



Palestinian National Authority

NATIONAL DEVELOPMENT PLAN 2011-13

Establishing the State, Building our Future



April 2011



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Foreword: Crossing the Finish Line

We stand today on the verge of national readiness for the birth of the State of Palestine, and to take on all the responsibilities that will come with the realization of our aspiration to live in freedom and dignity in a country of our own. The journey has been long and arduous, but the end is now in sight – we are now in the homestretch to freedom. With the support of our many friends in the international community, we have shown seriousness, commitment and determination to establish a modern, democratic and well-governed state. Now is the time to move forward and stand on our own feet. Now is the time for us to be the masters of our own destiny in a state of our own; a state which embraces supreme humanitarian values of tolerance, openness, social justice and equality; a state with a strong, knowledge-based economy propelled forward by a pioneering private sector; a state which is open to the world and lives in peace and harmony with all its neighbors; and a state which will make qualitative addition to the international community of nations.

At this historic juncture in our struggle for freedom, implementing the National Development Plan 2011-13 ('the NDP') will bring to fruition the effort to build a sovereign Palestine. The basic institutional building blocks of a modern state – with appropriate separation of powers, checks and balances – are now in place. The only remaining impediment to their full functioning is the continued occupation and denial of our right to independence. However, effective institutions alone are not enough; we must also answer our people's call for political unity. The current political fragmentation is a recent and temporary phenomenon; a phenomenon that has been fostered by the physical segregation of our people into 'islands' surrounded by walls, closed military zones and Israeli settlements. The roll-back of the forces and infrastructure of the occupation will enable us to rebuild the fractured political, social and economic ties that underpin the very fabric of our nation, and prove to the world that we are a united people who embrace the values of tolerance, multiculturalism and democracy.

The NDP, entitled *Establishing the state, Building our Future* looks forward beyond the day we celebrate our independence. We are not complacent about the hard work ahead, both before and after independence, to guarantee our children a life free from poverty and inequality. The reconstruction and development of the Gaza Strip and East Jerusalem are our greatest and most pressing challenges in our endeavor to ensure that all citizens enjoy the same opportunities, rights and freedoms. We remain committed to the Palestinian National Early Recovery and Reconstruction Plan for Gaza, endorsed by the international community at Sharm Al Sheikh in March 2009, and will continue to work for its implementation both before and after independence. In East Jerusalem we will continue our efforts to rebuild public institutions, infrastructure



and services despite the constraints of the occupation, and we envisage a rapid acceleration of rebuilding activities as East Jerusalem becomes the capital of Palestine. In doing so, we recognize the vital importance of working together with all segments of our society, with all our neighbors, and with the international community at large, to safeguard the city's status as a symbol of peace and tolerance, with full respect for all faiths and cultures.

We have great ambitions for the future of Palestine. Years of instability, occupation and conflict cannot, and will not, prevent us from fulfilling our great potential. We have many strategic assets and advantages that will form the basis of strong economic growth and development in the years ahead. First amongst these is our human capital; the success, in all walks of life, of the Palestinian Diaspora is proof positive of what we can achieve when free to exercise our basic rights and responsibilities. With its rich historical legacy, and a special place in the hearts and minds of millions of people worldwide, Palestine is well-positioned to build a strong economy and a vibrant society that will grow and prosper alongside those of other nations.

Openness to the world is indeed critical to the medium and long-term future of Palestine. It will be underpinned by the values of tolerance and mutual respect embodied in our own society and in the societies of our partner nations. New and rehabilitated airports, as well as regionally-connected transportation networks, will be our physical gateways to the world, contributing to a tangible sense amongst our people of their freedom and membership of the international community and opening avenues to international trade and tourism. Investment in public infrastructure will also make a major contribution to improving the quality of daily life within Palestine. The freedom to build throughout all our land will finally enable us to complete the construction of national utility networks, connected to regional networks, capable of delivering safe, sufficient and sustainable supplies of water and energy.

The national development vision of the NDP is therefore clear: independence, sovereignty and open borders are essential ingredients for the sustainable social and economic development of Palestine. As our economy grows we can fulfil our ambition to eliminate reliance on the generous levels of external aid that enabled us, despite the occupation, to conduct the day to day business of government and provide basic public services. We can and must seize this opportunity to work progressively towards guaranteeing the economic viability of our state and take full responsibility for protecting and serving our citizens. We must, however, be realistic about the fact that international development and humanitarian assistance will be needed for several more years to come. Year-upon-year of neglect has left our infrastructure and our economy in a weakened state, entrenching the poverty and dependency of many in our society, including refugees and detainees whose lives have been blighted by decades of occupation. We must therefore ask our international partners, including both governmental and non-governmental organizations, to continue their investment in the future of Palestine and its transformation into strong and prosperous state.

There is now real momentum towards establishing Palestine in 2011, made possible by the hard work and determination of Palestinian men and women in the homeland and in the Diaspora, with generous financial and moral support from partner governments and their citizens. It is critical that this momentum is not lost. The emergence of sovereign Palestine in 2011 on the June 1967 borders, the rejuvenation of East Jerusalem as our capital city, and a territorial link between the Gaza Strip and the West Bank will bring equality, justice, security and a better life for millions of people living between the Jordan River and the Mediterranean Sea.



It will also realize our own aspiration, shared with the international community, to establish a stable and democratic State of Palestine in which all citizens enjoy equal rights and responsibilities under the law, free from discrimination and intimidation. And, beyond that, it is no exaggeration to say that it will make the entire region, and indeed the entire world, a better and safer place to live.

We therefore embrace with great enthusiasm and optimism the challenge of building a country which not only protects and serves its citizens, but also joins in the effort to eradicate poverty, oppression and insecurity among all the peoples of the world. Only by rising to this challenge can we repay the debt to generations of Palestinians, and our friends around the world, who have made great sacrifices in our moral quest for liberty and justice. In this spirit, we invite the international community to stand beside us as we cross the finish line of our path to freedom, and support us in our work to build a better future for all our children.

Salam Fayyad
Prime Minister





Executive Summary

Introduction

The National Development Plan (NDP) summarizes the Palestinian government's policy agenda, macroeconomic and fiscal framework, and accountability framework for 2011 to 2013. The NDP is the product of the second comprehensive tri-annual national planning process, following on from the Palestinian Reform and Development Plan (PRDP) 2008-10. The process underlying the preparation of the NDP built and improved upon the PRDP, including more extensive consultation with a broader range of stakeholders and preparation of 23 sector strategies. In formulating development expenditure plans, based on expenditure priorities agreed with line ministries and agencies, some of larger sector strategies have been sub-divided in order to ensure that due attention is given to sub-sectors (termed *national sectors*).

National policy agenda

The establishment of a sovereign and independent State of Palestine on the June 1967 borders, with East Jerusalem as its capital, remains our highest national priority. This is a fundamental right of our people, and it is an internationally-supported quest for self-determination. In line with the 13th Government Program, entitled, *Palestine: Ending the Occupation, Establishing the State*, and building on the PRDP 2008-10, the NDP envisages the completion of the process of building state institutions by August 2011, the emergence of a sovereign state in which all our citizens can live in freedom and dignity, and the accelerated socio-economic development needed to secure a safe, stable and prosperous future for our citizens. Therefore, the core national development vision of the NDP is that independence, sovereignty and open borders are essential ingredients for the sustainable social and economic development of Palestine.

The emergence of the State of Palestine is not the end of our quest for a better life for our people. The vision of the NDP extends beyond the day we celebrate our independence to the years ahead where, through hard work, innovation and creativity, Palestine will fulfill its great potential. We want all citizens to benefit from forward progress in Palestinian governance, public service delivery and economic growth. The belief that social justice and equality, and that women and young people must play a greater role in building Palestine, are the keys to establishing a stable society and strong economy are guiding principles of the NDP.

The need to reunify, rebuild and reinvigorate our private sector, our education system and our national infrastructure are also recurring themes throughout our national policy agenda. Recognizing that we are a small country with limited natural resources, we will focus on enabling our pioneering private sector to grow and create more jobs. Modernization and development of our education system will play a critical role in building a healthy, outward-looking society and, over time, a knowledge-based economy. We will continue to invest in national infrastructure to enable the rapid implementation of social and economic development initiatives and interventions throughout Palestine.



Looking beyond our borders, openness to other cultures and ideas will play a critical role in the future progress of the State of Palestine. In this context, the NDP provides for more active participation in international organizations and forums, rejuvenation of our diplomatic bodies, and substantial investment in international transportation infrastructure, all of which will be key enablers in the forging of strong and lasting bonds with the international community.

