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#### The World Bank Group

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## WEST BANK AND GAZA UPDATE

March 2008



World Bank Strategy for a Prosperous and Viable Palestinian State

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# World Bank Strategy for a prosperous and viable Palestinian State

2008 is an important juncture for economic development and fiscal stability in the West Bank & Gaza. Following the Ad Hoc Liaison Committee (AHLC), Annapolis, and Paris Pledging conferences in 2007, the stage is now set for the implementation of the Palestinian Reform and Development Plan (PRDP) for 2008–2010, envisioning the establishment of an economically sustainable Palestinian State. The vision described in the PRDP is ambitious, requiring simultaneous tripartite actions from the Palestinian Authority (PA), Israel, and the international community.

The World Bank is committed to the fulfillment of this vision. To this end, and in close consultation with the PA, the World Bank West Bank and Gaza program has recently finalized its strategy proposal for 2008–2010, and will present it to the Board of Directors in Washington DC next month.

The proposed strategy focuses on the PRDP's twin objectives of fiscal stability and development. On the fiscal track, a central component of the strategy is the establishment of a trust fund for PA budget support, aimed at disbursing over USD 100 million in donor funding in 2008. An additional USD 40 million per year of World Bank resources will be allocated for budget support in 2008–2009.

The strategy's development track builds on the World Bank's existing development projects, in which over USD 500 million have been invested since the mid-nineties, and adds new ones. The Bank proposes to continue supporting the water and wastewater sector, including the construction of the new wastewater treatment plant in Gaza, and to replicate the success of the Jenin solid waste disposal site in the Hebron area. These projects will be complimented with support for the expansion and upgrading of Palestinian electrical infrastructure.

Social protection and development programs remain central to World Bank agenda, and the strategy proposes continued support for the Municipal Development and Lending Fund (MDLF), the launch of a village and neighborhood development program and continued support for social safety net payments. Support for economic and private sector development will be provided through a number of channels, including matching grants for Small and Medium Enterprises (SMEs) seeking new markets and product development, support for land administration reform, and the Bank's ongoing advocacy regarding movement and access restrictions as an obstacle to Palestinian economic recovery. Technical assistance and policy support will be provided in a number of areas, including trade facilitation, health financing, transport, housing, telecommunications regulation, and other components of public sector management.

The World Bank looks forward to the finalization of this strategy and to its implementation in close cooperation with the Palestinian Authority.

Country Director

A. David Craig

## March 2008

# Palestinian Reform and Development Plan Trust Fund

The PA has presented a Palestinian Reform and Development Plan (PRDP 2008-2010) containing a 3-year fiscal framework, on the basis of which donors have committed substantial budget and development support at the Pledging Conference in Paris in December, 2007. Equally important to the high level of donor commitment

is the quick translation of pledges into disbursements to support the PA. While this is best achieved through direct channeling of funds to the Single Treasury Account (STA), the World Bank has created a mechanism to help pool and accelerate transfer of funds to the PA, the Palestinian Reform and Development Plan Trust Fund (PRDP-TF). Managed by the World Bank, the PRDP-TF aims to support the PA policy agenda as expressed in the PRDP by channeling budget support for its implementation over the three year period of 2008 - 2010. The PRDP-TF was created to provide donors who are unable to provide budgetary support directly to the STA with a mechanism for channeling untied, un-earmarked budgetary support through a trust fund linked to the execution of the policy agenda in the PRDP. The PRDP-TF complements other available mechanisms for support of PA recurrent expenditures, particularly Pegase, and would be available for all donors who wish to provide untied, un-earmarked budget support to the PA within the context of the PRDP policy framework. The PRDP-TF is designed to pool different donor funds into one administrative mechanism that will reduce the transactions costs for the PA and provide reliable disbursements on a regular basis.

The PRDP-TF would be linked to the implementation of key aspects of the PRDP (2008-2010) as they relate to budget execution within an overall macroeconomic framework. Key policy items will include expenditure containment (particularly wages, net lending and social transfers) and progressive strengthening of public finance management and country systems as described in the PRDP. The monitoring of the implementation of this policy agenda will be achieved through consultations with the PA and regular briefing/consultation meetings of local representatives of participating donors, the PA, and the IMF.

The Bank will ensure coordination with the other donors who are financing recurrent expenditure (including those contributing directly to the STA or through PEGASE) through the existing donor coordination structures, namely the Fiscal Sector Working Group co-chaired by the MOF and IMF.

Participating Donors will be asked to sign an Administration Agreement with the Bank upon which Donors would transfer funds to a World Bank TF Account. In line with the Paris Declaration on Aid Effectiveness, the PRDP-TF will adopt the best approach to budget support and disburse untied, un-earmarked donor funds to the PA's STA. The PRDP-TF will aim to provide predictable support with regular disbursements and to disburse its funds in a small number of more or less equal tranches (two to four) every year.

The PRDP-TF will rely on the PA's own fiduciary systems for public finance management, based on the IMF's assessment that the PA's cash control procedures have been restored to their pre-2006 levels, meaning that the PA's Single Treasury Account (STA) is fit to receive donor transfers. The PRDP-TF policy agenda will review progress of the PRDP public finance management reforms underway under the leadership of the MOF with IMF support. Furthermore, the PA will comply with the Bank's standard reporting requirements for use of Bank-managed trust funds, including an annual audit of the amounts entering and leaving the master trust fund in Washington.

The Fund is expected to begin operations in March 2008 with the signing of the first Administration Agreements followed by the first disbursement to the STA by the end of March. Based on current expressions of interest and commitments, the trust fund is expected to channel at least USD 100 million in funding from donors in 2008, and additional commitments from donors are welcome. In addition, the World Bank is planning to allocate USD 40 million of its own resources in direct support to the PA budget in 2008, and possibly similar amount in 2009.

# WEST BANK AND GAZA

### Introducing Competition in the Palestinian Telecommunications Sector

The recently published World Bank Telecommunications Sector Report, entitled "Introducing Competition in the Palestinian Telecommunications Sector" highlights key issues in the Palestinian telecommunications sector, and suggests possible recommendations for policy and regulatory reform. The report was prepared in close consultation and cooperation with all stakeholders, taking into account disparate points of view. Its recommendations are in line with visions and policy directions of the Palestinian Authority, with the goal of benefiting Palestinian people by reducing prices and improving quality and reliability of services. The report endorses and supports Palestine's own policy of introduction of competition, as formulated by MTIT. The policies of favoring competition in this industry have proven effective across the world, including in post war, distressed and low income environments.

The Palestinian telecommunications sector is characterized by the presence of a private regulated monopoly, unauthorized competition, and overall weak governance and regulation. Increasing competition and efficiency in the telecommunications sector will have far reaching effects throughout on the Palestinian economy. It will reduce the cost of doing business in all sectors and help raise government tax revenues. In addition, by developing the capacity to regulate the largest monopoly in WBG and spur competition in the telecommunications market, the PA will develop its ability to provide a better regulatory environment for the entire economy.

