
UNITED NATIONS



NATIONS UNIES

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

**Report to the
Ad Hoc Liaison Committee
Brussels, 19 March 2013**

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LIST OF ACRONYMS

AHLC	Ad Hoc Liaison Committee
CAP	Consolidated Appeals Process
GDP	Gross Domestic Product
IMF	International Monetary Fund
oPt	occupied Palestinian territory
PA	Palestinian Authority
PASF	Palestinian Authority Security Forces
PLO	Palestine Liberation Organization
UN	United Nations

The reporting period is 17 September 2012 to 25 February 2013, unless otherwise noted.

EXECUTIVE SUMMARY

As early as April 2011, the Ad Hoc Liaison Committee (AHLC), in its conclusions, welcomed the **assessment of the World Bank, the International Monetary Fund and the United Nations (UN) that the Palestinian Authority (PA) was above the threshold for a functioning state in the key sectors they studied.**¹ In September 2011, the AHLC reconfirmed that assessment of the state readiness of the PA. As the AHLC concluded, Palestinian state-building efforts stood out as a remarkable international success story.²

However, already then, the UN expressed its concern that the political track, expected to converge with the state-building track, was hardly making any progress. As it became clear that the institutional achievements of the Palestinian state-building agenda were approaching their limits within the political and physical space available, we have been urging that the state-building and political processes be brought into alignment.³ We have been warning that the state-building achievement is at risk and of the dramatic reality in which Palestinian state-building has matured in the West Bank but the political track has failed to converge.⁴

And indeed, following this warning, the UN's March 2012 report emphasised that the **Palestinian state-building achievement was at increased risk** and that the PA was facing ever greater political and financial pressure. The September 2012 report highlighted the growing risk to the viability of the two-state solution and the dangers associated with a slide towards a one-state reality.

Since then, the gap has only widened between state-building progress and political deadlock. On 29 November 2012 the UN General Assembly accorded Palestine non-member observer State status in the United Nations, in what can also be read as an expression of the international community's impatience with the impasse in the political process. While this development has raised expectations, the reality on the ground has only deteriorated and the Palestinian Authority now faces an acute crisis.

This discrepancy between the two tracks can only be addressed by establishing a credible political horizon for the two-state solution. This is now more urgent than ever before. Both parties must respect their obligations under the roadmap, avoid actions that undermine trust and focus on positive efforts that can strengthen and improve the climate for a resumption of negotiations. This report both identifies the UN's position on key issues that are central to the future of the State of Palestine⁵ and provides recommendations to the parties and the international community, focused on state-building, the security environment broadly, the West Bank (particularly Area C and East Jerusalem), and the Gaza Strip.

Overall, the reporting period has seen a deterioration of the situation on the ground. The negative trends of illegal settlement activities, incursions and arrests in Area A and demolitions are particularly concerning and must be reversed. Strikes and protests, including over the unresolved issue of Palestinian prisoners, have widened and increasingly resulted in violence. Economic growth in both the West Bank and the Gaza Strip is slowing, while unemployment, already at very high levels, is on the rise, and high levels of poverty and food insecurity are contributing to humanitarian vulnerability in the oPt.⁶ Despite this, the state-building agenda has made further progress over the reporting period, but a range of challenges have begun to affect the achievements of this agenda.

The PA has made much progress in the last years in improving its fiscal performance, yet its current fiscal situation is critical. Israel and the PA can take measures to ensure the PA's medium-term fiscal sustainability by developing the Palestinian economy and enabling the emergence of a sustainable, stable and growing tax base. Israel should roll back measures of occupation that cause structural distortions in the economy, contributing to chronic fiscal deficits. It can also enable private sector growth by easing Palestinian access to Area C. The PA must continue exercising fiscal discipline and take further measures to reduce expenditure, in particular on the wage bill, and increase revenue, as reflected in the draft budget for 2013.⁷ Any new austerity measures should give due consideration to avoiding wider negative economic or social consequences. It will be key that donors increase their support to cover the deficit projected at US\$1.3-1.4 billion and help bridge the financing gap of US\$0.4 billion for 2013.

The PA's fiscal stability also depends on the regular, timely and unhindered transfer of clearance revenue. Israel should refrain from withholding and/or delaying the transfer of clearance revenue owed to the PA as well as from using it to offset Palestinian utility bills. Such disruptions in the transfer of clearance revenue, as observed in November and December 2012, and January and February 2013, contribute to fiscal crises that affect the civil service and PA suppliers, threaten the banking system, undermine business and consumer confidence, and diminish economic activity. Moreover, any deductions from the PA revenue should be transparent and based on agreement between the parties regarding amounts owed.

Sustaining improvements in the security environment and the rule of law must remain a priority. In an increasingly challenging and charged environment, the PA Security Forces have continued to demonstrate the ability to maintain law and order in the areas currently under PA jurisdiction. It remains important that Israel refrain from measures perceived as undermining PASF, including military incursions into Area A, and enable the extension of PASF coverage in the West Bank.

Area C is fundamental to the contiguity of the West Bank and the viability of Palestine and its economy. Interventions of scale are needed to help maintain and expand the Palestinian economy, including the development of vital sectors in Area C. The Government of Israel is encouraged to build on progress made in the implementation of the two packages of social infrastructure works in Area C and make the procedures and timelines of 4-6 months for the issuance of permits for infrastructure and development projects more widely available to interested international community and Palestinian actors. The cooperation of the Government of Israel is required to facilitate and expedite planning for Palestinian communities in Area C that addresses their basic developmental needs.

While the status of Jerusalem remains a final status issue to be resolved through negotiations between the parties, a number of steps have the potential to significantly improve the lives of Palestinians living in East Jerusalem. Proactive Israeli engagement is essential to advance community-based plans that address outstanding developmental needs and the formalisation of homes built without Israeli-issued permits, thus ending demolitions of Palestinian homes and property and related displacement. Positive

steps could include the reopening of Palestinian institutions in East Jerusalem, starting with the Chamber of Commerce to revive economic activity, better protecting residency rights of East Jerusalemites, expanding and constructing new schools along with the seamless access for teachers residing in other parts of the West Bank to offset a shortage in teaching faculty, and allowing the East Jerusalem Hospitals Network to procure lower cost pharmaceuticals produced or imported from the rest of the West Bank.

The UN's objective in the Gaza Strip remains the full implementation of Security Council Resolution 1860, including an end to the closure.⁸ After the November hostilities in the Gaza Strip and southern Israel, a calm has prevailed since the ceasefire was reached on 21 November, following which Israel has taken some welcome steps to ease restrictions. However, much more is needed to address urgent humanitarian recovery and reconstruction needs, develop infrastructure and services, and revitalize the Gazan economy. The agenda of lifting the closure must be further advanced. Negotiations must proceed to solidify the ceasefire and parallel efforts must continue to enforce the calm and prevent the smuggling of weapons into the Gaza Strip. The UN welcomes the extension by Israel of the fishing limit from three to six nautical miles off the coast, but a further extension to at least nine nautical miles is necessary for a significant increase in the size and value of the catch of Gazan fishermen. The lifting of restrictions on trade, including transfers to and from the West Bank and imports and exports to Israel and other countries would benefit consumers and producers in the Gaza Strip and help restore private sector competitiveness. Removing aggregate, iron bar and cement from the Israeli list of dual-use materials and allowing their import from Israel would facilitate the construction and reconstruction of housing and essential infrastructure in the Gaza Strip, with the support of international organisations, but more importantly by the legitimate private sector. Infrastructure needs must be addressed and basic service delivery must be improved for the Gaza Strip to be a liveable place, and the United Nations continues to support urgent reconstruction and recovery needs there. With Israel's cooperation in granting important approvals including a new set of approvals at the beginning of March, the UN has now received approval for more than US\$400 million worth of construction projects in the Gaza Strip.

INTRODUCTION

1. This report focuses on a number of specific issues on which the UN, together with the parties and the international community, will continue to work to realise progress. These do not supplant the full spectrum of recommendations presented in previous reports, many of which remain as valid today as they were when originally published.