Chapter 2 sets out in more detail the national policy agenda for the development of the State of Palestine, setting strategic goals and targets across every sector, to be implemented across the entire territory on the June 1967 borders. The main policy priorities in each major sector (Governance, Social, Economy and Infrastructure) are summarized below.

Governance

As part of our effort to sustain social cohesion, justice and equality, and to create a stable environment in which individuals and businesses have the confidence to invest in their future, we need to maintain efficient, effective and accountable public institutions. Citizens need to be sure that they will be treated fairly and equally under the law, applied by an independent and efficient judiciary and enforced by disciplined security services committed to the service of the nation.

Ongoing efforts to upgrade the infrastructure and administrative systems of our courts will continue alongside training programs for judges and court officials. These initiatives, coupled with improved mechanisms for delivering legal aid and advice to citizens, will ensure more equitable access to justice. We will also continue to work to ensure that our security services are properly trained and equipped to enforce the law within the State of Palestine and at its borders. Public safety and security are critical to our effort to build a sovereign state in which all its citizens can live and work in peace, free from fear and intimidation.

We will continue to promote more openness and accountability in government, strict compliance with the principle of separation of powers, and the peaceful transfer of governing authority through free and fair elections. The NDP commits to the continuous improvement and close monitoring of central and local government performance, to the ongoing reform of government financial management and accountability systems, and to the further strengthening of institutional checks and balances. Public outreach and greater openness to scrutiny by civil society and a free media sector are also fundamental to the success of efforts to ensure that our public institutions operate in a manner that is fair, transparent and respectful of the law and human rights.

Social

Our national policy agenda includes commitments to maintain a high level of access to education and health services, and provides essential social protection to alleviate poverty and protect vulnerable groups. We will work in partnership with the private sector and civil society to ensure that social services are comprehensive, affordable and sustainable. In doing so, we will create more opportunities for women and young people to contribute to, and benefit from, the development and growth of our society and economy.



Looking forward beyond the establishment of a politically independent and economically viable Palestine, we know that, as a small country with limited natural resources, human capital is our most precious asset. We must invest heavily in education in order to realize our vision of an innovative, knowledge-based economy, as well as a cohesive, tolerant and progressive society in which all citizens are valued and respected. There is no greater investment we can make in our future than in equipping our children and youth with the knowledge and skills to develop themselves and their country. Over the coming three years, we will implement a new high-school examination system which reflects advancements and best practices in the region and around the world. We will work to revitalize the teaching profession in Palestine and invest in higher and vocational education to better prepare young people for life and work in an increasingly interconnected and competitive world.

Economy

Situated alongside some of the world's strongest and fastest-growing economies, Palestine is well-positioned to build a robust economy driven forward by international trade. Liberated from restrictions on movement and access of goods and people, and free to develop and utilize all of Palestine's land and other natural resources, our economy will grow and thrive and our people will enjoy welfare and prosperity. We will build on our strengths and fulfill our potential through strategic investment to foster growth in key sectors, and provide real incentives to encourage private sector investment in the capital assets and infrastructure needed to build up our industrial base and productivity. In the near-term, our economic development strategy will target initiatives in sectors which have existing competitive advantages and high short-term growth potential – especially tourism and agriculture.

We are committed to building on previous economic reforms to ensure that the Government takes its proper place in the organization and development of our economy in partnership with the private sector. The NDP includes commitments to continue legal and institutional reform in the economy sector, strategic investments in national infrastructure, and negotiation of international trade agreements that will, taken together, promote the competitiveness of Palestinian products and services in the global and local marketplace. Our economic policy agenda focuses on developing domestic capacities and resources, and creating an environment that attracts investment. This will lay strong foundations for sustainable economic growth, and ultimately reduce reliance of the national economy on public expenditure and, consequently, eliminate dependency on external aid. To ensure this, government spending will be progressively reduced as a proportion of GDP, with greater focus on providing more effective and efficient management of available financial resources.

Infrastructure

We must continue to invest in the physical infrastructure of Palestine, through both public and private funding, in order to propel our development. Improving the quality of basic utilities and other services, including water and energy supply, sanitation, transportation and telecommunications, will have a transformational impact on the quality of life of our citizens and the growth prospects of our private sector.

Fully-integrated national infrastructure networks, including a territorial link between the Gaza Strip and the



West Bank, will help drive equitable sharing of resources and delivery of affordable services, increase the competitiveness of Palestinian businesses, and enable good stewardship of Palestine's environment and natural resources. We will provide incentives to promote private sector investment and commercialization in order to ensure the long-term economic viability and affordability of utility services. We are also committed to strengthening regulatory institutions to ensure fair competition and consumer protection in the provision of core services such as electricity and telecommunications.

Macroeconomic and fiscal framework

It is essential that Palestine's political independence be bolstered by economic viability. The Government's role is two-fold: it must place its own finances in order, reducing dependency on external aid, and it must create an institutional environment which is conducive to private sector investment and growth. Since the PRDP 2008-10 was launched, we have made significant progress in growing public revenues, containing public expenditure and progressively increasing the quality of both operating and development expenditure. Hard constraints on the public sector wage bill were enforced by limiting public sector recruitment and reduced subsidies for electricity consumption were implemented. We will continue to implement strategic reforms to restrain public sector spending over the long-term, including rationalization of the social safety net to ensure that essential social assistance is delivered to those most in need, establishment of commercially viable regional electricity distribution companies, and restructuring of public sector pension schemes.

The NDP 2011-13 macroeconomic framework is predicated on a baseline scenario which assumes the continuation of fiscally prudent policies and the accelerated removal of externally-driven constraints placed on Palestine's economy and sovereignty. This includes the removal of all obstacles to movement, access and external trade, unfettered economic development of "Area C", the lifting of the Gaza Strip blockade, and an adequate level of financial support from the international community. In such a scenario, the economy can be reintegrated, international trade can flourish, significant private sector investment can be unlocked, and long-delayed large-scale public investment projects can be launched. Under the baseline scenario, real GDP growth is expected to reach 9% in 2011, rising to 10% in 2012 and 12% in 2013. Unemployment is projected to decline from 25% in 2009 to 15% in 2013. Continued implementation of prudent fiscal policies and broader institutional reforms will drive a reduction of the recurrent deficit from 25.9% of GDP in 2009 to 4.1% in 2013. At the same time, development expenditures will rise from 6.5% of GDP in 2009 to 9.9% in 2013.

The fiscal framework projects 16% per annum annualized growth in government net revenues over the four years from 2010 to 2013, exceeding US\$ 2 billion by 2011 and exceeding US\$ 3 billion by 2013. Increases in tax and non-tax revenues will be driven in part by continued efforts to recover arrears due from large taxpayers, increase collection rates, and broaden the tax base. This projected growth is broadly in line with the existing trend which has seen a 39% increase between 2006 and 2009. Clearance revenues are also projected to increase through progressive lifting of movement and access restrictions and the blockade of the Gaza Strip, as well as through continued improvement in revenue administration. We have set fiscal targets which, once met, will place Palestine firmly on the path to fiscal viability, reducing requirements for external financing of the recurrent budget (see table below). We have also identified areas in which we believe that private investment and businesses can play an active role in the delivery of better services, including education, health and utilities. With effective and smart regulation, we believe that many services



currently provided by the public sector can be run on a more efficient and sustainable basis with a higher degree of private sector involvement. We will continue to engage with the private sector in order to promote the model of public-private partnership in Palestine as part of our effort to build an economy that is less reliant on public expenditure.

Total external financing requirement, 2011-2013

	2011	2012	2013
<i>(millions of U.S. dollars)</i>			
Recurrent expenditure	967	881	501
Development expenditure	500	873	1,095
Total external financing	1,467	1,754	1,596
<i>(as % of GDP)</i>			
Recurrent expenditure	11.4	9.2	4.5
Development expenditure	5.9	9.1	9.9
Total external financing	17.4	18.3	14.5

Tax and clearance revenues, driven upwards by private sector-led economic growth and improved revenue administration, will progressively reduce our reliance on external aid. Revenues will increasingly replace the external financing of the recurrent budget, reducing recurrent budget support, on a cash basis, from a peak of US\$ 1.76 billion in 2008 (29% of GDP) down to only US\$ 0.5 billion of 2013 (4.5 of GDP). Reducing the recurrent budget support requirement will create fiscal space for raising the level of development expenditure. The next three years will witness a transformation in the nature of external aid from 'life support' to real investment in the future of Palestine. By 2013, external financing for development expenditure will be raised to US\$ 1.1 billion – rising from 3% to 10% of GDP over the period from 2007 to 2013. In addition to the shift in the profile of external financing from recurrent to development expenditure, the total requirement will be reduced from its recent high point of almost US\$ 2 billion (32.4% of GDP) in 2008 to US\$ 1.6 billion (14.5% of GDP) by 2013.