The sector legal framework is defined by Telecommunications Law 3/1996 and by regulatory provisions under the Oslo Agreement.<sup>1</sup> The agreement affects the interim relationship between Israeli and Palestinian companies, attributing rights and obligations to Palestinian and Israeli operators in the territory of the West Bank and Gaza, and defining the role of the Palestinian government in the sector. The PalTel group, which includes companies in all main sectors of the telecommunications and information technology (IT) market, is the dominant operator. Unauthorized competition exists in the mobile market, where Israeli operators, authorized under the Oslo Agreement to offer services to the settlers, cover a large part of the territory of the West Bank. PalTel's market dominance, and the problems related to unauthorized competition, could be mitigated by the entry of a second mobile operator. The Ministry of Information Technologies and Telecommunications (MTIT) has awarded a mobile license to Wataniya. There is in principal an agreement at Ministerial level on the release of the frequencies for Wataniya. However at the time of this note's publication they have not yet been released. The entry of competitive mobile and data operators would strengthen considerably the market and improve its key indicators. The data market segment is also characterized by a combination market dominance and unauthorized competition, but MTIT is in the process of awarding data licenses. Overall regulatory capacity is weak, governance and accounting standards have room for improvement.

The complex nature of the regulatory relationship between the PA and GOI has given rise to several areas of concern. In addition to the unauthorized competition in mobile and data, the Palestinian Authority (PA) raises the following main issues: (a) Palestinian operators are compelled to route international communications through a licensed Israeli operator; which increases costs (b) the lack of a direct long-distance connection linking the West Bank with the Gaza strip; and (c) difficulties in obtaining permits from the Israeli authorities to build infrastructure in large parts of the country. The note illustrates the different viewpoints on these contentious issues, assesses the actual nature of the constraints, and offers possible solutions.

<sup>1 &</sup>quot;Oslo Agreement, Annex III, Protocol on Israeli-Palestinian Cooperation in Economic and Development Programs" and "The Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip ("Oslo 2"-9/28/95), Annex III, art 36)



#### In terms of policy recommendations, the following five actions are recommended:

- (a) Introduce full competition through Israel speeding the release of the frequencies for the secondlicensed mobile operator and allocating frequencies for new wireless operators and MTIT tackling Paltel's monopoly position. Internationally, full competition has been proven to be the best policy to stimulate market growth and reduce prices. This is also the case in low-income and highly distressed (civil war, post conflict) environments. To enable effective competition, the following measures are crucial:
- (i) Enabling effective competition in the mobile sector, by Israel releasing frequencies for Wataniya
- (ii) Implementing the policy announced by MTIT to introduce competition in the data sector by issuing new competitive licenses.
- (iii) Regulating and monitoring anticompetitive behavior and the concentration of monopoly power in PalTel;
- (iv) Addressing and agreeing on distribution of frequencies crucial for the attribution of wireless data licenses (e.g., Wi-Max).
- (b) Promote technical cooperation between Israeli and Palestinian technical teams, to mitigate the existing issues. The existing conflict hurt the work of the Joint Technical Committee (JTC) and the implementation

of the provisions under the telecommunications sections of the Oslo Agreement. The structured negotiations mechanism of the JTC (which deals with mutual coordination of frequencies use, interference problems, diverse international issues, and other sensitive subjects of mutual importance), should be supported and encouraged. Issues include

allowing Palestinian telecommunications firms smoothly import equipment and emplace necessary infrastructure in all areas in the West Bank & Gaza, including Area C. Given the demographics and the geography of the area covered, it is practically difficult to

create hard boundaries to prevent complete access to the Palestinian market by Israel operators not licensed by MTIT. While operators not licensed by MTIT should refrain from marketing directly their services in the Palestinian territories, nevertheless, it is recommended to pursue market-based practical arrangements to ensure a fair and level playing field among all operators in the West Bank and Gaza territory, such as revenue sharing arrangements with the licensed operators to formalize any spill-over entry and compensate for paid license fees.

- (c) Strengthen MTIT's institutional, regulatory and enforcement capacity and create a regulatory unit within MTIT, which will be transferred to an independent telecommunications regulatory authority at a future New regulations are under preparation and MTIT has published draft interconnection guidelines. MTIT is working on a new telecommunications law which aims to introduce a telecommunications regulatory authority. MTIT is exploring ways to create a regulatory unit within the MTIT to regulate the sector as needed until the telecommunications regulatory authority is established. Serious capacity building is needed for establishing and operating such a unit. MTIT needs additional resources to tackle the regulatory priorities that any ministry faces during the introduction of competition, including other aspects of interconnection regulation (e.g., dispute resolution; interconnection costing); enforcement; licensing; spectrum management and monitoring; number portability. There is also a need to train regulatory experts. A top priority is the introduction of a body of competition law and regulation, and the presence of regulatory tools to monitor and sanction anticompetitive behavior.
- (d) Improve tax collection and governance. Effective competition between telecommunications operators can provide strong and reliable short-term and long-term fiscal gains. A more transparent system for generating and collecting tax revenues is needed. Improvements in tax collection, as well as an agreement on how to tax the revenues generated by Israeli operators serving Arab customers in the West Bank, is desirable.
- (e) Increase the overall transparency and improve the governance of the sector. This includes: determining the exact legal status of the various subsidiaries of PalTel group; clarifying the priority between rights under the licenses and government guidelines and implementing industrial cost accounting.

# The Electric Utility Management Project in West Bank & Gaza Strip – An Environmental Assessment

The Electric Utility Management Project (EUMP), funded by the World Bank and European Investment Bank (EIB), the government of Norway, AFD, and SIDA aims at improving the efficiency and quality of electricity supply in the Palestinian areas. The project will support investments in the physical structures, by financing critical investments in rehabilitation and extensions of the transmission and distribution system in the West Bank and Gaza Strip. In addition, the project will assist in the implementation of sector reforms and capacity building and institutional strengthening of the Palestinian Energy Authority (PEA), replacing the very fragmented electricity sector with well-functioning electrical utilities in all areas of the West Bank.

The transmission component of the project entails the replacement of the existing connection points with the Israeli Electricity Company (IEC) with four new bulk 161/33/22 kilovolt substations and related 161 kilovolt connection lines in the north, center, and south of the West Bank including installation of necessary facilities (NCC/SCADA) to balance the power supply throughout the network. The proposed sites for the substations are in the Jenin, Nablus, Jerusalem, and Hebron governorates.

Additional developments will include the rehabilitation, extension, and reconfiguration of the sub 33 KV distribution system and installation of pre-paid meters throughout West Bank and Gaza.

As part of the project preparation, Norconsult AS has been engaged by the PEA to conduct the feasibility study of the interconnection of the electrical networks of "Egypt-Gaza Strip" and "Jordan-West Bank". Whereas the overall aim of the interconnection study is to establish least cost options for establishing an independent electrical network and thereby increase the energy security in the Palestinian areas, the environmental study will form a framework for identification,

assessment and management of environmental and social concerns for the project. Specifically, the Environmental Assessment is targeted at delineating the impacts resulting from the proposed system configurations, and formulating an environmental management plan (EMP), suggesting alternatives, and mitigation measures for minimizing adverse environmental and social impacts during project implementation and operation. The environmental assessment is referenced in the credit agreement as a mandatory instrument that will ensure compliance with donors' safeguards policies as well as facilitate obtaining of environment permits and additional financing approvals for this project.

The environmental assessment discussed the various possible impacts of the project on different parts of the environment (soils and groundwater, air, fauna and flora) as well as socio-economic impacts. Besides setting the baseline conditions at the different sites, determining all possible impacts, it also defined the mitigation actions required to minimize the impacts during the engineering construction of different components of the project as will as a monitoring plan for the implementation of the environmental management plan.