2. This report opens with a section providing political context. It then gives an overview of developments in Palestinian state-building during the reporting period, highlighting challenges and achievements, before reviewing the situation on the ground in the West Bank, where movement and access aspects, Area C, and East Jerusalem are addressed, and the situation in Gaza.

I. POLITICAL CONTEXT

3. The UN's September 2012 report to the AHLC concluded that: 'In a rapidly changing region, the vision of the two state solution and the achievements of the Palestinian Authority are elements of stability and progress that should not be lost but rather maintained and realised in full without further delay. Real progress can only be achieved through a meaningful peace process. But regardless of the pace of progress on the political track, building upon and deepening state-building gains remains vital. Progress in achieving sustainable development throughout the occupied Palestinian territory (oPt) benefits Palestinians and helps create conditions in which a final status agreement can take root.'

4. The fundamental constraint on the development of Palestine, including state-building, results from the occupation and the lack of progress on the political track. This is further compounded by the Palestinian political divide. The parties and the international community must rededicate themselves to identifying a clear path forward, and clear, agreed measures that can be undertaken now. But it is also for the parties to remain open to new initiatives and demonstrate seriousness.

5. In its resolution 67/19 adopted on 29 November 2012 the General Assembly accorded Palestine non-member observer State status in the United Nations, without prejudice to the acquired rights, privileges and role of the Palestine Liberation Organization as the representative of the Palestinian people. The General Assembly also affirmed its determination to contribute to the attainment of a peaceful settlement in the Middle East that ends the occupation that began in 1967 and fulfils the vision of two States: an independent, sovereign, democratic, contiguous and viable Palestine, living side by side in peace and security with Israel on the basis of the pre-1967 borders. It expressed the urgent need for the resumption and acceleration of negotiations within the Middle East peace process, and urged all States and the specialised agencies and organisations of the United Nations system to continue to support and assist the Palestinian people in the early realisation of their right to self-determination, independence and freedom. Following the adoption of the resolution the Secretary-General reiterated his position that the Palestinians have a legitimate right to their own independent State and that Israel has the right to live in peace and security with its neighbours. In appealing to all concerned to act responsibly, the Secretary-General also stressed that there is no substitute for negotiations to that end and the vote underscored the urgency of a resumption of meaningful talks.

6. With regards to reconciliation, Egypt continues to facilitate the implementation of previous agreements and a meeting between President Abbas and Khaled Meshaal took place on 10 January 2013 in Cairo. Elections are a central element of reconciliation and the Central Election Commission undertook a voter registration process in February 2013 in the West Bank and the Gaza Strip. The United Nations continues to support efforts to promote reconciliation through Egyptian auspices, under the leadership of President Abbas, and within the framework of the commitments of the Palestine Liberation Organization, the positions of the Quartet, and the Arab Peace Initiative. Palestinian reconciliation and negotiations can no longer be viewed as an either-or proposition, but are essential for achieving the two-state solution and must be made compatible by advancing both in a mutually reinforcing way.⁹

7. Every day we are confronted by actions that take us further away from our agreed goal of a two-state solution. Another year has passed without a credible political horizon. We must start to witness this year a reversal of negative trends and substantial progress in establishing a credible political horizon for the two-state solution.

II. PALESTINIAN STATE-BUILDING

8. The reporting period has seen further progress in the effort to build Palestinian institutions. The conclusion of the PA's *Programme of the 13th Government* has not meant an end to Palestinian progress in building institutions, nor to the UN's support to that endeavour nor the UN's commitment of support to it.¹⁰

9. While state-building has continued over the reporting period, a range of challenges – which will be examined further below – have begun to affect the progress that has been made. It will be essential not only that the erosion be stayed, but that far reaching progress be made in addressing the fundamental issues which continue to constrain Palestinian state-building. This will be particularly important both to ensure the survival of the PA, but also to create an enabling environment within which the economic potential of the oPt can be realised.

10. The overall trend in the oPt has, however, been disappointingly negative; the fundamental rolling back of the occupation, which is the essential complement to the state-building agenda, has not been realised. Section III of this report reviews the situation on the ground in greater detail, particularly in those geographic areas where the Palestinian Authority faces the greatest challenge in extending its authority: Area C and East Jerusalem in the West Bank, and the Gaza Strip.

11. The reporting period has seen some progress on the state-building agenda. A number of illustrative examples of this progress are outlined below:

a) In an increasingly challenging and charged environment, the PA Security Forces (PASF) in the West Bank have continued to demonstrate the ability to maintain law and order in the areas currently under their jurisdiction. The total number of PASF personnel deployed throughout the West Bank remains at over 4,500. Continued reform of the security sector remains essential and should be accelerated. The UN and other partners continue to work with the PASF to enhance its performance on human rights issues, including use of excessive force and restrictions on freedom of expression. Although the Office of the High Commissioner for Human Rights has documented the use of arbitrary detention and ill treatment in law enforcement activities, data reveal a downward trend over time. Finally, it remains important that Israel refrain from measures perceived as undermining PASF, including military incursions into Area A, and enable the extension of PASF coverage in the West Bank.

b) In a further step in enhancing the management of public services, the Palestinian Government succeeded in crafting an agreement with multiple stakeholders that is expected to lead to a substantial improvement in the collection of electricity dues, including in refugee camps. The arrangement, which involves the wide-scale installation of prepaid meters, will

also help incrementally collect a large part of older frozen dues and help stabilise and ensure the sustainable functioning of this vital sector. A similar arrangement is currently being explored for adoption in the Gaza Strip.

c) Over the past three years, the UN has supported the Palestinian Authority in strengthening its policies, laws, knowledge, monitoring and training in the area of gender equality. These advances include, *inter alia*, several studies such as a survey on violence against women in both the West Bank and the Gaza Strip, a national strategy to combat violence against women, specialized training material for judges, lawyers, government officials and teachers on how to deal with incidents of genderbased violence, and the creation of a national committee on women's employment.

d) The PA's commitment towards greater government efficiency and public oversight through e-government is evidenced in the establishment of the General Personnel Council's e-portal, which is expected to modernise the way the PA handles information on the civil service and is the first phase of the Human Resource Management Information System. The purpose of the information system is to enhance the capacities of the Palestinian Authority to efficiently organise, further integrate and transparently communicate information that will service all PA ministries; make public information available to civil servants and citizens alike; and ultimately to lead to the improved provision of services to the Palestinian people.

e) An Economic Forecasting Unit has been established at the Palestinian Central Bureau of Statistics, in collaboration with the Ministry of Finance, that allows the PA to carry out econometric modelling, assess the outcome of different economic policy options, and project key economic variables. The PA is now able to produce reliable, timely, official Palestinian economic forecasts that are used by PA ministries, the private sector and other organisations, and are essential for economic planning by both the government and the private sector.

f) In an important achievement for the Palestinian banking sector, the Palestinian Monetary Authority (PMA), which oversees and regulates banks and other financial institutions in both the West Bank and the Gaza Strip, was granted membership in the International Association of Deposit Insurers in December 2012. In that same month the Council of Ministers approved the legal framework for the Palestinian Association of Deposit Insurance, in line with international best practices, to be signed soon by President Mahmoud Abbas, and expected to insure over 92% of all deposits in the Palestinian banking system.¹¹ These important developments towards further institutional maturity are expected to increase trust in the banking system and lead to higher deposits, promote investment, and enhance the role of the banking system in the Palestinian economy in general.

g) The PA's growing ability to develop and implement national development plans and strategies is evidenced in the National Development Plans of 2008-2010 and 2011-2013, and the related sectoral strategies, as well as the ongoing consultative process to develop the next plan for 2014-2016. Since 2012 the UN has been working closely with the PA on the elaboration of the UN Development Assistance Framework (UNDAF) for the oPt, a strategic planning framework intended to guide all UN agency-specific development programming in the period 2014-2016 in alignment with the upcoming National Development Plan. The completion of the first-ever UNDAF for the oPt evidences the UN's continued confidence in the PA.

h) The PA, together with Palestinian civil society, the Independent Commission for Human Rights and UN partners recently embarked on the process to prepare the Palestinian National Action Plan for Human Rights, one of the first such plans in the Arab region, to be incorporated into the forthcoming Palestinian National Development Plan 2014-2016. This represents a unique opportunity for the relevant Palestinian ministries and departments to mainstream human rights throughout development efforts and to show a concrete and measurable commitment of the PA to international human rights principles.