National Development Expenditure Plan

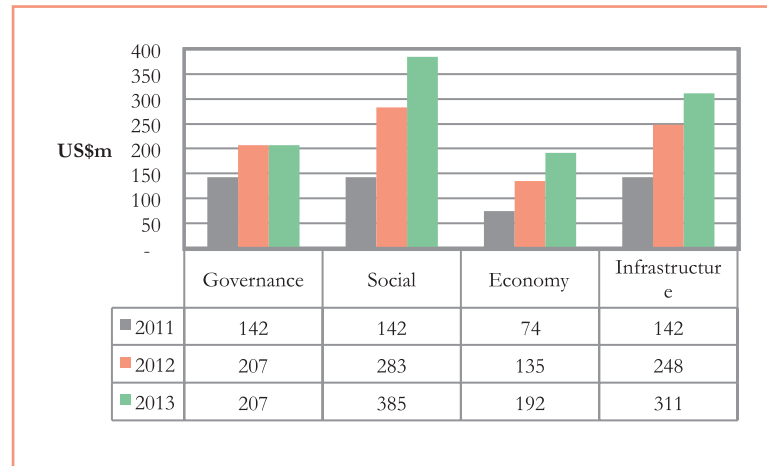
The NDP provides a framework to guide the judicious deployment of our public resources, investing in a better future for all citizens. It projects development expenditure totaling US\$ 2.5 billion, comprising US\$ 500 million in 2011, US\$ 873 million in 2012, and US\$ 1,095 million in 2013.¹ Specific allocations have been designated for each of the four major sectors and the underlying national sectors over the next three years. In planning development expenditure, we have been guided by our national policy agenda to deliver freedom, equality and opportunity for all citizens of the

State of Palestine. We plan to continue to make significant investments in general administrative reform over the coming years, particularly in local government, justice and security institutions. This investment will stay relatively constant in absolute terms, but decline as a percentage of total expenditure, with a much greater proportion of resources allocated to development of the social, economy and infrastructure sectors. Expenditure plans in these three sectors reflect our commitment to building an economy, underpinned by modern infrastructure, which is well-equipped to thrive and prosper in the context of increasing globalization.

The development expenditure plans for each sector also reflect our commitment to alleviate poverty, and rehabilitate and develop areas and communities that have been most severely affected by the occupation regime. However, the NDP envisages that humanitarian aid and assistance, delivered through UN agencies and other non-governmental organizations, will continue for some years to come. This is needed to help us manage the transition of thousands of poor and vulnerable families and individuals from dependency to self-reliance. We look forward to working with these agencies, and the broader international community, to gradually phase-out humanitarian aid and to scale-up development assistance once the State of Palestine is established.

In the course of implementing the NDP, our biggest single challenge in the near-term will be to rebuild the Gaza Strip and reverse the rising trends poverty and unemployment. The reconstruction of the Gaza Strip, within the framework of the *Palestinian National Early Recovery and Reconstruction Plan for Gaza*, must begin immediately. The recent, very slight easing of the ongoing blockade is doing nothing to lift families and businesses out of their current state of poverty and desperation. Restoring East Jerusalem as our capital city and cultural and economic hub will require major investments and a coordinated effort by public, private and civil society institutions.² Development of vast areas of the West Bank, isolated and damaged by the

Figure: Sector allocation of total development expenditure



¹ This excludes spending in relation to reconstruction of war-damaged Gaza. The *Palestinian National Early Recovery and Reconstruction Plan for Gaza* continues to reflect our planning and expenditure framework for Gaza reconstruction.

² The Jerusalem Unit of the Office of the President published the *Strategic Multi Sector Development Plan for East Jerusalem*, laying out a framework for public and private investment over the next three years.



occupation, will also require sustained effort and investment for many years to come. However, while these are major challenges, we welcome them as great opportunities. As one people, free to work and enjoy life together in Palestine, with access to all of our land and natural resources, we have enormous potential.

Accountability

During 2009 and 2010, in parallel with the preparation of the NDP 2011-13, and as part of its overall institutional reform agenda, the Government has been implementing a strategy to further strengthen public accountability. This strategy, aimed at extending recent achievements in improving government financial accountability more broadly into other areas of public interest, comprises four main elements: Transparency, Performance, Partnership and Oversight.

Transparency

National policy, planning and budgeting processes are being increasingly exposed to public scrutiny. Both the PRDP and the Program of the 13th Government were widely circulated and subject of vigorous public debate. Public policy priorities have been debated and scrutinized more than ever before and citizens are better informed as to the results they can expect the public sector to deliver. With the launch of the NDP, the Government has committed to guaranteeing public access to information outlining national policy priorities, development plans and budgets. We have also continued to raise the transparency of public finances through the publication of monthly financial statements on the Ministry of Finance's website and through the preparation of Government Accounts. The 2008 Government Accounts have now been audited and published; accounts for 2009 have been completed and will be published, once audited, during 2011.

Performance

The NDP 2011-13 sets specific and measurable targets to be achieved by the end of 2013. We have set these targets in order to bring greater focus on ensuring that our policies are delivering expected results. This reflects a deepening commitment to government accountability and a determination to identify and address areas of weakness in government performance. A Directorate of Monitoring and Evaluation within the Ministry of Planning and Administrative Development has been established to coordinate the implementation of a comprehensive monitoring and evaluation system. This Directorate will begin to issue publicly available reports on government performance in 2011.

Partnership

In formulating the NDP, the Government facilitated extensive consultations regarding public policy priorities with a wide range of stakeholders. By the end of the process, more than 240 consultation events were attended by over 2,000 participants, representing various stakeholders. This is by far the most extensive public policy consultation exercise ever conducted in Palestine. Over the coming three years, the Government



plans to expand its public consultation efforts to include evaluation of the public sector's performance in implementing the NDP.

Strengthening partnerships with local communities is also a critical element of the Government's efforts to be more accountable to citizens and more responsive to their needs. The success of the Government's program of Community-Based Projects has demonstrated the power of engaging at the local level to address high priority infrastructure development and service delivery needs. We are committed to bringing government closer to the people through phased decentralization and measures to consolidate democratic processes at the local government level. Local communities will be further encouraged to participate more actively in various areas of public policy, including the formulation of local government expenditure plans and urban and rural planning.

Oversight

We are determined to fortify efforts to improve the performance of the public sector, to improve regulation and consumer protection, and to fight corruption in the governmental, non-governmental and private sectors. Independent public oversight bodies will play a key role in holding both the Government and the private sector to account. We are committed to the strengthening of these institutions, giving them greater authority and powers to independently assess and report on matters related to government performance and other issues in the public interest, including corruption. We will also encourage more robust civil society oversight of government performance. These efforts will focus both on key areas where civil society organizations are already well-established, such as human rights and anti-corruption, as well as those areas which have received less attention, such as accountability and public service delivery.



1. Introduction

The National Development Plan (NDP) 2011-13 is the product of the second comprehensive tri-annual national planning process. It summarizes the Government's policy agenda, macroeconomic and fiscal plan, and accountability framework for the next three years.

The process through which the NDP was developed built and improved the PRDP 2008-10 process, including more extensive consultations with a broader range of stakeholders and the formulation of reform and development strategies across 23 sectors. These strategies were motivated by the Program of the 13th Government and its call to end the occupation and establish the State of Palestine.

The sector strategies (listed in Table 1.1 below) were developed by dedicated teams of civil servants, representing all ministries and agencies, working intensively with stakeholders both within and outside of government. More than 240 consultation events were attended by over 2,000 participants, including 1,300 representatives from NGOs and civil society organizations, 143 from Palestine's private sector, 45 from local government bodies, and 172 from international organizations. Following the completion of sector strategies, four broader consultations were held to identify cross-cutting issues and synergies in the governance, social, economic and infrastructure policy areas. As implementation proceeds, the Government will report publicly on its progress in implementing the NDP and invite external stakeholders to review results, identify gaps and recommend remedial measures.