#### **Third Emergency Services Support Project (ESSP 3)**

With the aim of supporting the Palestinian Authority in mitigating the deterioration of essential public services in education, health and social services, the World Bank's Board of Executive Directors approved on December 13, 2007, the launching of the Third Emergency Services Support Project (ESSP 3).

The ESSP 3, financed through a US\$10 million grant from the Trust Fund for Gaza and West Bank managed by the World Bank, is an integral part of the PA's emergency program in the social sectors. It accompanies the ongoing Bank administered ESSP Multi-Donor Trust Fund (MDTF); both mainly finance non-salary recurrent expenditures. These companion operations will help maintain essential social services operational during the protracted crisis that the West Bank and Gaza is undergoing. The design of ESSP 3 will allow faster disbursement than has been possible under previous ESSP phases as the bulk of disbursements will be against recurrent expenditures, not subject to Bank procurement guidelines. The ESSP3 complements the new PRDP-Trust Fund by providing a quick disbursing mechanism for the social sectors in order to ensure continued and uninterrupted provision of essential social services.

The PA's emergency program in social services was launched with the help of the World Bank in 2002 with the aim to provide a means of rapidly channeling donor funds to priority social services in a coordinated manner. The Bank and donors have provided support for the past five

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years through ESSP 1, ESSP 2 and the ESSP MDTF. Over the 2002 to 2007 period these mechanisms have disbursed over USD 220 million for the non-salary recurrent expenditures. Implementation arrangements have included design elements to compensate for institutional weaknesses in the participating agencies, while maintaining rigorous fiduciary and implementation procedures acceptable to the World Bank.

The ESSP 3 project consists of four components. Component 1 will finance the non-salary operating costs for education services, costs of general examinations and support to higher education institutions. Component 2 will finance the non-salary operating costs for health services including non-medical recurrent expenditures, and treatment in private and non-governmental clinics. Component 3 will finance the non-salary operating costs for the Ministry of Social Affairs, and its shelters, rehabilitation and treatment centers. The final component will support project management and monitoring, namely the Project Coordinating Unit in the Ministry of Finance and its incremental operating and audit costs.

The outputs of the project will be of significant importance to the social welfare of the Palestinian people. In line with its primary objective, the project will help maintain a network of public social services available to all Palestinians and in particular the poor and most vulnerable as they are particularly dependent on public education and health systems. Its support for social care services is of special importance – it directly addresses the needs of individuals who often are most at risk – abandoned children and youth, the unskilled, the elderly and refugees from precarious family situations. In this, the series of ESSP projects have already garnered much appreciation among the Palestinian population, and this project builds on, and is an important extension of, those experiences.

Beyond its direct effects on the target population, it generates other tangible outcomes that are beneficial to the broader economy. It will continue to create an enabling environment that draws in donor resources and helps focus those resources on areas that are essential for maintaining the Palestinian social networks and civil society. At the same time, serving as a catalyst for donor funds, it becomes an important instrument for the PA to channel such funds quickly for the social services to meet emergency needs, including ones that can be expected to have a large impact on the general well-being of the population and, just as importantly, on maintaining, and possibly enhancing, human capital development for future growth.

## The Village and Neighborhood **Development Project**

#### A pioneering Community Development Project in WB&G

Clustered in a three bedroom apartment, in the premises of a women's NGO in Al-Zaitoon neighborhood of Gaza, around fifty women were working busily. Some were making couscous and pastries; others were creating ceramic artifacts, while the rest in a third room were embroidering. "Part of the products are sold and distributed to needy families in the neighborhood; that is how the work is sustained," the head of the NGO commented. One of the women shyly explained how the Integrated Community Development Project gave her a golden opportunity to earn a living through its job creation program under conditions of conflict induced poverty and unemployment. Just as important, she added that the program gave her an opportunity to establish new friendships, helping her cope with the stress and isolation.

The World Bank has funded several community development projects in the West Bank and Gaza where community empowerment and inclusion of marginalized groups have been far reaching goals. Building on lessons learned from these projects (ICDP, PNGO, CDPI&II, etc), the Bank is supporting a pioneering new community driven development project, the Village and Neighborhood Development Project (VNDP) where poor marginalized communities will be in the driver's seat to lead their own development process.

With USD \$10 million divided between the West Bank and Gaza, the VNDP has been carefully designed to cater to that objective. The project will support small communities in planning local initiatives, and prioritizing needs through an inclusive and participatory process. It will also provide small grants to support joint activities among several village councils for subprojects that are part of the local plan within their regions. This will provide incentives for small communities to work together and eventually amalgamate and become a municipality. In the process, these communities will "learn-by-doing," the skills of community planning, benefits of collaboration with other communities for common needs, mobilizing resources for development and improving local level coordination.

A locally elected leader attending one of the project's workshops eloquently expressed the value of the VNDP in enhancing social cohesion, "In the current political circumstances with the deep divide in Palestinian politics, this project will help bring people closer together, encourage dialogue among communities, and exemplify the fact that communities can achieve common goals with a real democratic participatory process". The team conducted extensive workshops in both Gaza and the West Bank to reach out and incorporate into the project design the ideas, needs, and concerns of local communities. The project will be implemented at the local level with oversight from the Ministry of Local Government and Technical Assistance to communities provided by specialized consultants/NGOs. Clearly as in the case of implementing community development projects, implementation of VNDP is a difficult task, the goals, however, are noble. The Bank team, together with their counterparts in the MoLG, are determined to make it a success.