12. The PA's fiscal situation is critical. Chronic fiscal deficits are partially a result of structural distortions in the economy that are directly linked to the occupation. The PA's medium-term fiscal sustainability requires the development of the economy and the emergence of a sustainable, stable and growing tax base, which in turn depends on private sector growth. In the last years, the PA has implemented a number of measures to create an enabling environment for investment and private sector activity. However, as recently highlighted by the IMF, "a key prerequisite for the expansion of private sector activity and employment is the removal of the restrictions on movement and access".¹² Fundamental change that allows for economic development – for example through access to Area C – is now essential.

13. To achieve medium-term sustainability, the PA, in turn, must exercise fiscal discipline and take further measures to reduce expenditure and increase revenue, taking into consideration the weakening real economy and trying to ensure that any new austerity measures do not have wider negative economic or social consequences. Continued donor support is essential to allow the PA to tighten fiscal policy in a manner that is not too drastic and is not introduced too fast and so does not harm the private sector or essential social spending. The PA's on-going efforts to strengthen its fiscal position have led to increased revenue collection over time, significantly reduced net lending (although the positive trend was reversed in 2012), restraint of wages and hiring. In the 2013 budget the PA will need to continue to exercise fiscal restraint. The electricity reforms (already examined in paragraph 12 above) represent a positive step in addressing net lending and streamlining services.

14. Declining donor aid (US\$0.8 billion in 2012, down from around US\$1.8 billion in 2008) has been insufficient to cover the deficit in the past years.¹³ As a consequence of this gap, the PA has accumulated considerable debts to the banking sector and arrears to the private sector, the pension fund, and even its own employees in the form of unpaid wages.¹⁴ As financing options for the PA in the banking and private sectors are reduced, wage payments and service provision are likely to experience further disruptions, risking fuelling social unrest, as observed in recent months.¹⁵ In the short term, the PA will depend on donor aid to cover its recurrent deficit, projected at US\$1.3-1.4 billion for 2013. A significant increase in aid from 2012 would be necessary to help cover the financing gap of around US\$0.4 billion 2013. The European Union's decision to bring forward €60 million of its assistance planned for 2013 will help the PA cover its recurrent costs but only during the first quarter of the year. The EU and the Netherlands have also contributed €20.8 million toward the payment of salaries and the pension fund this year. Countries of the Arab League last year pledged to provide US\$100 million a month to the PA as a "safety net" to cope with the financial crisis. This would go a long way in helping the PA cover its recurrent costs and these countries are therefore encouraged to activate said safety net. Thus far this year only Saudi Arabia has contributed one payment of US\$100 million to the PA's budget.

15. There is also a need to review revenue sharing practices. In particular, exit fees paid by Palestinian passengers to the Israeli authorities at the Allenby Bridge should be equally shared between the two sides, as agreed in the Paris Protocol.

16. The PA's fiscal situation is exacerbated by the periodic withholding and/or delay in the transfer of clearance revenue by Israel, as observed in November and December 2012 and January 2013, and by its use to offset Palestinian utility bills. Israel's withholding/use of Palestinian clearance revenue and delays in transfers exacerbate the environment of economic uncertainty, hinder the PA's ability to implement its budget responsibly and meet its obligations, affect the confidence of businesses and consumers, and put pressure on the banking system and the economy as a whole.¹⁶ The regular, timely and unhindered transfer of clearance revenue has to be ensured to avoid fiscal crises that in turn affect the sizable civil service and PA suppliers alike, threaten the banking system and diminish business and consumer confidence, resulting in diminished economic activity. Furthermore, any deductions from the PA's clearance revenue should be transparent and based on agreement between the parties regarding amounts owed.

17. The formulation of a comprehensive National Spatial Plan is necessary to achieve balanced regional development across the entire occupied Palestinian territory but particularly so in the Gaza Strip, considering the many pressing challenges there.¹⁷ A National Spatial Plan, along with national sector strategies and benchmarks will also be essential to inform community level planning and facilitate economic development across the oPt.

III. SITUATION ON THE GROUND

18. Official annual GDP data for 2012 have not been released yet, but there are indications that economic growth in both the West Bank and the Gaza Strip is slowing down.¹⁸ This is particularly worrying in the case of the West Bank as it (excluding East Jerusalem) contributes approximately 75% of total GDP, making the West Bank the engine of the oPt economy and a main source of revenue for the PA. Furthermore, as estimated by the IMF, simply to absorb new labour market entrants, GDP in the oPt needs to grow at least by 4.5% per year.¹⁹ In this context, unemployment increased to 19% in 2012 from 17% in 2011 in the West Bank and to 31% in 2012 from 29% in 2011 in the Gaza Strip, despite low labour force participation rates of only 46% and 40% in 2012, respectively. Women and young people are particularly affected by the lack of jobs.²⁰ Related to this absence of economic opportunities, poverty continues to affect large proportions of the population. A number of factors are also putting pressure on food security in the oPt. The positive trends in the reduction in food insecurity seen in 2009-2011 are expected to slow down or be reversed due to the economic slowdown and the PA's fiscal crisis, which may lead to further cuts in essential social spending.²¹ At the same time, the prices of fresh food in local markets have reached record levels, making economic access to nutritious food difficult for many Palestinian families. To promote an inclusive, equitable society, the PA is encouraged to ensure that the benefits of any growth provide improved economic security on an equal basis for all Palestinians.

19. Given the limited size and purchasing power of the local market, exports of goods and services are key to expanding the oPt's productive base, generating employment and thus reducing poverty. The oPt's share of exports in GDP is very low, and the West Bank has traditionally accounted for most oPt exports, reaching 94% of the total in 2011.²² One vulnerable aspect of Palestinian exports is the lack of market diversification, with Israel absorbing most oPt exports. The installation of container scanners at the Allenby Bridge

Crossing and the Kerem Shalom Crossing is expected to lead to an increase in the flow of goods from the West Bank and the Gaza Strip and to help diversify export markets.²³ The scanners, procured with funding from the Netherlands will provide the capacity to scan containerised shipments, allowing for a more effective and rapid inspection of goods. The main benefit for shippers will be a reduction in the costs associated with transferring goods through the crossings (including transportation, packaging and processing costs), which, in the case of exporters, will translate into increased competitiveness in markets abroad.

20. The international community has played an important role in complementing the work of the PA, filling a gap in meeting the needs of the most vulnerable through strategies such as the Consolidated Appeal (CAP). The 2013 CAP for the oPt was launched in January 2013 and requests US\$401.6 million under the areas of (in descending value in US\$) Food, Cash-for-Work, Protection, Agriculture, Health and Nutrition, Education, Coordination and Support Services, and Water, Sanitation and Hygiene. The Food Sector alone requests US\$160.8 million (40% of total requirements) although the Cash-for-Work and Agriculture Sectors are also largely focused on addressing food insecurity. The reduction in the level of the CAP in 2013 does not reflect a reduction in humanitarian need in the oPt, but rather a continued attempt to focus on the most urgent humanitarian needs.

III.1 West Bank

West Bank - Overview

21. In the West Bank, Israeli security forces, citing security concerns, conducted 1,660 operations and 1,991 arrests between 17 September 2012 and 25 February 2013. A total of nine Palestinians were killed and 1910 were injured by Israeli forces during this period, many in relation to popular demonstrations in solidarity with prisoners on hunger strike which resulted in clashes with Israeli security forces. In a concerning development, on 23 February 2013, a Palestinian man, Arafat Jaradat, died in detention after his arrest by the Israeli Defence Forces days earlier in the West Bank. His death sparked a series of popular demonstrations and clashes which resulted in more than 40 Palestinian injuries by the Israeli Defence Forces in the West Bank. Confrontations between Palestinians and Israeli settlers have occurred on an almost daily basis. Occupation measures have continued to impede Palestinian movement, while demolitions in Area C have intensified, leading to further displacements.