Table 1.1: Sector strategies

Sector Strategies	
Governance	Social
Justice	Basic & Higher Education
Security	Health
International Relations	Social Protection & Empowerment
Local Governance & Administration	Gender Equality
Administrative Development	Youth & Sports
Public Financial Management	Culture & Heritage
Information	
Economy	Infrastructure
National Economy	Energy
Employment	Environment
Agriculture	Housing
Telecommunications & IT	Transportation
Tourism & Antiquities	Water & Wastewater Management



The remainder of this document sets out the Government's policies, plans and performance targets within the framework of the four major sectors first established in the PRDP: Governance, Social, Economic and Infrastructure. It describes the macroeconomic and fiscal framework within which the policy agenda will be implemented, summarizes planned development expenditures over the next three years, and lays out our commitments to increase progressively government accountability as we assume full sovereignty in Palestine.

Building on the foundations of the PRDP 2008-10

In 2007, Palestine faced a major socio-economic crisis. The economy had virtually collapsed, with per capita GDP declining by more than one-third in real terms from 1999 to 2007. The budget deficit was running at 24% of the GDP while accumulated debts to public employees and private sector suppliers exceeded \$ 1.3 billion. Public sector strikes, protesting the non-payment of salaries, disrupted education and health services. Shattered business confidence suffocated private sector investment and capital formation, and human and capital flight was witnessed throughout occupied Palestine. To reverse this downward spiral, the PRDP 2008-10 laid out a plan to restore good governance, the rule of law and socio-economic stability. Grounded in a realistic framework of public expenditure and investment, the PRDP promoted fiscal restraint and progressive reduction in dependency on external aid – a core element of the Government's independence agenda. The PRDP received widespread support and financial backing from our international development partners at the donor conference hosted by the French government in Paris in December 17th, 2007.

We have delivered on our PRDP commitments and our broader institution-building agenda to the extent possible under Occupation. We adhered to plans to reduce the recurrent budget deficit and increase public investment in socio-economic development. The resultant stabilization of the economy has been further bolstered through financial sector reforms, including tightened regulation of banks and measures to promote fair lending practices. Investments to rebuild and consolidate the institutional capacity of the justice and security sectors have significantly improved public perceptions of safety and the rule of law, contributing to rising business confidence and economic growth. More citizens and businesses are turning to the courts to resolve disputes and obtain legal remedies, whilst administrative reforms in the justice sector are being implemented to meet this rising demand and reduce court case backlogs. Momentum in public financial management reform has also been maintained: government budgeting and accounting systems are now fully-automated and annual government accounts are now being independently audited and published. Government ministries and agencies are making steady progress in developing forward-looking public policies and plans, with more extensive dialogue with NGOs, civil society and the private sector, and reflecting these policies and plans in their budgeting processes. Administrative reforms are also being implemented to streamline the public sector and deliver more value for money, including the consolidation of local government units, rationalization of the social safety net to ensure that assistance is properly targeted at those most in need, and comprehensive restructuring of the public sector pension system.

Delivery of basic services and public infrastructure – including schools, hospitals, roads, water, and electricity networks – has been expanded and upgraded through the more effective execution of small



and medium-scale development projects. During the last three years, we have: constructed, furnished and equipped 134 new schools, including 1,449 classrooms; expanded 312 schools by adding 1,438 classrooms; and maintained existing schools and classrooms. In addition to establishing healthcare units at 22 schools, two vocational schools were constructed and another two were expanded and rehabilitated. In the health sector, we have rehabilitated 50 healthcare centers and constructed 3 new hospitals. In the infrastructure sector, 2,250km of local roads, regional roads and entrances to several cities were rehabilitated or newly constructed. A total of 1,700km of water pipelines were installed and repaired, benefiting many residential areas. We have dug and rehabilitated 70 wells, and constructed 7 new water reservoirs, and installed 60km of sewerage networks in various municipalities. We have rehabilitated and expanded local electricity networks throughout 221 villages and residential areas, finalised connection of 137 villages to the public network, linked 75 industrial installations to the network, and provided 177,000 prepaid meters to municipalities in the West Bank and 50,000 meters in the Gaza Strip. As a result of these efforts, 99.9% of Palestinian households are now connected to the public electricity network. In the agriculture sector, the Government has supported rural development projects and launched the Green Palestine project – 18,000 dunums of land have been reclaimed and 1,250 million trees, including 750,000 fruit-bearing trees and 500,000 forest trees, have been cultivated. Furthermore, 500km of rural roads were constructed and 1,400 storage tanks for harvesting rainwater built. As part of our effort to bring government services closer to citizens, we have constructed and rehabilitated 82 government offices, 252 public service centers and numerous other facilities for the benefit of village councils and municipalities. In the housing sector, in addition to the new city of Rawabi, work has begun on 6 new housing projects. Projects are underway to build new facilities for wastewater treatment and solid waste recycling.

Despite these achievements, our efforts to deliver public services and development equitably throughout occupied Palestine have been frustrated. Comprehensive, equitable implementation of the PRDP was predicated on parallel steps to lift the siege on the Gaza Strip and end the occupation in accordance with international law. The ability of our citizens to live, travel and work freely in their own country, and to interact, work and trade freely with other nations, remain essential ingredients for the emergence of the State of Palestine. Accordingly, in August 2009, the 13th Government Program *Palestine: Ending the Occupation, Establishing the State* reaffirmed our determination to work constructively and proactively, despite the occupation, to further strengthen public institutions, upgrade infrastructure and improve services in preparation for statehood in 2011.

In harmony with the 13th Government Program, building on our achievements through the PRDP, the National Development Plan (NDP) 2011-13 envisages completion of the process of building state institutions by August 2011 and acceleration of the socio-economic development needed to secure a stable, prosperous future for the State of Palestine and all its citizens.





2. National Policy Agenda

Our highest national priority is to establish a sovereign, independent State of Palestine in which Palestinians can live in freedom and dignity in their homeland. This is not merely an aspiration; it is a fundamental right of the Palestinian people. The Program of the 13th Government Ending the Occupation, Establishing the State, and the PRDP 2008-10, committed our institutions to work systematically and proactively towards establishing a contiguous, stable and prosperous state on the June 1967 borders, with East Jerusalem as its capital.

The proactive spirit embodied in the Program of the 13th Government and the PRDP 2008-10 carries through into the National Development Plan (NDP) 2011-13. There must be no delay in our effort to ensure that sovereign Palestine is fully prepared to take advantage of the opportunities for growth and development that will come with independence. We believe that widespread adoption of this proactive approach by all parties committed to the two-state solution is needed to ensure that Palestine fulfils its potential as an anchor of peace and prosperity in the Middle East and beyond.

The NDP reaffirms the Government's commitment to realizing the supreme national goal of sovereignty and independence. It reflects a firm belief that the future stability and prosperity of Palestine must be underpinned by strong institutions that guarantee **equality** and **opportunity** for all. It also places great emphasis on the need for all our institutions to strive for **excellence**, in both public service and private business, in order to sustain a society and economy that can flourish as Palestine joins the international community of nations.

To underscore our commitment to equality, opportunity and excellence, the NDP incorporates clearly defined and measurable national performance targets. We have set these targets in order to focus our policies on delivering real and sustainable results. This reflects a deepening commitment to government accountability and, through effective monitoring and evaluation, to address identified areas of weakness in government performance.

Over the last three years, the Government has redoubled efforts to ensure good governance and improve public services across the homeland, despite the ongoing occupation and colonization of our land. We have developed and implemented policies that have strengthened our institutions, built new infrastructure, improved service delivery, and brought tangible improvements to the daily lives of citizens living in communities that have been most isolated and harmed by the occupation. Nevertheless, despite these efforts, substantive inequalities persist. The quality of life in the Gaza Strip lags far behind the West Bank. Even within the West Bank, there are significant disparities between urban and rural communities, while the daily life experience of a Palestinian living in East Jerusalem is very different from that of his or her compatriots in the remainder of the West Bank. These disparities are clearly drawn along the lines of geographic fragmentation in the authority of Palestinian governing institutions on and within the June 1967 borders. This fragmentation is a direct consequence of the policies of an occupation regime that denies freedom to travel and work freely throughout Palestine.



We want all citizens to benefit from forward progress in Palestinian governance, public service delivery and economic growth. The belief that social justice and equality are the keys to establishing a stable society and strong economy is a guiding principle of the NDP. We acknowledge the need to ensure that public policy creates more opportunities for women and young people to contribute to, and benefit from the development and growth of our society and economy. We know that women are currently underrepresented in the workforce, particularly in leadership positions in both the public and private sectors, and that youth unemployment is disproportionately high. Therefore, as we build towards geographic, social and economic reunification, we must ensure that women and young people are able to participate fully in the opportunities for self-advancement in a burgeoning economy and an optimistic, progressive society. To achieve this, public policy will be refined across government, including education, health, labor and administrative development, backed by specific targets that bind government to the social and economic empowerment of women and young people and a greater role in public policy and decision-making.