#### The World Bank's Operations in West Bank and Gaza

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<b>On-going Bank Group Operat</b>	ions
Project Name & Details	Description
Solid Waste and Environmental Management Project (SWEMP). World Bank: US\$9.5 million Approval Date: October 10, 2000. Closing Date: 30 June 2008 Task Team Leader: Andrew Mokakha	The overall objective of the project will be to implement an environmentally sound solid waste management system for Jenin District. This objective would be pursued through the construction of a controlled sanitary landfill in Jenin District (Zahrat Al- Finjan); rehabilitation/closure of uncontrolled dumps; improvement in solid waste management (SWN) services in the district through the supply of equipment and the strengthening of management and operation capacities' building institutional capacity in the newly created Joint Services Council (JSC) for regional SWM services; and strengthening the institutional and monitoring capacity of Environmental Quality Authority (EQA). The Project is managed by the Joint Services Council for Solid Waste Management (JSU). The EC is financing the supply of collection vehicles and transfer stations relation set-ups.
Emergency Water Project (EWP). World Bank: US\$12.5 million Approval Date: July 29, 2003 Closing Date: September 30, 2008 Task Team Leader: Sana Al Nimer	The main objective of the project is to support investments that would help alleviate the chronic shortages of safe water supplies; reduce water costs and health risks; and conserve scarce water resources by reducing system losses. The Project includes the following components: (a) Rehabilitation and improvement of Water Supply Transmission and Distribution System; and (b) Technical Assistance and Capacity Building provided to the Palestinian Water Authority.
Social Safety Net Reform Project (SSNRP). World Bank: US\$10.0 million Approval Date: July 19, 2004 Closing Date: December 31, 2008 Task Team Leader: Eileen Murray	The project was formally restructured in May 2007. The new project development objective is to to mitigate the impact of the continued socio-economic crisis on a subset of the poorest and most vulnerable households. An additional is to strengthen the institutional capacity of Ministry of Social Affairs to manage cash transfer programs. The primary objective would be achieved by implementing a pilot incentive-based cash transfer mechanism with improved targeting modalities that would contribute to improving the living conditions of the beneficiaries.  The Project also aims to strengthen the institutional capacity of PA agencies involved in the implementation of the proposed project, in particular in Ministry of Social Affairs.
The Integrated Community Development Project (ICDP). World Bank: US\$10 million plus US\$5 million additional financing approved in December 2006. Approval Date: May 23, 2002. Closing Date: March 31,2008. Task Team Leader: Meskerem Brhane	The Project seeks to improve the quality and availability of basic social and economic services in poor and marginalized communities of West Bank and Gaza. It succeeds previous community development operations financed through the Bank under Community Development Projects I & II. The project finances the rehabilitation of roads, water supply and sanitation systems, schools, clinics, thereby preserving and extending the capital stock of villages and small municipalities. Under the original financing, agricultural activities were also financed, including the rehabilitation of wells, roads, and terraces. The project is also piloting new Information and Communication Technology (ICT) initiatives by funding the creation of Multipurpose Tele-centers, thereby improving access to information and training for the poor and marginalized. The Additional financing of US\$5 million does not entail changes to the ICDP Development Objective, but gives higher focus on strengthening community participation in the identification and implementation of microprojects, through community-grants procurement.
North Gaza Emergency Sewage Treatment Project. World Bank: US\$7.8 million Approval Date: September 9, 2004 Closing Date: June 30, 2010 Task Team Leader: Sana Al Nimer.	The North Gaza Emergency Sewage Treatment project is the fourth in a series of Bankfunded water and sanitation projects since 1994. The Project consist of two parts Part A is addressing the immediate and impending health, environmental and safety hazards to the communities near the poorly-treated and rapidly growing sewage lake in the Beit Lahia area of North Gaza. And Part B – a long-term solution for the adequate treatment and disposal of wastewater in North Gaza, which entails the construction of a new wastewater treatment plant expected to be financed by various donors. Approximately 300,000 people living in North Gaza will benefit from this project. The project overall estimated cost is about US\$ 63 million.

Project Name & Details	Description			
Gaza II Emergency Water World Bank: US\$20 million Approval Date: June 7, 2005 Closing Date: Jan 1, 2009 Task Team Leader: Khairy Al-Jamal	This Project is a follow-up to the previous GWSSP. The development objectives of this Project are: (a) to develop a sustainable institutional structure of the water and wastewater sector in Gaza by supporting the functional establishment of a Coastal Municipalities Water Utility, as well as by enhancing and deepening the involvement of the private sector through a three-year management contract; (b) to continue improving the water and sanitation services by rehabilitation, upgrading and expansion of existing systems and facilities; and (c) to strengthen the regulatory and institutional capacity of the Palestinian Water Authority. The whole population of Gaza (around 1.5 million people) are benefiting from the project.			
Tertiary Education Project World Bank: US\$10 million Approval Date: April 26, 2005 Closing Date: December 31, 2009 Task Team Leader: Adriana Jaramillo	The project development objectives are: 1) to improve the regulatory environment for tertiary education management, relevance and quality assurance; 2) increase internal and external efficiency of the tertiary education system, as a first step towards seeking sustainability; and 3) to create incentives and provide the basis for improvements in efficiency, quality and relevance of tertiary education institutions in order to meet the socioeconomic needs of the Palestinian population. The project provides technical assistance on defining policies consistent with increasing the financial sustainability of the sector and improving the capacity to respond to labor market needs. It also provides incentive mechanisms to improve quality and relevance of the programs offered. On a competitive basis, institutions will apply for quality and management grants, administered by a Fund mechanism. In addition the project will provide technical assistance to improve the management of the current student loans program managed by the MOEHE, and will set the basis for expansion of the financial resources available for funding the studen aid programs. The EC is providing co-financing in the amount of \$\epsilon\$ 6 million.			
Land Administration Project World Bank: US\$3 million Government of Finland: US\$3.1 million equivalent Approval Date: January 26, 2005 Closing Date: December 31, 2008 Task Team Leader: Ibrahim Dajani	The objective of this project is to assess/learn the extent of commitment and readiness of the PA to reforming land administration by introducing policy, legal and institutional changes to achieve efficient procedures for the issuance of land titles and registration of property transactions, and transparent processes for the management and disposal of public land. The project is the first phase of a more comprehensive long-term Land Administration Program which aims at enhancing economic growth by improving land tenure security and facilitating the development of efficient land and property markets in rural and urban areas through the development of an efficient system of land titling and registration based on clear, transparent and coherent policies and laws and supported by an appropriate institutional structure.			
Third Palestinian NGO Project World Bank: US\$10 million AFD: €6 million Approval Date: December 19, 2006 Closing date: Dec.31, 2009 Task Team Leader: Meskerem Brhane	The objective of the project is to provide social services to those who are poor, vulnerable or affected by the deteriorating socioeconomic conditions by establishing an effective mechanism to improve the quality and sustainability of NGO social service delivery. The first two PNGO projects successfully built up Palestinian NGO capacity to carry out social service delivery activities. Now, there is a need to consolidate and sustain this capacity by moving the driving force for further NGO development firmly into the hands of the Palestinian NGOs. To this end, PNGOIII will support the transformation of the Project Management Organization (PMO), the implementing unit within the			



social service delivery activities.

of the Project Management Organization (PMO), the implementing unit within the Welfare Association of the previous projects, into the NGO Development Center (NDC), an institution dedicated to grant-making and sector development. At the same time, the project will provide funding to develop and sustain specific NGO-sponsored

#### **On-going Bank Group Operations**

#### Project Name & Details

#### Description

Second Emergency Municipal Services and Rehabilitation Project World Bank: US\$10 million The Netherlands: € 5 million AFD: €12 million

Approval Date: December 19, 2006 Closing date: June 30, 2009 Task Team Leader: Steve Karam

A prolonged period of economic contraction has had serious consequences for municipal revenues and the ability of local governments to continue providing basic services. This has translated into sharply increased health, safety, and sanitation risks for the Palestinian population resulting from mounting solid waste, and deteriorating streets, water and wastewater networks, particularly in heavily populated urban areas. The objectives of EMSRP II are to (a) provide funding for infrastructure rehabilitation and maintenance to help mitigate further deterioration in the delivery of essential municipal services, and (b) create temporary job opportunities at the local level through the launching of labor-intensive employment generation schemes. In addition, through the Municipal Development Lending Fund (MDLF), the Project would pilot innovative initiatives to improve municipal service cost recovery (through the introduction of pre-paid electric metering systems) and leverage partnerships with local NGOs to deliver services more effectively. The total cost of the project is currently estimated at US\$40.2 million with financing of US\$10 million from the Trust Fund for Gaza and West Bank (TFGWB), and further commitments from Netherlands and Agence Française de Développement. On-going discussions for funding with KFW and Sweden are likely to cover the balance with commitments expected by October 2007.