22. There was an alarming rate of settlement activity during the reporting period, with a particularly large number of announcements of new housing units in the aftermath of the General Assembly vote to accord Palestine the status of non-member observer State in the UN. On 30 November 2012, the day after General Assembly vote, the Israeli government announced the construction of 3,000 new settlement housing units in the West Bank, including in East Jerusalem. Of significant concern, the Israeli authorities indicated that planning will proceed on several thousand and housing units in the strategic area E1 between Jerusalem and the settlement of Maale Adumim. The Secretary-General has expressed his grave concern and disappointment over these announcements. In addition, the Israeli Government decided to expedite the construction of some 6,500 housing units in settlements in East Jerusalem which have already been approved, including in Givat Haratos. This was followed in mid-December by preliminary approval to build 1,500 housing units in the East Jerusalem settlement of Ramat Shlomo. In February 2013, 90 new housing units received final approval to be built in the West Bank settlement of Bet El (near Ramallah).²⁴

23. In response to the E1 announcement, on 11 January 2013 over 100 Palestinian and international activists moved to the E1 area and established an encampment named Bab al-Shams aimed at countering the Israeli settlement expansion plans. Demonstrators were evicted two days later. Another encampment named Bab al-Karamah was set up a week later in the Palestinian village of Beit Iksa to impede the construction of the Barrier, which deviates from the Green Line. The Secretary-General stresses the importance for protests to continue to remain peaceful and for the right to peaceful protest to be fully respected.

24. Israeli settler violence remains worrying as it undermines the physical security and livelihoods of Palestinians and risks increasing friction. Violence by settlers in the West Bank includes physical assault, harassment, takeover of and damage to private property, obstructed access to grazing/agricultural land and water resources, and attacks on livestock, agricultural land and holy places. More than 160 settler-related incidents resulting in Palestinian injuries or damage to Palestinian property were recorded during the reporting period, resulting in the injury of more than 80 persons, including children. Under international humanitarian law and international human rights law, Israel is obligated to prevent attacks against Palestinian civilians or their property and ensure that all incidents of settler violence are investigated in a thorough, impartial and independent manner.

25. There were incidents in which Israeli settlers were affected by violence since the last report. Between 17 September 2012 and mid-February 2013, 16 incidents leading to 25 settler injuries by Palestinians and two incidents leading to property damage were reported.

26. Between September 2012 and January 2013 the Israeli authorities demolished close to 300 residential and livelihoods related structures in the West Bank, including 37 in East Jerusalem, on the grounds that they lacked Israeli-issued building permits.^{25 26} Approximately 500 persons, many of them children, were displaced as a result. We remain concerned about demolitions, which spiked in January 2013, and their impact on already vulnerable populations.

27. In addition, humanitarian actors, including both NGOs and UN agencies, face constraints in delivering emergency assistance to displaced families and communities. For example, on 19 January 2013 Israeli authorities demolished and confiscated 32 emergency shelters from displaced families in the northern Jordan Valley, who had been displaced by a demolition a few days earlier.²⁷ Such practices run counter to international law, which requires all parties, including Israel, to allow, facilitate and protect the rapid and unimpeded passage of humanitarian assistance, if unable or unwilling to provide such assistance themselves.

West Bank – Movement and Access

28. Barrier construction has continued, albeit at a reduced scale from recent years, despite the advisory opinion of July 2004 of the International Court of Justice, which established that the sections of the Barrier which run inside the West Bank, including East Jerusalem, violate Israel's obligations under international law.²⁸ Approximately 62% of the Barrier is now complete, a further 8% is under construction and 30% is planned but not yet constructed. In December 2012, plans to build the Barrier around the Bethlehem village of Battir were delayed following a provisional ruling by the Israeli High Court of Justice which urged a re-examination of part of the route, following objections by villagers and by Israeli environmental groups who claimed that the planned route would damage historic terraces and traditional farming practices.

29. Approximately 150 Palestinian communities have land isolated between the Barrier and the Green Line and are obliged to use a 'prior coordination' mechanism or to obtain 'visitor' permits from the Israeli authorities to access their land. There was an increase in the number of permits issued during the last olive harvest (October to December) but many applications were still rejected by the authorities citing 'security reasons' or insufficient proof of 'connection to the land.'²⁹ For farmers granted access by permit or prior coordination to their groves behind the Barrier, passage is still restricted by Barrier gates and checkpoints, most of which are only open for a limited time during the annual harvest. This regime restricts farmers' ability to carry out essential year-round maintenance such as ploughing, pruning and fertilizing.³⁰

30. During the reporting period, little change was registered in the restrictions affecting Palestinian access to significant rural areas, including those located behind the Barrier, movement within the Israeli-controlled part of Hebron City, and access for West Bank ID holders to East Jerusalem. There was also no noticeable improvement in restrictions caused by the Barrier, which, in conjunction with its gate and permit regime, continues to be the main obstacle to Palestinian movement within the West Bank. In a welcome development, movement restrictions in the Jordan Valley were eased in October 2012, following a request from the Association for Civil Rights in Israel to the Israeli Ministry of Defence, allowing Palestinian vehicles through the Tayasir and Hamra checkpoints, irrespective of the drivers' address and the registration place of the vehicles, following security checks.

31. At present, bandwidth limitations imposed by the Israeli authorities preclude the operation of 3G networks on the two Palestinian mobile telephone network providers and result in foregone earnings that are estimated to reach US\$75 million in 2013. Were these earnings actually realised, the PA would receive an estimated US\$17 million in value added and other taxes from these companies.³¹ Extrapolating over ten years, the lost income to the private sector is estimated at US\$900 million, and US\$200 million to the PA. The Government of Israel is encouraged to address this issue by allocating the required spectrum range. Restrictions on the erection of base stations in Area C also impair the sector's ability to secure sufficient coverage across the West Bank and to operate efficiently.³² This restricted range and quality and higher cost of services increasingly push Palestinian customers to emigrate to Israeli providers who, unimpaired by spectrum limitations, are saturating the Palestinian market.

West Bank - Area C

32. Further progress has been made in the implementation of the social infrastructure works in Area C, consisting of 20 schools and health centres advanced on a fast track basis, the majority of which have now been completed.³³ A further set of works, consisting of 17 schools and health centres prioritised by the Palestinian Authority, has received notional approval but is awaiting funding to commence implementation. An array of infrastructure works is needed to support relevant economic sectors, such as agriculture. To this effect, further works in the agriculture sector are now under review by the Coordination of Government Activities in the Territories (CoGAT). The Government of Israel is encouraged to

make the procedures and timelines of 4-6 months used for the issuance of permits for infrastructure and development projects more widely available to interested international community and Palestinian actors.

33. The development of the Palestinian economy in Area C is currently constrained by a number of factors including the restrictive planning and permitting regime that limits/deters domestic investment in these areas. Access to natural resources located in Area C, such as agricultural land and quarries, is key for the private sector to spur the type of economic growth necessary to support a rapidly growing population. While the unrealised economic potential has not yet been conclusively determined, it is clear that the cultivation of large swaths of arable lands and the development of existing stone and marble quarries in Area C would make a significant contribution to the Palestinian economy. Tourism related development, while capital intensive, such as around the Dead Sea, is also expected to hold significant returns. To help maintain and expand the Palestinian economy, the development of vital sectors in Area C will require interventions of scale and must involve the Palestinian private sector to be sustainable.

34. Effective capitalization on economic opportunities in Area C will also require further formulation of Palestinian national sector strategies to help focus both international community as well as domestic investments. Accelerating the preparation of the National Spatial Plan is expected to prove particularly instrumental in synchronising efforts across the various sectors.

35. Under the planning regime applied by the Israeli authorities, virtually all public land (also known as "state land") in Area C has either been placed within the jurisdictional boundaries of Israeli settlements (local and regional councils) or marked as military areas, making it unavailable for Palestinian use. Restrictive regional master plans, in part dating back to the 1940s, render construction in most private land in Area C equally challenging. The Israeli produced planning schemes currently in force in Palestinian communities, which enable people to build legally, encompass only about 0.5% of Area C.

