility of the parties to show the necessary will to make the compromises necessary to prevent any deterioration of the situation, and to find a way back to a meaningful political process that offers genuine prospects for a negotiated resolution of the conflict and a viable State of Palestine living side-by-side in peace with a secure State of Israel. Together with the Quartet members, the UN will continue to engage the parties in this regard.

The current situation continues to constrict sustainable economic growth, development, equity in service delivery and infrastructure development - and the confidence of citizens in the ability of their government to ensure their basic rights. It is critical that the international community supports the NPA with a focus on continued improvements in the quality of Palestinian Government service delivery and consolidation of social services, and in a manner that enables all Palestinians to participate in national development. In line with previous reports of the AHLC and the Quartet report which calls for efforts to strengthen the Palestinian Government's institutions, governance and economy, the UN looks forward to aligning its future development programming with the NPA.

Progress is needed in three priority areas:

Continued and predictable external support from the donor community directed to the Palestinian Government and through complementary channels is key. In particular, it is critical to ensure that the Palestinian Government's recurrent external financing needs in 2016 are immediately met. The IMF estimates the financing gap for the recurrent budget at approximately 600 million USD. Donor funding is required in a number of other areas, outlined in this report, in addition for the NPA and its operationalization in the 2017-2022 period.

Efforts must be made to refrain from unilateral measures in Area C and East Jerusalem, including building and expanding settlements and other actions that are seriously eroding the viability of a two-state solution. Planning restrictions and other challenges to Palestinians' ability to obtain building permits hinders construction, including the repair and expansion of roads, schools, water systems, health care facilities and other infrastructure in Area C of the West Bank. The GoI, as the occupying power, must meet its obligation to honor previous agreements to transfer powers and responsibilities to Palestinian civil authorities in Area C and to protect and respect the rights of the Palestinian population.

All stakeholders need to recommit to Gaza. As called for in previous AHLC reports and by the Quartet, efforts must be made to re-unite the West Bank and Gaza under a single, legitimate and

democratic Palestinian Government on the basis of non-violence, recognition of Israel, adherence to previous agreements and the rule of law.

The international community must continue to provide financial resources to the reconstruction and recovery of the Gaza Strip. Israel must lift the closure of Gaza, in line with its legitimate security concerns, and as interim measures, improve access and movement restrictions. In addition, to promote economic development and trade in the absence of a lifting of the closure, the Government of Israel should remove items from the 'dual-use' list and other impediments to the import of construction materials in line with the [Gaza Reconstruction Mechanism](#). As we enter the fiftieth year of the occupation, it is more apparent than ever that the full socio-economic development of the oPt and its people will only fully take place when there is an end to the occupation and a sustainable resolution to the Israeli-Palestinian conflict. We encourage both parties to move in that direction.

Annex 1: Gaza Reconstruction and Recovery 2 Years after the War

All residents of Gaza were affected by the hostilities and large-scale damages to infrastructure, delivery of services and the impact on the already frail Gazan economy, incurred during the 2014 conflict. In the two years since the end of the war, the United Nations (UN) has worked closely with the Palestinian Government, local communities and the private sector - as well as with other parts of the international community, including NGOs, the World Bank and Member States to implement the US\$3.9 billion Detailed Needs Assessment and Recovery Framework for Gaza (DNA), published by the Palestinian Government, and developed with support of the UN, the World Bank and the European Union^{xxx}.

The DNA emphasizes not only the physical infrastructure repairs required but also the importance of transparent, inclusive, community-based recovery and technical support to systems and governance that will enable sustainable recovery and reduce long-term aid dependence. However, to date, progress has been more focused on hard elements such as housing repair, reconstruction and cash assistance, whereas other components such as urban planning, investments in business and trade, technical and legal assistance, capacity building as well as information management, have received little attention or funding, despite being integral to sustainable recovery.

A prerequisite for any infrastructure repair and reconstruction is the removal of rubble and disposal of explosive ordinances. Following the 2014 conflict, it was estimated that 2 million tons of rubble would have to be removed and crushed. The UN has removed more than one million tons of rubble, while the private sector and homeowners are estimated to have removed about 800,000 tons. The presence of explosive hazards in the debris makes clean-up efforts extremely dangerous. The UN has assisted in the safe clearance of more than 3,300 explosive ordinances.

Urban planning is also fundamental to sustainable recovery and development in Gaza. Large-scale destruction in urban areas added to Gaza's spatial limitations as one of the most densely populated areas in the world. A participatory spatial planning process would enable a more sustainable approach, which takes into account the need for public space, efficient placement of infrastructure and improved connectivity. However despite the high priority of urban planning in the DNA, to date, neighbourhood planning has been developed for only one municipality (Khuz'a'a), and is under way for another 5.