#### Avian Influenza Prevention and Control Project

World Bank: US\$10 million Global Fund for Avian Influenza: US\$3

million

Approval Date: September 7, 2006 Closing date: Jan.31, 2009 Task Team Leader: Lucie Tran

West Bank and Gaza has been considered at high risk for AI due to the large number of migratory birds crossing the territories and the high risk of spreading the infection among domestic poultry. In April, FAO/WHO confirmed AI H5N1 presence in 8 locations in Gaza and preventive culling was concluded in the infected areas. The project aims to strengthen the public and veterinary heath sectors to respond to possible future outbreaks. The overall responsibility for overseeing and coordinating institutional and implementation arrangements is vested with the National Emergency Committee for Avian Influenza Control (NCAIC) which is chaired by the Minister of Health, while funds from the Global Trust Fund (US\$3 million) are being implemented by UNDP, focusing on quick implementation of the most urgent activities.

#### Emergency Services Support Program

World Bank: US\$10 million Approval Date: December 13, 2007 Closing Date: December 31, 09 Task Team Leader: Eileen Murray

The development objective of the Emergency Services Support Program is to mitigate the deterioration of service delivery brought about by the inability of the Palestinian Authority to meet its non-salary recurrent costs. The ESSP finances the non-salary expenditures of the key social ministries and based on the PA's recurrent expenditure program for these ministries.

#### **Multi-Donor Trust Fund**

#### Name of Fund

#### Emergency Services Support Program-(Under Temporary International Mechanism - window 1)

Multi Donor Trust Fund: US\$65 million Approval Date: August 2006 Closing Date: June 30, 2008 Task Team Leader: Eileen Murray

#### Description

The development objective of the Emergency Services Support Program is to mitigate the deterioration of service delivery brought about by the inability of the Palestinian Authority to meet its non-salary recurrent costs. The ESSP finances the non-salary expenditures of the key social ministries and based on the PA's recurrent expenditure program for these ministries.

The ESSP budget is based on the PA's annual recurrent expenditure program. Eligibility of expenditures is assessed by the Bank, taking into account the emergency nature of the project and the Bank's procurement and fiduciary requirements. Financing of expenditures in other sectors may become possible if donors are willing to provide the necessary financing.

The Bank will be approaching donors for replenishing this multi donors trust fund as most funds are now committed under this phase.

#### West Bank and Gaza Portfolio

February 2008

	Trust Fund for Gaza and the West Bank				Co-fin	Co-financing		
	Committed	Disbursed	Undisbursed	Disbursed	Committed	Disbursed	Undisbursed	Disbursed
CURRENT PROJECTS		US\$ Million		Percent		US\$ Million		Percent *
01Solid Waste and Environmental Management Project	9.5	8.8	0.7	93%				
02 Integrated Community Development Project	15.0	12.4	2.6	82%				
04 Emergency Water Project	12.5	10.8	1.7	87%				
04 Social Safety Net Project	10.0	2.7	7.3	27%				
05 North Gaza Emergency Sewage Treatment Project	7.8	6.8	1.0	87%	18.1	0.0	18.1	0%
05 Land Administration Project	3.0	1.7	1.3	57%	1.5	0.9	0.5	63%
05 Tertiary Education Project	10.0	3.0	7.0	30%	3.6	1.2	2.4	35%
05 Gaza II Emergency Water Project	20.0	13.9	6.1	70%				
07 Avian Influenza Project	10.0	1.2	8.8	12%				
07 Palestinian NGO Project III	10.0	2.0	10.0	20%				
07 Emergency Municipal Services Rehabilitation Project II	10.0	2.7	10.0	27%				
Total	117.8	65.9	51.9	56%	23.2	2.2	21.0	9%
DONOR FUNDED TRUST FUNDS								
Local Government Capacity Building					2.5	1.8	0.7	71%
Emergency Services Support Program					67.9	44.9	23.0	66%
Total					70.3	46.6	23.7	66%
COMPLETED PROJECTS								
00 Electricity Sector Management Project	15.0	14.8	0.2	99%				
03 Emergency Services Support Project II	40.0	40.0	0.0	100%	71.6	71.6	0.0	100%
97 Palestinian Expatriate Professional Program	2.3	2.3	0.0	100%	0.3	0.3	0.0	100%
02 Emergency Services Support Project	20.0	20.0	0.0	100%	29.2	29.2	0.0	100%
04 Public Financial Management Reform SAO	20.0	20.0	0.0	100%				
97 Legal Development Program	2.8	2.5	0.0	89%				
96 Municipal Infrastructure and Development Project	40.0	40.0	0.0	100%	5.4	5.4	0.0	100%
97 Microenterprise Project	2.2	2.2	0.0	100%				
95 Emergency Rehabilitation Project	30.0	30.0	0.0	100%	63.9	63.9	0.0	100%
97 MIGA Fund	10.0	10.0	0.0	100%				
96 Emergency Rehabilitation Project II	20.0	20.0	0.0	100%	3.5	3.5	-0.0	100%
97 Community Development Project	10.0	10.0	0.0	100%	2.8	2.8		
01 Emergency Response Program	12.0	12.0	0.0	100%				
95 Education and Health Rehabilitation Project	20.0	20.0	0.0	100%	29.1	29.1	0.0	100%
99 Community Development Project II	8.0	8.0	0.0	100%				
97 Gaza Water and Sanitation Project	31.0	31.0	0.0	100%				
98 Palestinian NGO Project	10.0	10.0	0.0	100%	4.6	4.6	0.0	100%
99 Bethlehem 2000	25.0	25.0	0.0	100%	3.6	3.6	0.0	100%
97 Palestinian Housing Project	17.4	17.4	0.0	100%				
98 Gaza Industrial Estate	7.2	6.9	0.0	96%				
99 Southern Area Water and Sanitation Project	21.0	21.0	0.0	100%				
00 Health System Development Project	7.9	7.9	0.0	100%				
01 Education Action Project	7.0	6.9	0.0	99%				
03 Emergency Municipal Services Rehabilitation Project	20.0	20.0	0.0	100%				
01 Palestinian NGO II Project	8.0	8.0	0.0	100%	11.6	10.2	1.4	88%
00 Municipal Infrastructure and Development Project II	7.5	7.3	0.0	97%				
Total Completed	414.2	413.2	0.2	100%	225.7	224.3	1.4	99%
TOTAL (Current & Completed)	532.0	479.0	53.0	90%	319.2	273.1	46.1	86%
CLOSED DONOR FUNDED TRUST FUNDS								
The Holst Fund					285.7	285.7	0.0	100%
Technical Assistance Trust Fund	†				23.6	23.6	0.0	100%
PEACE Facility	†				25.0	25.0	-0.0	100%
Public Financial Management Reform Trust Fund	†				273.4	273.4	0.0	100%
TOTAL DONOR FUNDED TRUST FUNDS					607.7	607.7	-0.0	100%
GRAND TOTAL	532.0	479.0	53.0	90%	926.8	880.8	46.0	95%

<sup>\*</sup> For some cofinancing, investment income is added to the principal and disbursed, causing disbursements to go above 100%

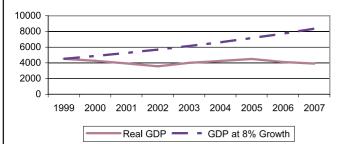
<sup>\*\*</sup> Closed

<sup>2/</sup> Year approved by World Bank Board of Executive Directors

# Economic Developments and Prospects

- 1. Following the Oslo accords in the early nineties, it was expected that the Palestinian economy would enter a period of sustained and rapid growth. While performance was not as strong as hoped, there was steady growth and by 1999 real GDP had grown to \$4,512 million. However, since the Intifada in 2000, when Israel instituted a strict closure regime, the Palestinian Economy has been on a downward trend (Figure 1). GDP fell to \$3,557 million at the height of the violence and Israeli incursions in 2002 and then recovered slightly in 2004 and 2005. But, with the continuing growth in settlements, continuing closures, and the cut off in direct aid after the election of a Hamas government, GDP fell again in 2006.
- 2. Real GDP in 2007 is expected to be about \$3,901 million, some 14 percent lower than its peak in 1999. Because of the rapid population growth during the same period, per capita GDP is off nearly 40% from its peak. The contributing effects of the closures and movement restrictions can not be overestimated. Between, 1995 and 2000, the Palestinian economy was growing at an average rate of 8% per year. Had the positive trend of the late 1990's continued through 2007 in the absence of restrictions, real GDP may have been more than double its current value (Figure 1).