There is substantial scope to reduce the prevailing state of social and economic inequality even before sovereign Palestine is established. We believe that such forward movement is critical to building momentum towards the two-state solution. Progressively increasing the freedom of Palestinian public institutions and private businesses to operate throughout the West Bank, including East Jerusalem, and the Gaza Strip, ultimately as a contiguous geographic entity, will create the necessary conditions for equitable socio-economic development. At this stage in the implementation of the Program of the 13th Government, immediate and significant steps to increase freedom of movement inside and outside the June 1967 borders are essential to delivering our policy agenda. Our relative economic and social isolation from other countries has constrained our development, denying us the opportunity to exchange ideas, acquire and share knowledge, and participate fully at international levels in academia, business and technology.

As we look forward to the establishment of a politically and economically independent Palestine, we know that we must strive for excellence in the quality of public service and create the necessary conditions for innovation in the private sector. As a small country with limited natural resources, human capital is our most precious asset. We must invest heavily in education in order to realize our vision of an innovative, knowledge-based economy, as well as a liberal and forward-thinking society in which all citizens are valued and respected. There is no greater investment we can make in our future than in equipping our children and youth with the knowledge and skills to develop themselves and their country. Palestinians have traditionally enjoyed a reputation for being at the forefront of education and academia in the Arab world – we can and must safeguard and build on this legacy.

We must also continue to expand our investment in Palestine's fragmented, debilitated physical infrastructure, through both public and private funding, to enable the rapid development of Palestine. Improving the quality of basic utility services, including water and energy supply, sanitation, transportation and telecommunications, will transform the quality of life of our citizens and the growth prospects of our private sector. Fully-integrated national infrastructure networks, including linkages between the Gaza Strip and the West Bank, will enable the equitable sharing of natural resources, more efficient, affordable delivery of services, enhanced competitiveness of Palestinian businesses, and sound stewardship of Palestine's environment and natural resources. Improving the quantity and quality of the public water supply, while expanding the sewage network and solid waste management facilities, will significantly improve public health by reducing pollution and the prevalence of waterborne diseases, especially in the Gaza Strip.



It is essential that Palestine's political independence be bolstered by growing economic independence. The Government's role is two-fold: first, it must put its own finances in order and reduce its dependency on external aid; second, it must create an institutional environment which is conducive to private sector investment and growth. Since the PRDP 2008-10 was launched, we have made significant progress in increasing public revenues, containing public expenditure and progressively improving the quality of operating and development expenditures. For the next three years, we have set fiscal targets, as well as targets for domestic and foreign investment in the private sector, which will place Palestine firmly on the path to economic independence. We have also identified areas in which private investment and businesses can play an active role in the delivery of better services, including education, health and utilities. With effective and smart regulation by government, we believe that many services currently provided by the public sector can be run more efficiently and sustainably with a higher degree of private sector involvement. We will continue to engage with the private sector in order to promote the model of public-private partnership in Palestine as part of our effort to build an economy and society that are less reliant on public expenditure as a driver of economic growth.

In order to sustain social justice and equality, and to create a stable environment in which individuals and business can have the confidence to invest in their future, we need to maintain efficient, effective and accountable public institutions. Our people need to be sure that they will be treated fairly and equally under the law, as applied by an independent judiciary and enforced by disciplined security services committed to the service of the nation. Public outreach and greater openness to scrutiny by the public and civil society are critical to the success of efforts to ensure that our institutions enjoy the trust and confidence of the people. Accordingly, the national policy agenda incorporates commitment to improve and monitor the performance of our governing institutions and to respond to public concerns regarding corruption and human rights.

Overall, the national policy agenda provides a framework to guide the judicious deployment of our public resources, investing in a better future for all citizens. As we plan public investment over the next three years, guided by our commitment to equality, we are particularly mindful of the need to rehabilitate and develop areas and communities that have been most severely affected by the occupation regime. Our single biggest challenge in the near-term will be to rebuild the Gaza Strip and reverse the trends of increasing poverty and unemployment that threaten to undermine its social fabric. Restoring East Jerusalem as our capital city and cultural and economic hub will require major investments and a coordinated effort led by public, private and civil society institutions and non-governmental organizations. Development of the rural areas of the West Bank, to which we have been completely denied access by the occupation, will also require sustained effort and investment for many years to come.

However, while these are major challenges, we welcome them as great opportunities. As one people, free to live, work and prosper together in our united homeland, with access to all our natural resources, we have enormous potential. Decades of occupation and colonization have held us back for far too long, but given our long-denied independence within a unified homeland, we possess the strength, determination and capability to build a country in which we can all live in freedom and in dignity.

The following sections of this chapter provide more details of the national policy agenda in each of the four major sectors: governance, social, economy and infrastructure. Also included is a set of national indicators and targets which will form the basis of monitoring and evaluating government performance in implementing the national policy agenda in each sector over the next three years.



2.1 Governance

2.1.1 Context

Since 1994, the establishment, consolidation and strengthening of our governing institutions has been at the heart of successive Palestinian national development and reform plans. In common with governments around the world, we acknowledge the need to continuously strengthen and improve the performance of our governing institutions. No government or set of governing institutions is perfect and work always remains to ensure that citizens are better protected and better served. Nevertheless, our institutions have now reached a level of performance that meets many international norms and standards. International development organizations and financial institutions consistently provide independent confirmation of this fact. This track record of achievement is remarkable in the context of a nation under occupation for more than four decades. As we look forward to the establishment of sovereign Palestine, we are determined to build on our recent achievements in consolidating good governance and the rule of law and making their impact felt across the entire homeland. When new institutions are established as we assume full sovereignty, they will benefit from our sustained state-building and reform efforts which have already established the basic institutional infrastructure of a modern state.

We are confident in the capacity of our institutions to govern a sovereign and independent State of Palestine. Our governance policy agenda focuses on extending the reach of our governing institutions to protect and serve all citizens on the homeland, and strengthening those institutions to ensure a free and just society. We are committed to ensuring that government is efficient, effective, transparent, accountable and responsive, creating an environment in which all citizens and businesses are treated equally under the law and have the confidence and opportunity to play a full and active role in the future development of Palestine.

2.1.2 Strategic Objectives

The strategic objectives listed in Table 2.1.1, and the underlying policies described thereafter, have been developed based on sector strategies prepared through a collaborative effort between relevant ministries and agencies in consultation with non-governmental stakeholders. These strategies inform public policy and expenditure in the following national sectors³: justice & the rule of law, security, international relations, administrative development, local governance & administration, public financial management, public information, statistics and research, and land management. The cross-cutting strategies on gender equality and youth and sports also provide significant input into governance policy.

³ There are 32 national sectors used for budget classification purposes. The mapping of sector strategies to national sectors is shown in Chapter 4, Table 4.1.1.



Table 2.1.1: Strategic objectives 2011-13

Governance Sector Strategic Objectives

To provide national security and public safety throughout the country

To deliver justice and the rule of law for all citizens

To modernize and streamline public administration

To empower local government and bring public services closer to citizens

To attain financial independence and economic stability

To promote Palestine's sovereign presence in the international community

To provide national security and public safety throughout the country

Since its formation in 1994, the PNA has worked to build an effective and efficient security sector, in which security agencies perform their assigned roles transparently and are accountable to the Executive and Legislative branches. Reform and development of the security sector has played a critical role in laying the foundations of the independent State of Palestine, delivering security and safety, and hence driving improvements in socio-economic conditions and Palestinian citizens' perseverance in their homeland.

Palestinian security agencies have scored significant successes in imposing public order and rule of law. National opinion polls have demonstrated that public confidence in our security services is on the rise.⁴ The underlying improvements in public safety and security in our towns and villages have played a vital role fostering economic growth in the West Bank. This is a direct result of the implementation of policies laid out in the PRDP 2008-10 to upgrade the performance, professionalism and accountability of the security services. Over the last three years, the infrastructure and equipment available to the security services have improved significantly. At the same time, training programs have enabled existing staff as well as new recruits to develop and refine their skills.