Nevertheless, repair and reconstruction of damaged and destroyed houses is underway in all five governorates. Repair of houses with minor and major damages, which are still *inhabitable*, has made significant progress with 51% having been completed, while work is ongoing for another 10%. Most of these repairs were undertaken in the first year after the conflict, but new funding has significantly dropped, leaving a current funding gap for the repair of almost 60,000 homes. Reconstruction of severely damaged or destroyed houses, which are *uninhabitable*, made significant progress only in 2016, following preparatory work including rubble removal, documentation and establishment of land and property rights. More than 30% of these houses have now been completed, while work is ongoing on another 30% and funding has been secured for a further 15%. Funding is currently lacking for 4,000 totally destroyed houses. 60,000 people remain displaced, waiting for their homes to be rebuilt. They continue to need temporary shelter cash assistance. While funding was made available for this assistance in 2015, lack of funding in 2016 means that 7,400 families are without support in the second half of this year.

Repairs of almost all water, wastewater and energy networks and facilities damaged in 2014, have been completed or are underway. However, the scale of Gaza's chronic water and energy shortage - predating the war - hampers the impact of the repair of damaged assets. Only 45% of Gaza's energy needs are currently being met, resulting in daily power cuts of 16-18 hours. Insufficient power supply also means that 70% of Gaza's population only have piped water supplies for 6-8 hours every 2-4 days. In addition, energy shortage is a major obstacle to the adequate operation of existing water and wastewater facilities, threatening to further erode Gaza's ground water, of which only 5% remain potable. Most of the recommendations for short-, medium- and longer term approaches to Gaza's energy and water crises, which were outlined in the Annex of the UNSCO report to the AHLC in September 2014 remain unfulfilled^{xxx}.

All 78 hospitals and primary health care clinics as well as all 252 schools, which were partially damaged during the 2014 conflict, have been repaired, while work is ongoing to reconstruct three clinics and six schools, which were totally destroyed. One completely destroyed school has been rebuilt and funding of was recently secured to begin reconstructing the first stage of the Al-Wafa hospital, which was the only hospital totally destroyed during the war. An additional \$11 million is needed to complete the reconstruction, enabling Al-Wafa hospital to return to full capacity of treating 1,000 patients a month.

Progress remains particularly slow in the productive sectors. In the agricultural sector, only 20% of the \$266 million needed to address damages incurred during the conflict, have been secured. As a result, 80% of destroyed greenhouses and tree orchards, and 50% of water wells, ponds and tanks are yet to be rehabilitated. The industry, services and trade sectors have seen similarly low levels of funding, with only 21% of the \$152 million needed to repair damaged economic facilities having been secured, and negligible new investments having been made to make up for economic losses.

The UN has supported the creation of more than 50,000 temporary jobs in Gaza. However, cash for work programmes and other internationally subsidized job creation schemes will not be able to sustain development in Gaza, where more than 40% of the population and 60% of youth are unemployed. Any sustainable solution must include a review of current access restrictions on people and goods. Recent reductions in permits for businessmen to travel to the West Bank or beyond have reduced their ability to promote their businesses and develop contacts with subcontractors. Similarly, delays and impediments imposed by Israel on importing items necessary for industrial production, including raw material and technical equipment, and restrictions on exports are limiting business potential in Gaza.

Much of the progress in the physical repair of damages incurred during the conflict has been facilitated through the Gaza Reconstruction Mechanism (GRM). This temporary mechanism agreed between the Governments of Israel and Palestine in the aftermath of the hostilities to enable the entry of much needed construction material, otherwise restricted due to Israeli classification as "dual use" material, has so far enabled the entry of more than 1.5 million tons of construction material, enabling more than 100,000 households to purchase material to repair damaged homes and more than 4,200 households to purchase material to reconstruct completely destroyed homes. The GRM has also enabled more than 650 large-scale construction and infrastructure projects, of which 158 have been completed. These include rehabilitation of roads, hospitals, schools and water infrastructure. Despite a significant increase in the import of construction material, access to material is still unpredictable, as exemplified by the suspension of private import of cement in April and May this year as well as the inconsistency with which many requests for "dual use" items are treated. The UN has outlined a number of steps necessary to accelerate meaningful and sustainable reconstruction and recovery in Gaza:

1) Disbursement of funding for priority sectors

According to the World Bank, only \$1.6 billion of the \$3.5 billion pledged for Gaza at the October 2014 Cairo conference have been disbursed - up from \$1.4 billion in April. More than half of the pledged funds are yet to be disbursed. Moreover, only \$612 million of this funding has been disbursed towards priorities outlined in the DNA. Funding gaps are causing delays in building of destroyed and damaged homes, hospitals, agricultural and economic assets. A lack of investment in Gaza's productive sectors hamper economic recovery and development, while funding shortages for temporary assistance and humanitarian relief risk leaving thousands of families without assistance while reconstruction and recovery efforts are under way.