Figure 1: Estimated Real GDP: Actual and With 8% Real Growth (USD million)



Source: PCBS and World Bank staff calculations

- 3. A combination of borrowing, remittances and increased aid that flowed around the PA has propped up GDP in the past two years and has allowed both public and private consumption to remain strong. A recent Palestinian Central Bureau of Statistics (PCBS) survey estimates that despite the economic crisis, household consumption dropped by only 0.6% between 2005 and 2006. But while consumption may have remained robust, investment has fallen to precariously low levels resulting in a hollowing out of the Palestinian productive sectors. Public investment has nearly ceased and in the last two years almost all government funds have been used to pay salaries and cover operating costs. Private investment is also low. The IMF estimates that it fell by over 15% between 2005 and 2006 and there is no evidence that it has significantly increased in 2007. A recent World Bank Investment Climate Assessment, which found that less than a quarter of private sector firms made any investments in 2005/2006 and that the equipment in manufacturing enterprises was on average over 12 years old. The lack of investment in public infrastructure and private enterprises is hollowing out the the Palestinian productive base, leading to increased aid dependency and pointing to bleak future prospects unless the trend is reversed.
- 4. Despite large inflows of aid, the shrinking economy has led to increasing poverty. Unemployment in WB&G stands at nearly 22 percent up from only 10 percent before the beginning of the Intifadah in 2000. Unemployment is highest in Gaza at 29 percent of the active work force. Under the current closure regime and the restrictions on imports and exports for commercial activity, this is likely to become much higher as the layoffs in the industrial sector become permanent. The unemployment rate in the West Bank is approximately 19 percent. The percentage of Gazans who live in Deep Poverty has been steadily increasing,

rising from 21.6% in 1998 to nearly 35% in 2006. With the continued economic decline in 2007 and the implementation of even more strict closures on Gaza, the current Deep Poverty rate is certainly higher.

- 5. Poverty levels starkly illustrate the level of aid dependency in WB&G. The previously cited rates reflect actual consumption. If remittances and food aid are excluded and poverty is based only on household income, the poverty rate in Gaza rockets to almost 67%. The increase in poverty in the West Bank has been lower but is still significant.
- 6. The situation in Gaza has widened the gap in economic well-being with the West Bank. The current closure policy since the Hamas takeover of Gaza has eroded its economic backbone in a manner that is difficult to reverse. According to the Palestinian Federation of Industries, the restrictions have led to the suspension of 95% of Gaza's industrial operations (Table 1). They can access neither the inputs for production nor the crossings to export what they produce, transforming Gaza into a consumer economy driven by public sector salaries and humanitarian assistance only. The agriculture sector has also been badly hit. Nearly 40,000 workers depend on the agriculture sector in Gaza.

Table I: Industrial Decline in Gaza

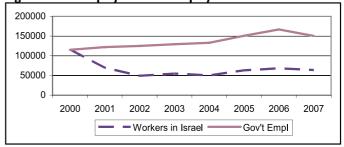
	June 2005 Pre-disengagement	Week 1, July 2007	End-2007 <sup>2</sup>
Working Establishments <sup>1</sup>	3,900	780	195
Working Employees <sup>1</sup>	35,000	4,200	1,750
Exports from Gaza (truckloads) <sup>2</sup>	748	0	34 (recent shipments of strawberries and carnations)

Source: PalTrade Presentation, July 2007 and recent World Bank interviews with PFI.

- Source: Original data from Industrial associations in Gaza reported to PalTrade
- Source: Recent World Bank interviews with the Palestinian Federation of Industries
- 7. With one of the highest population growth rates in the world- nearly 4 percent per annum- there is a persistent need to accommodate new workers in the labor force. To compensate for the shrinking private sector and the loss of employment opportunities in Israel, the PA has attempted to provide for the rapidly growing population by increasing social transfers and becoming the employer of last resort. The number of Palestinians working in Israel or its settlements fell from 116,000 in 2000 to less than 64,000 in the first half of

2007. To compensate for this, PA employment increased from 114,940 to 150,290, not including contractors and part-time workers (Figure 2). This, along with various increases in salaries, raised the wages by 80% between 1999 and 2007. Thus, government efforts to alleviate the effects of the economic crisis have led to an unsustainable fiscal situation.

Figure 2: PA Employment vs. Employment in Israel



Source: PCBS and World Bank staff calculations

- 8. The government budget, which was in surplus in 1999 when the economy was growing, is expected to have a fiscal gap for recurrent and capital expenditures of around \$1.8 billion in 2008. The PA has announced a Palestinian Reform and Development Plan (PRDP) to increase revenues, reduce expenditures, and introduce sector reforms to enhance efficiency. But even with these measures and assuming resumed economic growth, the fiscal gap for recurrent expenditures alone is projected to remain high, at around \$1.25 billion.
- 9. In addition to PA reforms, the defining factors for the WB&G economy remain settlement growth and movement and access restrictions related to Israeli security concerns and settlement activity, which have fragmented the economy into disconnected cantons. In the West Bank, the number of checkpoints increased from 376 in August 2005 to 580 in early 2008. There are currently 149 settlements in the West Bank, including East Jerusalem, and roughly 100 outposts that lack even Israeli government approval. The Settlement population has risen to approximately 450,000, 63% more than during the Oslo Accord period in 1993. Some 38% of the West Bank has been confiscated for current or future settlements, outposts, closed military areas, municipal boundaries, and settlement regional jurisdiction. Palestinians without special permits are restricted from important agricultural areas in the Jordan valley, and producers are cutoff from the East Jerusalem market. Recently, the GoI has established five crossing points along the Separation Barrier to transfer commercial goods between Israel and the West Bank.

The crossing points use a back-to-back cargo transfer system similar to that for crossing into Gaza. With over 95% of Palestinian trade being through or destined to Israel, these crossings in their current form are unlikely to accommodate the current volume of traffic between Israel and the West Bank without creating additional

delays and costs. Given this difficult environment, the chances of WB&G to achieve most of the Millennium Development Goals (MDGs) by 2015 have become a major challenge (Box 1).

#### Box I: WB&G's Status vis-à-vis the Millennium Development Goals

Eradicate extreme poverty and hunger. The percentage of Gazans who live in Deep Poverty has been steadily increasing, rising from 21.6% in 1998 to nearly 35% in 2006. About 80% of the population relies on some form of UN humanitarian assistance. With the continued economic decline in 2007 and the strict closures on Gaza, the current Deep Poverty rate is certainly higher. The previously cited rates reflect actual consumption. If remittances and UN food aid are excluded and poverty is based only on household income, the poverty rate in Gaza rockets to almost 67%. The increase in poverty in the West Bank has been lower but is still significant.