During 2011-13, through implementation of our three-year security sector strategy, we will build on these improvements and ensure that all citizens across the homeland are able to enjoy the fundamental right to safety and security. We will continue public outreach efforts to build trust between our security agencies and the citizens they serve. Looking further ahead, we will be implementing policies that guarantee our security services' readiness to safeguard and protect the entire territory of sovereign Palestine. The priority policies over the next three years include:

- Complete the reorganization of the security services into three branches separately accountable for policing, national security, and intelligence to the civilian political leadership.
- Complete the establishment of comprehensive training programs, expertise and facilities to ensure that all core training for the security services is delivered domestically under the supervision of the Central Training Administration.

⁴ The Palestinian Center for Policy and Survey Research reported that, in the last quarter of 2009, 63% of Palestinians felt secure compared with 32% in March 2008. Two thirds of Palestinians rate the provision of security services as good.



- Strengthen the transparency and public accountability of the security services in order to build strong community relations with citizens and to ensure that the human rights of all citizens are respected without exception.
- Develop effective civilian government oversight and inspection systems in the Ministry of Interior and the security establishment.
- Enhance the extent and quality of coordination between branches of the security services and with justice sector institutions.
- Upgrade and modernize civil defense and disaster response capability.
- Upgrade and modernize the correctional and rehabilitation system.

To deliver justice and the rule of law for all citizens

The justice sector has witnessed a significant rise in public trust since the PRDP 2008-10 was published, with a growing number of citizens turning to the courts.⁵ Our justice sector institutions are continuing to implement organizational strengthening initiatives to reduce court case backlogs and to respond to increasing public demand for legal remedies. Over the last three years we have made substantial progress towards honoring commitments made in the PRDP to strengthen justice sector institutions and the justice system. We have upgraded court facilities and systems, increased the number of judges, and established a judicial police service to enforce court decisions and protect court employees.

The justice sector strategy for 2011-13 has been developed by a team of experts representing all our justice sector institutions. This has enhanced coordination of policy and strategy in the sector and will be a springboard for a concerted effort to develop further and improve institutional performance over the coming three years. These institutions will work together on a range of complementary initiatives to broaden citizens' access to the justice system and, through greater specialization, deliver higher quality services.

The priority policies over the next three years include:

Complete the ongoing program to modernize court infrastructure and management systems throughout the homeland and proceed with reforms in the criminal justice system

- Develop and implement a consolidated strategy to upgrade the technical skills of the judicial and legal professions, including the introduction of more formal and specialized training requirements.
- Implement targeted initiatives to ensure equitable access to justice for all citizens including provision of legal aid, establishing legal information centers, building closer working relations with human rights groups and institutionalizing citizen's complaints mechanisms.

⁵ According to the High Judicial Council, Magistrate and First Instance courts adjudicated during 2009 67% more cases than in 2008.



- Complete a comprehensive review of Palestine's body of laws and begin implementing a unification plan to ensure modernization and consistency of legislation across the homeland.

To modernize and streamline public administration

The Government envisions a public sector that enjoys a reputation for integrity, good performance and responsiveness, through the cost-effective delivery of high quality public services to citizens and efficient and effective management of national resources. Since the formation of the PNA in 1994, continuous improvement of the public sector's institutional performance, despite the unique challenges of governing under occupation, has been a priority for successive governments. The institutional strengthening agenda has been given further impetus through the PRDP 2008-10 and the 13th Government Program.

Over the last three years, ministries and agencies in all sectors have recorded significant achievements in improving their performance through a range of initiatives to upgrade their infrastructure, administrative processes, IT systems and human capital. The PRDP placed special emphasis on institutional strengthening in the justice, public finance and security sectors as part of a strategy to build citizens' trust in government through more effective delivery of the core functions of a modern state. Significant progress has also been made by ministries and agencies operating in the social, infrastructure and economy sectors. Our efforts to enhance the coordination of policy formulation and implementation at the sector level, through enhanced national planning and budgeting processes, have built a solid basis for a more streamlined and coherent public administration.

The central theme of our administrative development sector strategy for 2011-13 is to organize all administrative development activities within a guiding policy framework that sets out a common set of objectives. This will provide a unified approach as ministries and agencies upgrade their organizational performance and address cross-cutting issues. The primary cross-cutting issues relate to the management of public sector human resources, the coherence of the legislative framework which defines and regulates public administration, and the effectiveness of the processes through which government policy is developed and implemented. Priority policies under the administrative development sector strategy are:

- Modernize human resources management policies, practices and systems, within a codified legal and procedural framework that ensures high standards of professionalism and impartiality in the civil service, while devolving administrative decision-making to line ministries and agencies.
- Optimize the structure and functions of the public administration, governed by a coherent public sector legal framework, that meets citizens' demands for responsive, accountable, effective and efficient government.
- Contain the total cost of the public sector, progressively reducing public expenditure as a proportion of GDP and encouraging greater private sector involvement in the delivery of social services.
- Upgrade policy management processes and systems to ensure that government policy is formulated, prioritized and implemented based on objective assessments of citizens' true needs, balanced by realistic assessments of affordability.



- Implement targeted initiatives to upgrade service delivery systems and processes in areas where citizens are currently most affected by bureaucratic inefficiency.
- Implement the e-government program to enhance the efficiency of public administration and improve public service delivery to both citizens and businesses.
- Complete implementation of government-wide processes and systems to monitor and evaluate the results of policy implementation, including provision for independent review by the Financial and Administrative Control Bureau.
- Further strengthen the capability of the Palestinian Central Bureau of Statistics to produce timely, reliable and unbiased national statistics in line with the highest international standards.
- Complete the process of land registration and upgrade land management capacity to expedite the effective and appropriate use of the vast areas of land that will be reclaimed following withdrawal of the occupation regime.

To empower local government and bring public services closer to citizens

The PRDP 2008-10 highlighted the central role of local government units (LGUs)⁶ in bringing government closer to citizens and ensuring a reasonable standard of public service delivery in the context of geographic and social fragmentation. However, the PRDP also highlighted the risks of a disjointed approach to regional development that could result in poor targeting and the creation of fiscally unsustainable service delivery mechanisms. Accordingly, the PRDP included commitments to work progressively towards administrative and fiscal decentralization, backed by initiatives to strengthen the capacity of LGUs and to ensure their effective regulation and accountability under a binding legal and procedural framework. At the same time, the PRDP recognized the need for immediate measures to upgrade public infrastructure and services for communities most affected by the Separation Wall and lack of government reach into Area C.

Over the last three years, the Government has worked to address these challenges through tailored financing mechanisms that balance the need to improve the quality of life of our most vulnerable communities with the need to ensure that local development proceeds in tandem with the strengthening of local government institutions. The Government's program of Community-Based Projects (CBPs)⁷ has made a major contribution to the upgrading of infrastructure and services in previously neglected rural communities. Meanwhile, the Municipal Development Lending Fund (MDLF) has proved to be an effective mechanism for financing local development while institutionalizing participatory planning, objective decision-making processes, and robust accountability mechanisms.

The local government sector strategy focuses on further rationalization and consolidation of LGUs, as well as standardization and unification of operating procedures and accounting systems.⁸ This will strengthen the capacity of LGUs to take on greater responsibility and authority, enabling government to be more

⁶ Municipalities and village councils.

⁷ Between 2008 and 2010, the Government finalized 1,859 CBPs. Implementation of 452 CBPs is underway.



responsive to, and accountable for, local development and service delivery needs. Priority policies under the sector strategy are:

- Complete the ongoing rationalization and consolidation of LGUs. The central Government will finalize the merger of certain LGUs⁹ and provide support to build their administrative and financial management capacity.
- Accelerate the process of fiscal decentralization, placing LGUs on the path to self-sufficiency.
- Promote community participation in local government, including introduction of public oversight mechanisms and establishment of a model approach to partnership with the civil society, non-governmental organizations, and the private sector.

To attain financial independence and economic stability

Since 2007, the Government has implemented measures to promote economic growth, reduce the annual recurrent budget deficit, and increase public investment. These include: paying down expenditure arrears to public sector employees and the private sector; tight expenditure controls to contain the wage bill and reduce net lending; widening the tax base and improving tax collection; and implementing an innovative program of community-based development projects. Real GDP per capita growth has turned around from -1.4% in 2007 to an estimated 8.0% in 2010, the recurrent deficit has declined from 24.9% of GDP in 2006 to a projected 17.6% in 2010, and development expenditure has more than doubled from 2.5% of GDP in 2007 to 6.4% in 2010.