Donors are encouraged to fast-track disbursement of pledges made in Cairo and to make funding available for these priority areas without delay.

2) Predictable and transparent access to construction material

The UN continues to call for a full lifting of the closure on Gaza and in the meantime supports the parties in implementing the GRM and ensuring a predictable and sufficient flow of material.

The Israeli authorities suspended the import of cement for the private sector in Gaza on 3 April, following allegations by Israel of a diversion of large quantities of cement from legitimate beneficiaries. UNSCO and the UN's Material's Monitoring Unit (MMU) conducted a thorough review, and following a number of additional confidence-building measures, including the addition of monitors from the UN's MMU at Kerem Shalom crossing, the suspension was lifted on 23 May. Direct import by the private sector is a critical element of the GRM, without which the large scale reconstruction of homes and private sector recovery would not be feasible.

The sharp reduction of cement imports in April and May 2016, and the subsequent artificial ceiling of 90 trucks of cement per day through the GRM have caused delays in accessing material. The decline in entry of cement also leaves the market in Gaza susceptible to price speculation^{xvii}, and some donors are holding back disbursement of much needed recovery and development funding, due to concerns of interruptions to the flow of material.

"The Government of Palestine must address the issue of market manipulation and suspend vendors who do not comply with GRM agreements, including the agreed price, while Israel must allow for predictable and uninterrupted supply of materials to meet demand in Gaza and lift the artificial ceiling of 90 trucks of cement per day."

Moreover, the ability to import dual use items other than rebar and cement remains highly unpredictable. The Israeli list of dual use items is only available in Hebrew and many of the items are defined vaguely in terms of very broad categories, such "steel elements" or "drilling equipment." As a result it is not always obvious which items are considered "dual use" and require special coordination. Moreover, the decisions on approvals of such items follow an inconsistent and often unacceptably long timeline, and items that are approved for one project may be refused for another. For example, requests for lime, used for internal plastering or tilling works, have been approved in as little as six days. But has also taken as much as 265 days, while asphalt has been approved in as little as 11 days, but has also taken up to 261 days.

The UN continues to call for a full lifting of the closure on Gaza. In the meantime Israel is encouraged to publish official guidelines for the import of dual use materials, which clearly defines the items considered as "dual use", and outlines procedures for application and approval, in order to ensure consistent, predictable access to importing these materials in a transparent way.

3) Removal of obstacles to economic recovery and trade

As part of the closures on Gaza, significant obstacles are posed on the Strip's economic recovery, and particularly on trade. While no export from Gaza was allowed by Israel between 2007 and 2010, limited amounts of exports have been allowed in certain sectors since 2010. However, the amounts and value of exports are negligible compared to the situation before the reinforcement of closures in 2007. While there has been a recent increase, the scale of export from Gaza is still only a fraction of pre-2007 levels^{xxx}. Removing obstacles to trade and export, including transfers of goods to the West Bank, will be critical to develop Gaza's economic potential, particularly in the furniture and textile industries and in agriculture. At the same time, access to raw material and equipment needed in Gaza's productive sectors, particularly the furniture and textile industries and agriculture, need to be improved. A recent, much welcome, relaxation in the restriction on export of furniture coincided with an increased restriction on the import of wood, while a relaxation in restriction of strawberries came only after the crops had been laid and harvest planned, minimizing the impact that such relaxations have. These difficulties for businesses have been further complicated by the sharp reduction in permits for businessmen to leave Gaza. Since March 2016, more than half (some 1,545 out of an estimated 3,200 - 3,500 businesspeople in Gaza) have had their permits cancelled or not renewed, adding to the isolation of the Strip's economic sector.

The United Nations continues to encourage Israel to lift restrictions on exports and enable import of raw material needed in Gaza's core industries. Israel should also extend the capacity at crossing points to enable timely and effective processing of the export of larger quantities of produce and other goods, manufactured in Gaza, without unnecessary restrictions and quotas, and reverse the of revoking permits.