36. To help address this issue, over the past two years, Palestinian village councils, in collaboration with civil society organisations, submitted 32 new planning schemes to the Government of Israel (GA) which reflect their current reality and future needs. Unfortunately, none of the plans submitted to the Israeli authorities for consideration, some since June 2010, have yet been approved. Tangible progress, facilitated by the Government of Israel, is required if planning is to serve as a constructive approach for many of these Palestinian communities in addressing their basic developmental needs. More efficient progress is also necessary for planning to address the needs of the estimated remaining 220 communities, entirely or partially, located in Area C. The support of the PA Ministry of Local Government to these efforts to ensure the compatibility of these plans with other adjacent Palestinian areas under PA control is important to guarantee equitable development and service delivery for all Palestinian communities. It remains imperative that planning efforts be community-based and adequately address future needs, and that they enable the retroactive formalisation of unlicensed structures if planning is to qualify as a valid and sustainable solution.

37. In addition to the acceleration of settlement expansion witnessed during the reporting period, confirmed reports of the preparation of two plans to relocate a number of Bedouin communities from the E1 area to the north of Jericho is another negative development significantly undermining Palestinian prospects, in particular vis-à-vis development in Area C. These reports are worrying on a number of fronts, not least due to the seemingly limited involvement of the respective communities in these plans. It is imperative that the option of remaining in their current location be afforded to the communities in this and any future cases.

West Bank - East Jerusalem

38. While the status of Jerusalem remains a final status issue to be resolved through negotiations between the parties, the UN Secretary-General believes that a way must be found for the city to emerge from negotiations as the capital of two states. The Barrier, settlement expansion and related restrictions on Palestinian movement are increasingly cutting off East Jerusalem – the focus of Palestinian political, commercial, religious and cultural life – from the rest of the oPt.³⁴ Palestinian presence in the city is further challenged by the fact that 35% land in East Jerusalem has been confiscated for Israeli settlement use and only 13% of East Jerusalem is zoned for Palestinian construction, much of it already built-up, making it particularly difficult for Palestinians to accommodate the natural growth of the population.³⁵ In this context, a number of immediate steps, as outlined below, have the potential to improve the lives of Palestinians in East Jerusalem.

39. Demolitions continue in East Jerusalem on grounds that structures lack Israeli-issued building permits, which Palestinians in East Jerusalem, who are particularly affected by poverty, find difficult and expensive to obtain – a result of the municipality's restrictive planning regime applied in East Jerusalem.³⁶ An estimated 33% of all Palestinian homes in East Jerusalem lack Israeli-issued building permits, potentially placing at least 93,100 residents at risk of displacement.³⁷ The lack of an enabling development regime is resulting in continued unlicensed construction and the attendant risk of punitive fines as well as demolitions and subsequent displacement.

40. Proactive engagement by the Israeli authorities in community-based plans that address outstanding developmental needs and the formalisation of homes built without Israeli-issued permits is essential to bring an end to demolitions of Palestinian homes and property and related displacement, and could lead to improved living conditions for tens of thousands of Palestinian East Jerusalemites.

41. Inadequate public service provision for Palestinians in East Jerusalem is exemplified in the water supply sector. While some East Jerusalem neighbourhoods are served directly by the Jerusalem Water Undertaking (JWU), a Palestinian company active since 1962, the water quotas made available to the JWU have remained unchanged despite the dramatic growth in the number of subscribers.³⁸ In addition to the resulting chronic water shortage, the JWU is also facing major challenges in the maintenance and expansion of the physical network needed to service this growing population.

42. Reviving the economy of East Jerusalem is essential to address the high levels of poverty among Palestinians. In December 2012 a private sector forum bringing together Palestinian private sector representatives with counterparts from various neighbouring countries, including the Gulf States, a first of its kind in Jerusalem, was held and yielded a number of business venture agreements, including the prospective setup on an information technology park. This is an important step. Reopening the Palestinian Chamber of Commerce (which has been closed for seven years) would be an important next step in rebuilding a vibrant private sector in East Jerusalem.³⁹

43. Protecting residency rights for East Jerusalemites remains a serious concern. Designated as "permanent residents" by the State of Israel, Palestinian East Jerusalemites lack a secure legal residency status, face the risk of being stripped of their precarious status and loose access to their city if they reside outside of it or Israel for more than seven years. This restriction is having a particularly marked impact on their choice of residence and work and adding another layer of separation between East Jerusalem and the rest of West Bank. Similarly, Palestinian East Jerusalemites with spouses from other parts of the West Bank have been unable to extend unrestricted residency status to their spouses since the 'family unification' process was suspended in 2003.

44. Palestinian students in East Jerusalem continue to face challenges in accessing quality education. The provision of educational services is fragmented between various providers, including the Israeli Jerusalem municipality, the Islamic Trust (Awqaf), charitable organisations and private/commercial providers. The wide discrepancies in the quality of education offered by these providers combined with insufficient and poor infrastructure, as highlighted by the estimated shortage of 1,100 classrooms, is generating acute educational challenges such as high dropout rates.⁴⁰ Both the expansion and construction of new schools is urgently required, along with the seamless access for teachers residing in other parts of the West Bank to offset a shortage in teaching faculty.

45. The health sector in East Jerusalem is also affected by access restrictions. While patient and medical staff movement has witnessed welcome improvements, access to West Bank produced pharmaceuticals remains blocked since the Israeli Ministry of Health applied restrictions in 2006.⁴¹ The East Jerusalem Hospitals Network (EJHN) estimates that the import of pharmaceuticals in bulk, for dispensation within the hospitals alone, could yield estimated savings of 30% in pharmaceutical costs.⁴² The restoration of these supply lines would also help boost the Palestinian pharmaceutical industry.⁴³ Efforts are underway to help Palestinian pharmaceutical companies obtain international standard certification that may help remove Israeli access restrictions.⁴⁴ In the medium term donor countries are encouraged to consider import of West Bank produced pharmaceuticals, in particular for use in aid delivery within the oPt and elsewhere.

III.2 Gaza Strip

46. The UN's objective in the Gaza Strip remains the full implementation of Security Council Resolution 1860, including an end to the closure.⁴⁵ Since its violent takeover of the Gaza Strip in June 2007, Hamas remains in *de facto* control of the Strip and continues to reject basic principles of the peace process. The 21 November understanding on a ceasefire agreed after the escalation of hostilities provides an opportunity to, at long last, address the underlying causes of conflict captured in the resolution. The calm has largely held, but it remains fragile. There was a significant disruption on 26 February 2013 when a rocket was fired from Gaza. In total, four rockets have been fired and eight Israeli incursions have taken place since the ceasefire understanding was reached. Renewed shooting incidents have claimed the lives of four Palestinian civilians, mostly while they were attempting to

approach the border fence. This underscores the importance of supporting ongoing Egyptian efforts to solidify the calm. As part of the confidence building measures agreed in the understanding reached, Israel has relaxed some restrictions on the import of aggregate as well as access to land and sea. This is important progress. However, to further advance this important agenda, address Israel's legitimate security interests and ensure that the people in the Gaza Strip and Israel can live without fear from a renewed escalation of violence, it is essential that ceasefire negotiations progress and that parallel efforts continue to enforce the calm and prevent the smuggling of weapons into the Gaza Strip.