Looking forward, we believe that the continuation of prudent fiscal policy measures, coupled with the long-promised lifting of movement and access restrictions and the Gaza Strip blockade, will yield double-digit annual economic growth during the period from 2011 to 2013. We are convinced that assertive and rapid action to unlock the economic growth potential of the Gaza Strip and West Bank, including East Jerusalem, would quickly propel us to a state of financial self-sufficiency. We therefore remain committed to continuing our sound fiscal policies in tandem with public financial management reforms to ensure sound and transparent economic and fiscal management of the State of Palestine through the years of rapid growth that lie ahead. Over the next three years, our key policy commitments are:

- Maintain sound macroeconomic and fiscal policies aimed at growing the economy and reducing the budget deficit, including measures to further contain the wage bill and public pension liabilities, eliminate public subsidy of energy consumption, and complete reforms of the social safety net.
- Increase government revenues through broadening of the tax base, continued reform of tax

⁸ Standard LGU organizational structures have been finalized, along with a strategic framework for amalgamation and integration of LGUs. Administrative procedures are also being standardized and a unified accounting system has already been rolled-out to five municipalities.

⁹ The Government made a decision to merge LGUs in three governorates. It decided to establish Al Kafriyat Municipality in Tulkarem governorate by merging seven LGUs and project committees, and Al Yasiriya Municipality in Hebron governorate by merging five LGUs and project committees. In Jenin governorate, four LGUs and project committees will be merged in Al Muttahida Municipality and ten in Marj Ibn 'Amer Municipality.



administration, and strengthening of customs administration to ensure preparedness for the opening of our borders and the lifting of trade barriers.

- Continue to implement the ongoing program of public financial management reforms, including reform of the legal and regulatory framework, strengthening of budget integration and aid management systems, development of even more robust treasury operations, and progressive improvements in the quality and timeliness of published Government Accounts.
- Strengthen public oversight institutions, including independent audit and public procurement bodies.
- Establish a more robust institutional framework to develop and implement macroeconomic, monetary and fiscal policy in the State of Palestine, including the formation of the Central Bank of Palestine empowered to issue and manage Palestine's own national currency and government bonds.
- Deepen and widen banking and non-banking financial sector reforms, including development and enhanced regulation of the banking, securities, insurance, mortgage lending and leasing sectors.

To promote Palestine's sovereign presence in the international community

Over the coming three years, our efforts in the diplomatic arena will focus on: supporting the PLO in bolstering international support for the acknowledgement of a sovereign and independent State of Palestine, and strengthening the institutions that will lead the management of Palestine's international relations. Our core policy priorities are:

- Support the PLO in further raising awareness of the illegality and injustice of the occupation, as well as its destabilizing impact regionally and internationally.
- Mobilize support amongst international partners and friends, including the Palestinian Diaspora, to foster broad-based international support for the establishment of the State of Palestine and its secure political and economic future in the international community of nations.
- Expand and upgrade Palestine's diplomatic representation overseas, expand Palestine's participation and accession to international forums and UN agencies, and raise the number of countries with diplomatic representation in Palestine.
- Strengthen the diplomatic service in order to ensure its full readiness to engage effectively and constructively with foreign governments and international institutions, as well as to serve and protect the interests of citizens and business at home and overseas.



2.1.3 Governance Sector Targets

The Government has established a set of targets to facilitate the monitoring and evaluation of its governance policy agenda, and to track improvements in the quality of governance over the period from 2011 to 2013.

Table 2.1.2 provides a summary of the national targets for the governance sector. These represent a strong commitment to strengthening institutions and establishing a model of good governance in Palestine. However, it must be noted that our ability to meet these commitments is highly susceptible to lack of progress towards establishing a sovereign state of Palestine during 2011, as envisaged in the Program of the 13th Government.

A more comprehensive and detailed framework of sector indicators and targets has been established to assess implementation of each of the sector strategies in the governance sector. The mechanism established for tracking and assessing performance against these targets is described in detail in Chapter 5.

Table 2.1.2: Governance sector national targets

#	Sector Indicator	Baseline	2013 Target
Objective: To provide national security and public safety throughout the country			
1	Crime rate per 1,000 people	7.4	6.3
2	Percentage of citizens who report 'feeling secure and safe'	70%	85%
3	Average response time of Civil Defense to incidents	17 minutes	10 minutes
4	% of citizens who perceive government's human rights record as 'good'	49%	64%
5	% of citizens who are satisfied with the performance and services of the security establishment	42%	57%
Objective: To deliver justice and the rule of law for all citizens			
6	Number of backlog cases in courts for 10 or more years	2,542	0
7	% of cases heard in conciliation courts that are adjudicated	90%	100%
8	% of cases heard in courts of first instance that are adjudicated	94%	100%
9	% of citizens who perceive regular courts as independent	51%	60%



Objective: To modernize and streamline public administration				
10	Public sector wage bill (as % of GDP)		24.0%	17.4%
	Number of govt. services delivered electronically	From govt. to govt.	0	80
		From govt. to business	0	25
		From govt. to citizen	0	23
		From govt. to public servants	0	15
11	% citizens rating govt. performance in fighting corruption as 'good'		53%	68%
Objective: To empower local government and bring public services closer to citizens				
12	% of A & B Municipalities working in accordance with standard procedures		0%	100%
13	% of citizens rating the performance of local government as 'good'		63%	78%
14	Total debt of local government units		NIS 1.19bn	NIS 0.9bn
15	Total number of local government units		411	200
Objective: To attain financial independence and economic stability				
16	Net public revenues (as % of GDP)		26.1%	29.8%
17	Recurrent public expenditure (as % of GDP)		52.1%	32.5%
18	Development public expenditure (as % of GDP)		6.5%	10.7%
19	Recurrent budget deficit (as % of GDP)		26.0%	5%
Objective: To promote Palestine's sovereign presence in the international community				
20	No. of UN member states recognizing Palestine, with East Jerusalem as its capital		108	192
21	Number of countries where Palestine has diplomatic representation		74	192
22	Number of countries with diplomatic representation in Palestine		36	192



2.2 Social

2.2.1 Context

Since its formation in 1994, the PNA has consolidated and maintained extensive public health, education and social protection service delivery systems. The private sector and national and international non-governmental organizations, particularly UNRWA, have played a significant role in providing basic social services to our citizens.¹⁰ Health and education indicators are high by regional standards and a substantial proportion of the population has been cushioned from the poverty-inducing effects of security, political and economic instability. However, poverty and unemployment levels remain high, particularly in the Gaza Strip, in an environment where economic activity and productive employment are suppressed by blockade and restrictions on the free movement of goods and people throughout Palestine.

The Government is determined to continue to meet the commitment made in the PRDP 2008-10 to maintain a high level of access to basic education and health services, as well as providing essential social protection to alleviate poverty and protect vulnerable groups. Over the next three years, we will work towards the consolidation of a system of social services that can help ensure a healthy, well-educated, cohesive and prosperous society in the State of Palestine, providing equal opportunities for all citizens and ensuring their active participation in the national development process. In doing so, we will work with our private sector, civil society and non-governmental organizations to ensure that social services are comprehensive, affordable and sustainable, free from structural reliance on external aid. To achieve these aims, we will continue to increase progressively the proportion of the national budget allocated to social services, complete social safety net reforms that target and empower beneficiaries to become more self-reliant, and improve the quality of education and health services.

Improving the quality of services and building human capital are central themes of the social policy agenda for the next three years. Enhancing the quality of services represents a critical investment in human capital needed to build a knowledge-based economy that can drive the further development and prosperity of Palestine. This approach epitomizes a determination to rapidly move our society forward from a state of relatively high dependency on social assistance to one in which our citizens are empowered to prosper and live more fulfilling lives. Over time, our education and health sectors, strengthened by both public and private sector investment, can become important sources of revenue, as visitors from overseas seek out high quality, affordable tertiary healthcare and higher education.

Our social policy agenda includes targeted efforts to address disparities in service delivery outcomes based on gender, age, geographic location or other social groupings. In order to measure our success, the sufficiency and quality of social services will be assessed against specific targets, the achievement of which will be tracked for specific segments of the population. In addition, we will work towards promoting partnership with the private sector and non-governmental organizations to ensure a more effective delivery of higher quality social services.

¹⁰ In the Gaza Strip and the West Bank, UNRWA delivers health services to Palestinian refugees through 53 primary health care centers and one hospital, education services through 309 schools (covering approximately one quarter of school students) and 3 colleges, and cash and in-kind assistance to poor and vulnerable groups of refugees. Other NGOs operate 178 clinics and primary healthcare facilities and manage 30 hospitals with more than 1,500 beds.