4) Strengthening NORC and improving local coordination

In addition to having a negative impact on the humanitarian situation, the Palestinian political divide continues to complicate efforts at ensuring a locally coordinated approach. The establishment of the National Office for Reconstruction of Gaza was a positive step towards ensuring government-led coordination of line Ministries, municipalities, UN agencies as well as international and national NGOs involved in the reconstruction and recovery of Gaza following the 2014 conflict. However, the office remains under-resourced and under-staffed, being largely supported only by a handful of international agencies.

The Palestinian Government needs to increase its investment in NORC to enable the office to effectively lead the development of local planning, coordination and reporting. At the same time, a

light review should be undertaken to revalidate the Government's Detailed Needs Assessment and Recovery Framework. At the same time, a light review should be undertaken to revalidate the Government's Detailed Needs Assessment and Recovery Framework.

¹ February 2016 recording the highest number of demolitions in a single month since OCHA began systematically documenting in 2009.

² With the exception of those posing "a security threat".

³ Refer to UN-Habitat (2015). Spatial Planning in Area C of the Israeli occupied West Bank of the Palestinian territory. International Advisory Board on Area C. (Accessed on August 26, 2016: <http://unhabitat.org/spatial-planning-in-area-c-of-the-israeli-occupied-west-bank-of-the-palestinian-territory/>)

⁴ In the five-year period from 2009 to 2013, only 34 building permits were approved for Palestinians in Area C, out of at least 2,000 submissions. Source Quartet Report, July 2016.

⁵ Important to recall that the non-approval of submitted local outline plans by the Israeli authorities would prevent the development of essential community infrastructure. For example, it contributes to a shortage of classrooms and community-based primary schools, which impacts upon children's access to education, especially for girls. By the same token, restrictions in East Jerusalem and Area C impact also on Areas A and B.

⁶ In the five-year period from 2009 to 2013, only 34 building permits were approved for Palestinians in Area C, out of at least 2,000 submissions. Source Quartet Report, July 2016.

⁷ The data for July shows a 15 per cent decline in the exit of Palestinians from Gaza compared to the monthly average for the first six months of 2016, with a 27 per cent decline for business people and traders Gaza Crossings Operation Status Monthly Update July 2016

⁸ http://www.ochaopt.org/sites/default/files/gaza_crossing_-_july_2016_d2_copy.pdf

⁹ Particularly a policy imposed by Israel in June 2016 which limits residents of Gaza to four permits of either three or one month duration per year, as opposed to the previous practice which allowed unlimited permit applications for up to three months

¹⁰ Source Ministry of Civil Affairs.

¹¹ 20% were denied and 28.45% were pending. Restrictions on companions in 2016 have also increased, after Israeli authorities required older adult companions up to the age of 55, rather than the previous age of 35, to undergo a strict security clearance process. Source WHO.

¹² Since January 2016, over 100 UN permit applications have been denied for national staff based in Gaza, of which 32 UN and INGO personnel were prohibited from requesting permits for the duration of 12 months.

¹³ <https://www.dftblog.com/blog/2016/05/17/fisherman-arrested-smuggling-weapons-hams/>

¹⁴ Letter from the Israeli Legal Counselling and Legislation Department, Ministry of Justice to OCHA, 15 July 2016

¹⁵ The only indictment pronounced was in the case of the killing of Abdelfattah Al-Sharif in Hebron. At the time of writing, the soldier responsible for the killing was facing a trial at the Jaffa Military Court for manslaughter.

¹⁶ The only indictment pronounced was in the case of the killing of Abdelfattah Al-Sharif in Hebron. At the time of writing, the soldier responsible for the killing was facing a trial at the Jaffa Military Court for manslaughter.

¹⁷ Israeli Prison Service statistics as provided to Btselem http://www.btselem.org/statistics/detainees_and_prisoners

¹⁸ Prison terms would only begin once the child turns 14 years of age.

¹⁹ This includes 692 persons (including 13 children), as of 30 April. The number of children in administrative detention is the highest number for seven years. The practice of holding children without trial resumed in October 2015, after nearly four years since the last detention of children took place in December 2011. Israeli Prison Service statistics as provided to Btselem http://www.btselem.org/administrative_detention/statistics

²⁰ Palestinian Center for Development and Media Freedoms

²¹ Ibid

²² The budget of 16m USD covers the entire process and must be provided fully before the census can begin. Pledges received so far amount to 9m USD.