Achieve universal primary education. Access to education is equitable with respect to gender, location (rural and urban) and refugee status. Government schools account for 70% of enrolments, while UNRWA has 24% and private schools 6.1%. Although access to schools is primarily constrained by physical conditions and movement restrictions, insufficient investment in upgrading has led to crowding and a deterioration in the learning environment. As schools have lost their revenue base from fees, they have also faced difficulties in securing basic school supplies and materials. With more children facing psychological trauma, the limited services for students with special needs has also become more evident. The inequity in resource allocation between the West Bank and the Gaza Strip has also become acute.

Promote gender equality and empower women. The WB&G has achieved gender parity in primary, secondary and tertiary education, in contrast to much of MENA. Women's participation in the tertiary education sector, at 107.6, exceeds the MDG target, although these figures do not account for the large numbers of male students who seek education abroad. However, at 12.7%, women's labor force participation is among the lowest in the world. Similarly, women's decision making role in the public domain is limited. In 2005, women held 10% of the Director General positions and 5% of the Parliamentary seats. However, there appears to be improvement at the local government level (19% were elected to office in WB and 17% in Gaza).

Reduce child mortality. The infant mortality rate decreased from 34 deaths per 1,000 live births in 1990 to 21 in 2005 and the under-five mortality rate decreased from 40 deaths per 1,000 live births in 1990 to 23 in 2005. This general reduction in infant and child mortality over a 15 year period reflects, inter alia, the resiliency of the Palestinian health sector in the face of continuous financial pressures and service delivery difficulties. By contrast, the average infant mortality rate for the MENA region as a whole was 43 deaths per 1,000 live births.

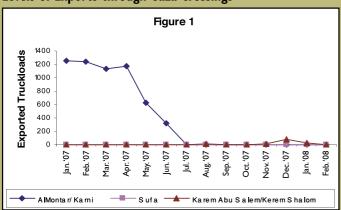
Reduce maternal mortality. There were an estimated 70 maternal deaths per 100,000 live births in 1995. This ratio, in contrast to the declining trend in infant and child mortality rates, increased to 100 by 2005. The maternal mortality ratio in Jordan, by comparison, in 2005, was 41 maternal deaths per 100,000 live births. Combat HIV/AIDS, malaria, and other diseases. There are no reliable data on the prevalence and incidence levels of HIV/AIDS in the WB&G. A recent report indicated that 23 cases were reported in Gaza from 1990–2002. Tuberculosis is still an important public health concern. In 2005, the estimated prevalence rate of tuberculosis was 36 cases per 100,000 individuals. In Egypt the prevalence level was 32 cases per 100,000 individuals in the same year.

Ensure environmental sustainability. The conflict has led to environmental degradation due to scarcity of water, rapid population growth, the refugee situation, desertification and land degradation, and land confiscation. Green lands, forests, and biodiversity have dropped from 4.3% in 1998 to below 1.5% in 2004. Access to water and sanitation has risen from 79.6% in 1996 to around 93%. Access to sewage networks increased from 33.7% in 1996 to 52% in 2004. However, water quality is well below international minimums and most sewage is untreated. Per capita domestic consumption is 78 lt/day in Gaza and 53 lt/day in the West Bank, compared to the WHO target of 150 lt/day.

### Gaza Commercial Border Crossings The Industrial and Commercial Impacts

Since June 2007, the Gaza Strip has been subjected to a near complete commercial closure, with the movement of goods being restricted for the most part to humanitarian goods and some commercially traded foodstuffs. While humanitarian aid is critical to the Gaza population, the entry of humanitarian goods is a crucial but insufficient condition for the survival of the Gaza economy. Gaza's main commercial crossing, Al-Montar/Karni, which just prior to the closure was averaging 486 trucks per day of imports and exports, has been closed and no commercial imports or exports have been allowed. Sufa and Kerem Shalom/Karem Abu Salem have become the alternative entry points for commercial foodstuffs and humanitarian aid. However, Sufa has only been used for imports of humanitarian goods, while the small quantities of exports which have been allowed have been limited through Karem Abu Salem. Between June 2007 and February 2008 only 132 truckloads of exports, mainly strawberries, potatoes, and cut flowers, had passed through Karem Abu Salem. On October 28, 2007, Government of Israel announced the closure of Sufa terminal (although it is still has limited operations for aggregates) and in February 2008, exports through Kerem Shalom ceased.

#### Levels of Exports through Gaza Crossings

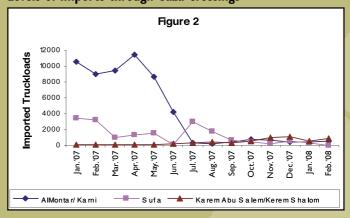


Source: Paltrade



Source: OCHA 2007

#### Levels of Imports through Gaza Crossings



Despite the well documented deficiencies of the Karni terminal, Sufa and Karem Abu Salem are even more lacking in infrastructure and capacity to accommodate different types of goods, particularly aggregates, bulky materials, liquids and gases, and fresh produce. For example, in January 2008, strawberry exports were totally halted due to inadequate infrastructure at Karem Abu Salem, which damaged quality due to exposure to dust, dirt, and heat. Karm Abu Salem/ Kerem Shalom Crossing

Coming at the heels of an already difficult period with frequently disrupted commercial activity due to intermittent and repeated border closures, this near complete closure of the Gaza Strip has delivered a severe blow to the productive sectors of the economy in Gaza, and have had an impact

on the West Bank as well. Gaza's main productive sectors are heavily export oriented, including agriculture, garments, and furniture, and the closure of the terminals against all export trade has forced these businesses to halt their operations en masse. Even those businesses operating in the domestic market have been crippled by the restrictions against imports of inputs for manufacturing operations and businesses. In combination, the inability to export product or import any inputs has led to an almost complete collapse of private sector production. This has transformed Gaza into a consumer economy driven primarily by public sector salaries and humanitarian assistance. During 2007, the furniture and garment sectors lost as potential export sales approximately \$17 million and \$24 million, respectively. The agriculture export sector, with more than 40,000 workers, has been particularly hard hit because it is entirely dependent on imports for fertilizers, pesticides, packaging materials and other inputs.

In response to the current policy of restricting entry of all but humanitarian commodities and consumables, enterprises have closed and large amounts of human and financial capital have fled. According to business associations in Gaza, the restrictions have led to the suspension of 96% of Gaza's industrial operations, the lay-off of over 30,000 industrial workers , and approximately 100 enterprises have moved from Gaza within the last two years to West Bank, Jordan, and Egypt among others.<sup>2</sup> This lost industrial and commercial base will have long-term impacts, and will be difficult to reverse even once the situation at the border crossings is resolved.

Table I: Industrial Decline in Gaza

	June 2005 Pre-disengagement	Week 1, July 2007	November 2007	December 2007	January 2008
Working Establishments	3,900	780	250	195	150
Working Employees	35,000	4,200	2000	1,750	1500

# Empowering Palestinian Children and Youth Through Digital Media



This is how Lina Abdallah and Gregorio Bettiza, two young staff of the World Bank one based in the Jerusalem office and the other in the Washington DC headquarters, enthusiastically describe how the Youth Empowerment Through Digital Media Training, which they supported, won this year's round of the Bank Youth Innovation Fund for the Middle East and North Africa region.