47. The November 2012 hostilities had a dramatic effect on the Gaza Strip. A reported 158 Palestinians were killed, including 103 civilians (33 children and 13 women), and 1,269 Palestinians were reported injured. The impact was also felt in Israel, where six Israelis (four civilians and two soldiers) were reported killed by Palestinian rocket fire and 224 Israelis were injured, the vast majority civilians, mostly by indiscriminate rocket fire that reached Israeli cities within up to a 70km range from the Gaza Strip. Additionally, in the Gaza Strip 382 homes were destroyed or severely damaged and approximately 8,000 sustained minor damage. Thousands of people were temporarily displaced during the period of hostilities, with approximately 2,500 people still in displacement in January 2013 due to the destruction or serious damage to their homes. There was a sharp increase in stress and psychosocial problems including post-traumatic stress disorder, and significant damage to schools, health centres and water infrastructure.⁴⁶

48. Despite high economic growth in recent years, the economy of the Gaza Strip remains far behind that of the West Bank, where GDP per capita is almost twice as high.⁴⁷ The people of the Strip remain worse off than in the late 1990s due to insufficient recovery from dramatic economic decline during two separate periods: the first, when restrictions were tightened during/after the second *intifada*, and the second, during the first years of the closure following the Hamas takeover of the Gaza Strip in 2007.⁴⁸ Today, external trade and trade with the West Bank remain restricted, and are mostly dependent on international sponsoring. Agricultural exports have been lower in the current export season than in the previous one, and Europe continues to be by far the main destination for Gazan export.⁴⁹ The Government of Israel has authorised the transfer of 740 metric tonnes of date bars from the Gaza Strip to the West Bank for a UN school-feeding programme, and the transfers are ongoing.⁵⁰ The restrictions on external trade, including with Israel, and on transfers to and from the West Bank prevent the realisation of the Gaza Strip's full economic potential and are the main reason for its economic difficulties. According to a recent study, the closure reduced welfare by 17-28% and labour productivity by 24-29%.⁵¹ Circumventing the closure of the Gaza Strip, illegal smuggling via the tunnels underneath the border with Egypt has continued at large scale, despite recent efforts by Egypt to close down some of them. It is estimated that roughly 30% of all goods on the Gaza Strip's market are imported through the tunnels, benefiting the *de facto* authorities, which regulate and tax the tunnel trade.⁵²

49. In addition to the spectrum range restrictions discussed in paragraph 30 above, the efficient functioning of the telecommunications sector is obstructed by challenges to the effective transfer of equipment into the Gaza Strip, with one mobile telephone company unable to operate in the Gaza Strip at all.⁵³

50. The movement of people in and out of the Gaza Strip continues to be restricted.⁵⁴ Only specific categories of people are allowed to go through the Erez crossing, such as businessmen and medical patients and accompanying family members, often having to undergo uncertain and long application procedures. An average of 177 persons per day travelled through the Erez border crossing with Israel during the reporting period.⁵⁵ The positive trend in the approval of patient permit requests observed in the last reporting period has been reversed, and 9.5% of permit applications were rejected, delayed beyond the medical appointment date or did not receive a reply in the period September 2012 – January 2013, compared to 7.2% in the same period a year earlier. An average of 1,234 people per day traversed the Rafah border crossing with Egypt during the reporting period, 259 for medical reasons.⁵⁶ There are relatively few restrictions on the groups of people that wish to cross at Rafah, and anecdotal evidence indicates that waiting times at the crossing have been reduced recently.⁵⁷

51. Human rights abuses by *de facto* authorities in the Gaza Strip remain an issue of concern. The rights of women are also increasingly being restricted in the Gaza Strip. For instance, the recent decision by the authorities not to allow women to participate in the UNRWA Gaza Marathon, meant to raise funding for the children of Gaza, led to the cancellation of the event by the organisers.

52. Despite a recent construction boom, the Gaza Strip's infrastructure, particularly in water, sanitation, electricity and housing, remains insufficient. Electricity cuts continue to occur on a daily basis, for as long as 12 hours per day. The main reasons for this are the increase in demand in line with population and economic growth, coupled with the inability of the only power plant in the Gaza Strip to produce at full capacity; difficulties of electricity authorities to collect fees; and the insufficiency of electricity imports from Israel and Egypt.⁵⁸ A recent upgrade of the Grizim power line to the Gaza Strip by Israel is a welcome development, as well as Qatar's donation of 30 million litres of fuel, which has not been fully delivered yet.⁵⁹ Palestinian energy authorities are planning to upgrade the electrical grid in the Gaza Strip to increase its carrying capacity and reduce loss. The shortage of clean drinking water is another urgent issue and is exacerbated by insufficient capacity to treat wastewater, much of which is pumped into the Mediterranean Sea as raw or partly treated sewage. The UN has received commitment for funding to construct a large wastewater treatment plant in Khan Younis, and UN agencies have already helped set up 13 small- and medium-scale desalination plants, while more are under construction. Member States are advocating for the construction of a large-scale desalination plant.⁶⁰

53. Health services in the Gaza Strip are continuing to function despite severe shortages of drugs and supplies which are adversely affecting patient care. Drug shortages worsened in recent months, in part due to increased needs from the fighting in November 2012, but also due to the PA's financial crisis. In December 2012, 33% of items on the essential drug list and 49% of disposables were at zero stock. To help address the needs of a growing population, UN agencies have put together a comprehensive package of work to improve healthcare in the Gaza Strip, which includes the construction of laboratories, warehouses, an oncology centre and other infrastructure, at the cost of about US\$80 million. Donors are encouraged to fund these works.

54. Between March 2010 and February 2013 Israel approved UN construction projects worth almost US\$400 million, with applications to import construction materials into the Gaza Strip requiring an average of 12 months to receive a response from the Israeli authorities. Positive developments in the reconstruction of the Gaza Strip include: Israel's authorisation of an average of 20 trucks daily since the last week of December of aggregate for the private sector, and Israel's approval of a one-off entry of 50,000 tonnes of aggregate for the private sector. These developments are welcome but not sufficient to meet the full scale of construction needs in the Gaza Strip. In consequence, large amounts of construction materials continue to be smuggled via the tunnels.⁶¹

55. Since the end of December 2012, Egypt has facilitated the passage of an average of 44 trucks per day of aggregate for large-scale Qatari-funded projects in the Gaza Strip via the Rafah crossing. In our view, the phased and gradual further opening of the Rafah border crossing for the movement of people and goods, in the spirit of the AMA will be an important support to the Gaza Strip's recovery and reconstruction. At the same time, the presence of the PA at the crossing should provide the indispensable legal interface for the operation and could promote Palestinian reconciliation through a "bottom up" approach, by establishing a coordinated and agreed PA presence in the Gaza Strip. These arrangements would not alter the continued need for movement and access through Israeli crossings.

56. The PA's high expenditure in the Gaza Strip in the form of salaries, medical supplies and other expenses, and the limited revenue derived from there add pressure to its financial situation.⁶² Overcoming the Palestinian political divide would help partially address this situation.

57. In the context of the ceasefire agreement, the Israeli authorities extended farmer access on foot to areas up to 100 meters from the perimeter fence, and vehicular access to a distance of 300 meters.⁶³ This is welcome progress, but violent incidents have taken place in the ten weeks between the ceasefire and the end of January 2013, many of them apparently within the no-go zone, and have resulted in Israeli forces killing four Palestinian civilians and injuring 94, marking a deterioration compared to the equivalent monthly average before the escalation in hostilities in November. Clarity on how this arrangement will be implemented in practice will be essential to ensure safe access for Palestinian farmers to their land near the fence. At sea, the Israeli authorities extended the permissible fishing area from three to six nautical miles from the coastline. Since the ceasefire, 13 shooting incidents by the Israeli Navy have been recorded, none of which resulted in deaths or injuries, alongside the detention of three fishermen and the confiscation of one fishing boat, with most incidents having taken place around the new limit. The expansion of the accessible fishing area has had a positive, albeit limited, impact on the livelihoods of fishermen. The total fishing catch reported in November 2012 represented a 46% increase compared to the equivalent figure in November 2011; however, the following month recorded a modest 8% increase from December 2011.