²³ Data on GDP from first quarter of 2016, data on employment from second quarter of 2016. Source PCBS (2016)

²⁴ PCBS Labour Force Study 2016 Q2

²⁵ PCBS, 2012: Agricultural Statistics Survey, 2010-2011

²⁶ PCBS, 2014: Foreign Trade Statistics

²⁷ <http://www.unrwa.org/newsroom/features/gaza-fishermen-restricted-livelihoods>

²⁸ 2015 GEM Report, Table 7.3, page 249. The Report is available at <http://unesdoc.unesco.org/images/0023/002322/232205e.pdf>

²⁹ The EFA Package is a joint initiative of the Ministry of Education and Higher Education and nine UN agencies (FAO, UNDP, UNFPA, UNICEF, UNRWA, UNESCO, WFP and WHO-coordinated by UNESCO) over the period 2012-2014 to increase access and retention of school-aged children in the education system and improve the quality of teaching and learning. With the support of the EFA Package, ECD teaching and learning materials were provided, aiming to improve the development and learning of more than 1000 children (50 % girls) in inclusive and child-friendly environments. Newly nominated Grade 0 teachers have been trained in all these pilot schools, as well as all Grade 1 teachers to ensure linkages regarding the transition to primary education.

³⁰ According to the 2014-2015 monitoring and evaluation report included in the last Education Development Strategic Plan by the Ministry of Education and Higher Education (MoEHE). Palestinian Authority, Ministry of Education and Higher Education, *Third Education Development Strategic Plan (EDSP 11/2014-2019)*, 2015, page 52.

³¹ These are the 1954 Convention for the Protection of Cultural Property in the Event of Armed Conflict with Regulations for the Execution of the Convention, (Accession 22 March 2012); the 1954 Protocol to the Convention for the Protection of Cultural Property in the Event of Armed Conflict, (Accession 22 March 2012); the 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property, (Ratification 22 March 2012); the 1972 Convention concerning the Protection of the World Cultural and Natural Heritage, (Ratification 8 December 2011); the Second Protocol to the Hague Convention of 1954 for the Protection of Cultural Property in the Event of Armed Conflict, 26 March 1999 (Accession 22 March 2012); the 2001 Convention on the Protection of the Underwater Cultural Heritage (Ratification 8 December 2011); the Convention for the Safeguarding of the Intangible Cultural Heritage, (Ratification 8 December 2011); the 2005 Convention on the Protection and Promotion of the Diversity of Cultural Expressions, (Ratification 8 December 2011).

³² More information on the sites is available at: <http://whc.unesco.org/en/list/1433> and <http://whc.unesco.org/en/list/1492>.

³³ The World Bank, Economic Monitoring Report to the Ad Hoc Liaison Committee, September 2015.

³⁴ MoSD database, August 2016.

³⁵ UNDP DEEP database, August 2016.

³⁶ Ibid.

³⁷ Figures from April 2016 indicate that in the West Bank, 24% of essential medicines are missing and in Gaza 30%.

³⁸ UN Humanitarian Country Team, Humanitarian Needs Overview (HNO), 2016.

³⁹ ⁴⁰ https://public.tableau.com/profile/ocha.opd#Vizhome/WASH_VPPP/DashAccessAnd_x

⁴¹ one-fifth of the World Health Organization's recommended minimum standard of 1001/p/d

⁴² OCHA Demolitions System.

⁴³ The Gaza Reconstruction Mechanism website, <http://grmreport/DualUse#/> (accessed 15 August, 2016).

⁴⁴ "Gaza in 2020—a Livable Place?", United Nations Country Team in the occupied Palestinian territory, 2012.

⁴⁵ Report to the Ad hoc Liaison Committee, Office of the United Nations Special Coordinator for the Middle East Peace Process, April 2016

⁴⁶ Report to the Ad hoc Liaison Committee, Office of the United Nations Special Coordinator for the Middle East Peace Process, September 2014

⁴⁷ State of Palestine, Ministerial Committee for Reconstruction of Gaza: Detailed Needs Assessment and Recovery Framework for Gaza Reconstruction, August 2015 http://www.lacs.ps/documentsShow.aspx?ATT_ID=21974

⁴⁸ <http://www.unesco.org/Documents/Special/UN%20AHL%20Report%20Sept%202014.pdf>

⁴⁹ While the official GRM price is NIS 550 per ton of cement, black market prices reportedly rocketed to nearly NIS 3,000 per ton in April/May, and still today reports come in of NIS 900-1,000 per tons being asked by some vendors.

⁵⁰ UN Office for the Coordination of Humanitarian Affairs (OCHA), Gaza Crossing Activities Database: <http://data.ochaopt.org/dbs/crossings/commodityreports.aspx?id=1010003>