Youth in refugee camps of the West Bank and Gaza suffer from high unemployment, lack of opportunity, and physical and psychological challenges inflicted by the Israeli-Palestinian conflict and as a result of occupation and frequent Israeli military incursions. Some youth respond to these challenges by engaging in criminal or violent behavior, while others, suffering from despair or depression, become apathetic. There is an urgent need for programs to engage refugee youth and children

in creative projects in which they can channel their energies into constructive activities.

In the past two years, the Contrast Project, in collaboration with the Voices Beyond Walls organization, has been supporting summer workshops for refugee children (ages 8-16) in photography and video through the Computer Clubhouse in the Al-Amari refugee camp near Ramallah.<sup>3</sup> The goal is to use digital media as a tool for expression, empowerment, and advocacy for children and youth. This year's "Youth Empowerment Through Digital Media Training" project supported by the Bank's Youth Innovation Fund is built on the model of the Contrast Project. In terms of expression, young people are encouraged to use creative media as therapeutic means of telling their stories and coping with hardships experienced. Children are empowered by developing basic skill-sets in new media technology that can serve as a foundation for future work or study, while also exploring creative, proactive ways to deal with difficult situations. Children's photographs and films become tools for advocacy and have been shown in the West Bank and internationally, helping to amplify youth voices and their messages. The workshops have been held during the children's summer vacations, when schools are closed and they are most in need of positive activities.

"It was a nice training program that enabled us to stand in front of the cameras and express ourselves..." said Haneen Abduldeen, a 14 year old girl from the Al-Amari Refugee Camp. Haneen was one of the participants in the video storytelling workshop in the summer of 2007, along with Haya Salah, a 16 year old girl from Um Al-Sharayet, a Ramallah suburb, who recalls: "it was a wonderful experience for me as a young woman to be able to produce video films.... although I don't think that last summer's experience necessarily shaped my career goals, it did hugely contribute to developing my

personality... I wish that every young person could have such a wonderful opportunity".

In the past two summers, the workshops organized as part of the Contrast Project have been led primarily by international adult trainers. This year however, thanks to the The "Youth Empowerment Through Digital Media Training initiative, local youth (ages 16-22) will be trained during the school year in a new spring training workshop, as an after school activity. These older youth will then themselves become the main trainers in this summer's workshop for children. Replacing international trainers with local youth trainers will reduce costs and add an element of local ownership and sustainability while at the same time giving the opportunity to a wider spectrum of young people to express themselves and further develop their skill sets. Mohammad Ghassan Aldasht, a 20 year old from Um Al-Sharayet near Ramallah, commenting on the spring 2008 training program said, "Last summer we enjoyed the video storytelling workshop. Although time was so tight, but we produced a good short film...I look forward to participating in the spring training to develop more experience in the field of filmmaking". He added "As a Media and News student, film making is relevant to my studies look and I look forward to developing academic and career experiences in the field of media and film making".

> During the Spring 2008 program, 20-25 youth will be trained to develop professional experience in short film making and digital expression with the help and support from

committed Palestinian professionals in the field of digital storytelling. The sessions will consist of hands-on training, enabling the trainees to create their own digital photographs and short videos, so that they gain first-hand experience and expertise in all the skills they will have to transmit during the Summer 2008 workshop to children. The Spring 2008 program will end with a showcase of youth projects produced during the spring workshop. We will follow these young people as they express themselves through photography and video while they progress through the training and learn all the techniques of preproduction planning and storyboarding; production skills including photography, video, sound, writing, interviewing, and drama; and post-production editing.

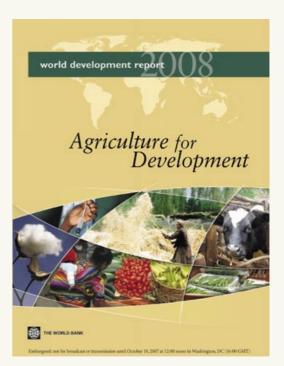
<sup>3</sup> The Computer Clubhouse, which is hosted by the Youth Development Association, is part of a world-wide network of the Intel Computer Clubhouse (ICCN) with more than 100 Computer Clubhouses around the world. It is an after school program managed by Boston Museum of Science and started through support of Intel Foundation and MIT Media Laboratory. For more information about the Contrast

## World Development Report 2008: Agriculture for Development

The world's demand for food is expected to double within the next 50 years, while the natural resources that sustain agriculture will become increasingly scarce, degraded, and vulnerable to the effects of climate change. In many poor countries, agriculture accounts for at least 40 percent of GDP and 80 percent of employment. At the same time, about 70 percent of the world's poor live in rural areas and most depend on agriculture for their livelihoods.

World Development Report 2008 seeks to assess where, when, and how agriculture can be an effective instrument for economic development, especially development that favors the poor. It examines several broad questions:

- How has agriculture changed in developing countries in the past 20 years? What are the important new challenges and opportunities for agriculture?
- Which new sources of agricultural growth can be captured cost effectively in particular in poor countries with large agricultural sectors as in Africa?
- How can agricultural growth be made more effective for poverty reduction?
- How can governments facilitate the transition of large populations out of agriculture, without simply transferring the burden of rural poverty to urban areas?
- How can the natural resource endowment for agriculture be protected? How can agriculture's negative environmental effects be contained? This year's report marks the 30th year the World Bank has been publishing the World Development Report.



## Middle East and North Africa Working Paper Series

The MENA Paper Series is designed to serve as an informal instrument to circulate ongoing research as well as to provide a forum for discussion and comment. The intended audience includes individuals as well as researcher institutions and economic policymaking organizations. The findings and conclusions are entirely *those of the authors and should not be attributed to the World Bank*. <a href="http://go.worldbank.org/54AZKPAIL0">http://go.worldbank.org/54AZKPAIL0</a>

#### Economics of 'Policy-Induced' Fragmentation: The Costs of Closures Regime to West Bank and Gaza (Paper No. 50)

Israeli security measures, which were increased in response to the Intifada in 2000, have imposed a major cost on the economy of the West Bank and Gaza, and are heavily undercutting its current and future developmental capacity. The closures regime – the multifaceted system of restrictions on the movement of goods and people both within the West Bank and Gaza and through Israel to the rest of the world – along with construction of the "Separation Barrier" have fragmented the West Bank's and Gaza's economic space, and have further reduced their productive potential. The aim of this paper is to estimate the economic costs of the closures regime on the Palestinian economy.

#### Job Creation in a High Growth Environment (Paper No. 49)

The MENA region is experiencing its strongest economic expansion in three decades. This paper addresses the labor market effects of the ongoing economic boom. While labor market outcomes were disappointing in the 1990s, the region has seen high rates of job creation and falling unemployment rates accompany output growth since 2000. Unlike in the past, the private sector has also generated most of the new jobs. Labor market conditions are not uniformly improving, however. The rapidly growing presence of educated women in the labor force is not sufficiently matched by employment opportunities. Moreover, labor productivity growth remains fairly low, which puts into question the quality and long term sustainability of jobs coming up in MENA.

Since labor force growth is expected to remain high, pressures will be high for both job creation (to absorb labor supply) and output growth (to ensure productivity growth). MENA countries will need to continue moving forward on structural reforms in order to achieve the high and sustainable economic growth needed to couple high quantity of jobs with higher quality.