58. As a heavily urbanised environment the Gaza Strip needs to be open and accessible to the world. Furthermore, a substantial and sustainable improvement of the economy of the Gaza Strip and a solution to its underlying structural weaknesses depend on a revival of the legitimate private sector. Awaiting fundamental change, a number of immediate steps, as outlined below, would make it easier for the people of the Gaza Strip to rebuild their lives and livelihoods:

a) The lifting of restrictions on trade, including transfers to and from the West Bank and imports and exports to Israel and other countries would allow both consumers and producers in the Gaza Strip to enjoy the benefits of trade based on comparative advantage, and would help reactivate private sector competitiveness. Allowing the import and export of goods in containers rather than on pallets would significantly decrease transport, packaging and processing costs and further contribute to competitiveness.

b) Removing aggregate, iron bar and cement from the Israeli list of dual-use materials and allowing their import from Israel and Egypt would facilitate the construction and

reconstruction of housing and essential infrastructure in the Gaza Strip, with the support of international organisations, but more importantly by the legitimate private sector.

c) Infrastructure needs to be built/rebuilt to address long-term challenges that the people of the Gaza Strip face: a shortage of clean drinking water, a lack of capacity to treat wastewater and generate electricity, and a shortage of tens of thousands of housing units.⁶⁴ All of these issues will become more urgent as Gaza's population is expected to grow by almost one third by 2020.⁶⁵

d) The delivery of basic services, especially health and education, needs to be improved now and expanded in the coming years. Currently, there is a shortage of 250 schools.⁶⁶ By 2020, another 190 schools, 800 hospital beds, over 1,000 doctors and 2,000 nurses will be needed to maintain current levels of service as the population grows.⁶⁷

e) As an urban economy, the Gaza Strip depends on intensive trade, communication and movement of people. Lifting restrictions on the movement of people into and out of the Gaza Strip would bring economic benefits, but it would also allow Gazans to visit their families and friends in the West Bank, and vice versa, and attend universities outside of the Gaza Strip, among other things.

f) The UN welcomes the extension of the fishing limit from three to six nautical miles off the coast. However, a further extension of the fishing limit to at least nine nautical miles - still less than the 20 nautical miles established by the Oslo Accords - is necessary for a significant increase in the size and value of the catch of Gazan fishermen.

Notes

¹ In its September 2010 report to the AHLC, the World Bank stated that "If the Palestinian Authority (PA) maintains its current performance in institution-building and delivery of public services, it is well-positioned for the establishment of a state at any point in the near future." In its April 2011 report to the AHLC, the IMF concluded that "IMF staff considers that the PA is now able to conduct the sound economic policies expected of a future well-functioning Palestinian state, given its solid track record in reforms and institution-building in the public finance and financial areas." The April and September 2011 UN reports to the AHLC concluded that in six areas where the UN is most engaged, governmental functions of the Palestinian Authority were sufficient for a functioning government of a state. The six areas are: 1) Governance, human rights and rule of law; 2) Education and culture; 3) Health; 4) Social protection; 5) Livelihoods, food security and employment; and 6) Infrastructure/water and sanitation

² Chair's Summary of the Meeting of the Ad Hoc Liaison Committee. 18 September 2011.

³ UNSCO. April 2011. *Palestinian State-Building: A Decisive Period*.

⁴ UNSCO. September 2011. *Palestinian State-Building: An Achievement at Risk*.

⁵ On 29 November 2012, the UN General Assembly passed resolution 67/19. Pursuant to operative paragraph 2 of that resolution, the General Assembly decided to "...accord to Palestine non-member observer State status in the United Nations ...". On 12 December 2012, Palestine informed the Secretary-General that the designation "State of Palestine" should be used in all official documents, although this does not preclude the use of the term "occupied Palestinian territory". In accordance with the Secretary-General's report on the "Status of Palestine in the United Nations" (A/67/738) of 8 March 2013, the designation "State of Palestine" is now used in all documents of the United Nations, notwithstanding the use in parallel of the term used in previous reports, "occupied Palestinian territory".

⁶ Due to their limited linkages with global markets, the Palestinian banking and private sectors have been relatively unaffected by the recent global economic downturn, which is however, affecting donor countries' ability to provide budgetary support to the PA.

⁷ In an effort to control the wage bill, the Cabinet has already approved measures to keep government employment at the levels of end-December 2012, for example.

⁸ Security Council Resolution 1860 can be found on www.un.org/docs/sc/unsc_resolutions09.htm.

⁹ The Quartet asked that all members of future Palestinian Governments be committed to non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the Roadmap.

¹⁰ The Program of the 13th Government of the Palestinian National Authority set out the national goals and government policies for a two-year period starting in August 2009, and centred on the objective of building strong state institutions capable of providing, equitably and effectively, for the needs of citizens.

¹¹ www.pma.ps/index.php?option=com_content&view=article&id=300%3Apm-a-obtains-ia-dimembership&catid=108%3Anews&Itemid=106&lang=en.

¹² IMF. December 2012. *West Bank and Gaza: Labor Market Trends Growth and Unemployment*.

¹³ In 2012, total net revenue (cash basis) was 102% the budgeted amount and total expenditure was 93% of the budgeted amount, but net lending was 268% the budget level. The overall deficit for the year was approximately US\$1.7 billion. (Ministry of Finance. *Monthly Reports*)

¹⁴ A number of European countries contributed €7.4million in December 2012 to help cover the salaries and pension payments for PA workers. Portland Trust. January 2013. *Palestinian Economic Bulletin, Issue 76*.

¹⁵ See for example Konrad-Adenauer-Stiftung. December 2012. *The Political Economy of the West Bank*.

¹⁶ See paragraphs 28-30 of UNCTAD (2011) Report on UNCTAD assistance to the Palestinian people (TD/B/58/4).

¹⁷ See UN in the oPt. 2012. *Gaza in 2020: A Liveable Place?* www.gaza2020.info

¹⁸ As seen in the number of business licenses issues and bank lending to the private sector, for example. The IMF estimates that growth in the West Bank in 2012 was around 5% and in the Gaza Strip 9%.

¹⁹ According to the IMF, oPt GDP needs to grow at 4.5% per year to absorb new labour market entrants and keep unemployment constant. (See IMF. December 2012. *West Bank and Gaza: Labor Market Trends, Growth and Unemployment*.)

²⁰ Palestinian Central Bureau of Statistics (PCBS). November 2012. "Labor Force Survey (October – December, 2012) Round (Q4/2012)." www.pcbs.gov.ps.

²¹ FAO/WFP/UNRWA. February 2013. *Food Security Watch, West Bank and Gaza Strip*.

²² PCBS. March 2012. *Preliminary Estimates of Quarterly National Accounts (Fourth Quarter 2012)* www.pcbs.gov.ps

²³ "In a survey conducted by the Palestinian Shippers Council (PSC), Palestinian shippers report that the inability to utilize containerized shipments at K-HB [King Hussein Bridge] leads to increased packing and transportation costs, increased processing fees, increased damages to goods, limited packing options, and limited products that can be traded at K-HB, all of which lead to exacerbated transportation costs for each shipment, raise the cost of merchandise to the end consumer, and render Palestinian products uncompetitive in regional and international markets." Palestinian Shippers' Council. 2012. *Capacity Development for Facilitating Palestinian Trade: A Study on the Proposed Mobile Scanner at King Hussein Bridge*.

²⁴ According to Peace Now, in total in 2012, the Government of Israel built at least 1,747 new housing units in settlements compared to 1,607 housing units in 2011 and only a few hundreds of housing units in 2010 and 2009. Nearly 20% of the construction in the settlements in 2012 was in illegal outposts. For the first time since 2005, 4 new outposts were established in the West Bank, four existing outposts were 'legalized' as independent settlements through a government decision and another six were recognized as 'neighbourhoods' of already established settlements.

²⁵ OCHA. Various months. *The Monthly Humanitarian Monitor*.

²⁶ Each demolished structure is counted as a separate structure. The methodology used by OCHA for counting may differ from those used by others, including the Gol. 'Residential structures' refers to any structure that serves as a home or housing for people and includes temporary and fixed structures. 'Livelihood related structures' includes commercial structures, animal shelters, pens or sheds, greenhouses, mosques, warehouses, etc. 'Infrastructure' demolished includes water cisterns and tanks, power or electricity lines, fences, walls and roads.

²⁷ In the Hamamat al Maleh area.

²⁸ According to Israel, its Supreme Court, sitting as High Court of Justice, has carefully considered route of the Barrier in several cases, and Israel has complied with its rulings.

²⁹ In the northern West Bank, the approval rate for permit applications was approximately 48%, equivalent to 2011, but still significantly below 2010 when the permit approval rate was over 80%. In the Ramallah area, where 12 of the 18 gates enabling farmers to pass through the Barrier operate on a permit system, the approval rate was significantly higher than in the north, at 79%. Notably, farmers in Deir Qaddis received permits to access their land for the first time since the completion of the Barrier in 2008. In Hebron, seven of the eight Barrier gates operated, and the approval rate was 87%; approximately 1,000 of the 1,150 applicants were granted permits. In the Bethlehem governorate, three of four gates in the Barrier were opened using the 'prior coordination' system, with approximately 250 farmers able to access their land without incident. Marking a change over recent years, landowners in the Wadi Shami area of Bethlehem were granted access to their land within the Jerusalem municipal boundary.

³⁰ In total, as of this year's olive harvest, there were 77 Barrier crossings - 69 gates and eight checkpoints. Of the gates, only 11 open daily; 11 open for some day(s) during the week and during the olive season and 47 open during the olive season only.

³¹ A 7% royalty tax is collected by the PA.

³² Forcing subscribers to lose coverage or roam using Israeli companies. An estimated 80 base stations are required by both companies to operate efficiently.

³³ This package was advance by the Office of the Quartet Representative and the US Government (OQR/USG) in June 2011.

³⁴ Access to East Jerusalem is controlled by a combination of physical and administrative obstacles, and Palestinians who are able to obtain permits can only use four of the 16 checkpoints along the Barrier, for example. OCHA. December 2012. *East Jerusalem Key Humanitarian Concerns, Update December 2012*.

³⁵ See OCHA. December 2012. *East Jerusalem Key Humanitarian Concerns, Update December 2012*. The Palestinian population in East Jerusalem is estimated to grow 3.3% annually (EU. December 2012. *Private Sector and Economic Development in East Jerusalem*).

³⁶ Poverty among Palestinians in East Jerusalem is widespread and is estimated to have increased from 64% in 2006 to 78% in 2010 (and from 73% to 84% for children). National Insurance Institute. 2011. *2010 Poverty and Social Gaps Annual Report*. www.btl.gov.il.

³⁷ OCHA. December 2012. *East Jerusalem Key Humanitarian Concerns, Update December 2012*.

³⁸ The neighbourhoods include Beit Hanina, Kufur Aqab, and Qalandia.

³⁹ The UN continues to call for the reopening of Palestinian institutions in East Jerusalem.

⁴⁰ OCHA. December 2012. *East Jerusalem Key Humanitarian Concerns, Update December 2012*.

⁴¹ The Israeli authorities request the Palestinian manufacturers to be registered with the Israeli Ministry of Health, which is not feasible as Israeli authorities cite security reasons why Israeli inspectors cannot access the areas where Palestinian companies are located.

⁴² The East Jerusalem Hospitals Network(EJHN) includes six facilities — Princess Basma Rehabilitation Center, Augusta Victoria Hospital, Maqassed Hospital, St. John Eye Hospital, St. Joseph Hospital, and

the Palestinian Red Crescent Society Hospital.

⁴³ The Palestinian pharmaceutical industry suffers from various hindrances, the major of which is the burden of the annual licensing of imported raw materials (in some cases even per shipment), the costs of back-to-back deliveries to and from the West Bank and from the West Bank to the Gaza Strip, the costs of shipping drugs in bulk via Jordan.

⁴⁴ Palestinian manufacturers have embarked on accessing international markets and obtained international quality certification, such as the EU-GMP, US FDA, ISO 9000 and ISO 14000. Out of the six existing Palestinian manufacturers, four companies have earned Palestinian GMP certification, and are ISO 9000 and ISO 14000 certified, two companies hold the current Good Manufacturing Practices (cGMP) and three are in the preparation phases to obtain the US FDA approval.

⁴⁵ Security Council Resolution 1860 can be found on www.un.org/docs/sc/unsc_resolutions09.htm

⁴⁶ United Nations Office for the Coordination of Humanitarian Affairs (OCHA). November 2012. "Gaza Initial Rapid Assessment." www.ochaopt.org.

⁴⁷ According to PCBS, GDP per capita was US\$3,137.6 in the West Bank in 2011, and it was only US\$1,534.8 in the Gaza Strip.

⁴⁸ In 1998, real GDP per capita in Gaza was US\$1,336 (www.pcbs.gov.ps) compared to around US\$1,100 in 2012 according to forecasts (calculations based on a projected growth rate in real GDP per capita of 5.3% in 2012, IMF. September 2012. "Recent Experience and Prospects of the Economy of the West Bank and Gaza: Staff Report Prepared for the Meeting of the Ad Hoc Liaison Committee." www.imf.org).

⁴⁹ Between October 2012 and February 2013 exports of carnations, strawberries and vegetables were 67%, 46% and 77%, respectively, of the amounts exported between October 2011 and February 2012. Exports of furniture were 31 times higher in the current season, and herbs are a new type of export. Carnation exports are measured in number of stems; strawberries, vegetables (sweet pepper, chilli pepper, tomato and cherry tomato) and furniture in tonnes; and herbs (basil, chives, mint and tarragon) in kilos. Between October 2011 and February 2012 Europe was the main market for Gazan exports, although some goods were also destined to Saudi Arabia (tomatoes) and Jordan (furniture). Between October 2012 and February 2013, most Gazan exports were destined to Europe, with furniture going to Tunisia and Egypt. UNSCO. Various months. *Socio-Economic Report*.

⁵⁰ Between September and November 2012, WFP transferred 231 tonnes of date bars (21 truckloads).

⁵¹ Household expenditure is used as a proxy of household welfare. Assaf Zimring. 2012. "Gains from Trade: Lessons from the Gaza Blockade, 2007-2010." Stanford University Economics Department, research paper.

⁵² Palestinian Federation of Industries.

⁵³ The GSM equipment in question is of the same type that has been approved entry into Gaza by a different Palestinian company.

⁵⁴ About 11,244 people per day traversed the Rafah border crossing with Egypt during the reporting period (17 September 2012 – 31 January 2013) and about 200 travelled through the Erez border crossing with Israel. There are relatively few restrictions on the groups of people that wish to cross at Rafah, and anecdotal evidence indicates that waiting times at the crossing have been reduced recently.

⁵⁵ The daily average is for working days only.

⁵⁶ The daily average is for working days only.

⁵⁷ Men aged 16 to 40 years require prior coordination with the Egyptian authorities to cross the border.

⁵⁸ Electricity demand in the Gaza Strip has increased in line with population and economic growth and stands at around 360 megawatt. The only power plant in Gaza cannot produce power at its full capacity because it is running on diesel fuel rather than natural gas, and because fuel imports to the Gaza Strip remain limited. This is despite the installation of new transformers with support from the United Nations, increasing the plant's capacity from 80 to 120 megawatt. Third, electricity imports from Israel and Egypt are not enough to cover the gap between Gazan production and demand. Currently, electricity supply, at about 240 megawatt, remains about one third short of demand.

⁵⁹ Only 11 million litres have arrived in the Gaza Strip so far. The fuel has been delivered via Egypt and Israel, and the remainder is stored in Egypt.

⁶⁰ France has already donated €10 million to this project. Consulat Général de France à Jérusalem: "Press Release: Desalination project in the Gaza strip: announcement of a €10 million French support." www.consulfrance-jerusalem.org

⁶¹ It is estimated that an average of roughly 4,000 tonnes of aggregate, 2,500 tonnes of cement and 400 tonnes of steel bars are brought in through the tunnels every day.

⁶² Due to the low level of imports and its non-presence at the border crossing, the PA collects little in the form of import taxes from the Gaza Strip. It is also estimated that the PA spends about US\$1 billion per year on salaries, medical supplies and other expenses in the Gaza Strip. Aix Group. March 2012. "The Arab Peace Initiative and Israeli-Palestinian Peace: The Political Economy of a New Period." www.aixgroup.org

⁶³ See www.cogat.idf.il/901-10767-en/Cogat.aspx

⁶⁴ United Nations Human Settlements Programme. 2006/2007. "State of the World's Cities." www.unhabitat.org

⁶⁵ United Nations Country Team for the occupied Palestinian territory. 2012. Gaza in 2020: a liveable place? www.gaza2020.info

⁶⁶ Gisha. 2013. "The Gaza Cheat Sheet: Real Data on the Gaza Closure." www.gisha.org

⁶⁷ United Nations Country Team for the occupied Palestinian territory. 2012. Gaza in 2020: a liveable place? www.gaza2020.info