We are also planning significant investments to safeguard and renew Palestine's cultural heritage as part of an overall strategy to preserve and rebuild the social cohesion and societal values that have traditionally been, and must continue to be, a great source of strength to our nation. In this important effort to build a strong, forward-looking society with positive values, we will pay particular attention to raising the quality of life of our youth, and helping them fulfill their potential in their homeland by creating more opportunities to work and take part in the public life, and by reforming the education system to meet labor market needs over years to come.

2.2.2 Strategic Objectives

The strategic objectives listed in Table 2.2.1, and the underlying policies described thereafter, have been developed based on sector strategies prepared through a collaborative effort between relevant ministries and agencies in consultation with non-governmental stakeholders. These strategies inform public policy and expenditure in the following national sectors: pre-school and general education, higher education, vocational and technical training, health, social protection and empowerment, and culture and heritage. Cross-cutting strategies in the areas of gender equality and youth and sports also provided significant input into policy.

Table 2.2.1: Strategic objectives 2011-13

Social Sector Strategic Objectives
To support and empower the poor and other vulnerable citizens and their families.
To prepare our children and youth for a fulfilling life and productive work in Palestine.
To restore Palestine as a center of excellence in higher education and academic research.
To promote and sustain a healthy society.
To safeguard and renew Palestine's heritage and culture.
To promote the full participation and empowerment of women in society.
To invest in our youth to enable them to reach their full potential in their homeland.

To support and empower the poor and other vulnerable citizens and their families

The PRDP 2008-10 acknowledged the need to integrate and reform the social safety net to ensure more effective targeting of assistance based on objective criteria. In 2009, the Council of Ministers approved the merger of the two main cash assistance programs into the Palestinian National Social Safety Net Program (PNSSP), administered by the Ministry of Social Affairs. Launched in June 2010, the PNSSP has been designed to address inadequacies in the efficiency and targeting of predecessor cash assistance programs and to ensure effective targeting, coverage and ease of scaling-up in the event of a crisis.¹¹

¹¹ The PNSSP was developed in cooperation with the World Bank and European Union.



During 2011, through implementation of the three-year social protection strategy, we will continue to improve, refine and implement the PNSSP to ensure effective and well-targeted assistance. We will increase our focus on providing more developmental assistance to empower the poor and other vulnerable members of our society. We will also focus on providing care and protection to the families of political prisoners, as well as on rehabilitating and reintegrating prisoners and released prisoners into society. This will give all of our citizens a fair opportunity to live in dignity and self-reliance and, over time, release national resources for public investment. We will also work on developing legislation that commits the Government to provide adequate protection and support for all vulnerable citizens and their families, as well as providing more effective programs to empower the vulnerable to lift themselves out of dependency and live more fulfilling lives.

Policy priorities for the next three years are:

- Implement the reformed social safety net to ensure effective targeting of assistance to those most in need.
- Develop and promote economic empowerment programmes targeting poor and vulnerable citizens and households to help them lift themselves out of dependency to self-reliance.
- Develop and strengthen tailored social assistance programs and community-level infrastructure to protect and empower the poor and other vulnerable groups (including women, children and the disabled).
- Establish a comprehensive legal framework to guarantee and regulate the provision of social assistance to future generations.
- Work with the private sector to establish a Social Responsibility Fund as an additional source of financing for the social safety net.

To prepare our children and youth for a fulfilling life and productive work in Palestine

The education sector has continued to deliver increased enrolment rates, providing new schools and more classrooms to accommodate a rising student population. The learning environment in our schools continues to benefit from better infrastructure and equipment. As part of implementing PRDP 2008-10, the Government constructed, furnished and equipped 134 new schools, including 1,449 classrooms; expanded 312 schools by adding 1,438 classrooms; and maintained existing schools. In addition to establishing healthcare units at 22 schools, two vocational schools were constructed and another two were expanded and rehabilitated. Over the last three years, these investments have consumed the vast majority of public investment expenditure in the sector. Establishment of the State of Palestine will provide an opportunity to adopt a more strategic approach to developing education infrastructure to meet rising demand and modernize the learning environment. Unfettered access to all our land on the June 1967 borders will allow for better medium and long-term planning of investment in the sector.



Looking forward, human capital will be the most precious asset of the State of Palestine. The Government, private sector and civil society have long recognized the need to build a knowledge-based economy to secure the future of our people on their homeland. High standards of education also make a major contribution to instilling the values we hold most dear, including tolerance, civic responsibility and mutual respect. Since the publication of the PRDP, we have taken significant steps to improve the quality of education. For example, strategies and programs are in place to enhance the skills and commitment of our teachers. However, over the coming three years, we will embark on more far-reaching reforms to transform and modernize our entire education system.

The priority policies in relation to pre-school, basic and vocational education over the next three years include:

- Develop and begin implementing a master plan for the construction and maintenance of public school infrastructure across the homeland that is consistent with the aim to ensure universal access to primary and secondary education at a sustainable cost.
- Implement a new high school examination system to replace the outmoded tawjihi system.
- Revitalize the teaching profession in Palestine through comprehensive reform of the public school teacher career system, regulated by specialized laws and by-laws, and continued efforts to implement the Teacher Training and Rehabilitation Strategy.¹²
- Launch a comprehensive program of public investment to transform the quality and image of technical and vocational training in Palestine, enabling our youth, as well as adults, to develop skills that will open up new employment opportunities.¹³

To restore Palestine as a center of excellence in higher education and academic research

Our society continues to value opportunities to advance higher education. Approximately 30% of our young adults are enrolled in higher education, more than half of whom are women. The Government honoured its commitment to invest in higher education¹⁴ and plans are in place to provide more student loans and grants in order to extend access to higher education. Between 2008 and 2010, the Government provided \$ 23 million as loans and grants to needy students. The focus over the coming three years will be on raising the standard of higher education and academic research in Palestine, which has slipped in recent years, and to encourage enrolment in subject areas which are currently undersubscribed.¹⁵ Available higher education courses and curricula will be expanded and modernized to adapt to labor market needs in order to address graduate unemployment and strengthen Palestine's economy. These are critical steps on the

¹² The Teacher Training and Rehabilitation Strategy aims to produce a sufficient and competent cadre of qualified teachers in order to promote learning opportunities throughout Palestinian schools. In addition to developing teacher preparation programmes as well as the higher education institutions, which deliver them, the Strategy sets forth a scheme to develop in-service rehabilitation programmes and manage the teacher rehabilitation system.

¹³ At the end of 2010, the Ministry of Education and Higher Education and Ministry of Labor launched the National Strategy on Vocational and Technical Education to promote and enhance the quality of vocational and technical education in Palestine in alignment with the labor market needs. Currently, work is underway to rejuvenate the Higher Vocational and Technical Education Council, which will include representatives of relevant government bodies, the private sector, and nongovernmental organizations.

¹⁴ The 2010 national budget allocated \$ 40 million for financial assistance to universities and other higher education institutions; an increase of 24% on the prior year.

¹⁵ Less than 25% of graduates major in science, engineering and medicine.



path to realizing the aspiration to build a knowledge-based economy that can help secure prosperity for future generations. Improving the quality of higher education will also serve as a catalyst to enhancing the quality of primary and secondary education as new graduates enter the teaching profession. Furthermore, a revitalized higher education sector in Palestine could also become an important source of revenue over the long-term. The location and cultural significance of Palestine, coupled with academic excellence, will attract students from around the world.

The priority policies in relation to higher education over the next three years include:

- Provide assistance in supporting higher education institutions, provide support sources from the private sector and from abroad, encourage the private sector to invest in the educational process, and urge higher education institutions to develop domestic finance sources by establishing service and commercial facilities on or off campuses, providing consultancies and developing funded studies and research papers.
- Urge universities to develop new higher education curricula, improve existing programs, and work towards developing courses of these programs to ensure compatible higher education outputs with the labor market needs. In this context, universities will coordinate and work in partnership with the private sector and universities and colleges overseas, and utilizing Palestinian expertise amongst the Diaspora.
- Promote coordination between higher education institutions to ensure complementary effort and avoid duplicate performance.
- Encourage establishment of a national fund to support scientific research and coordination with the private sector in order to enhance and fund scientific research in congruence with the business sector needs. Universities will also be encouraged to coordinate and network with relevant regional and international organizations.
- Implement the Student Lending Fund on a sustainable basis to ensure equitable access to higher education to talented needy students, and encourage the private sector to develop scholarship programs targeting needy students as part of its social responsibility.

To promote and sustain a healthy society

The main challenge for the health sector in recent years has been to maintain equitable access to services in spite of the challenges posed by restrictions on the free movement of health care professionals and citizens throughout the homeland. Public investment in the sector has therefore necessarily focused on gradually improving primary, secondary and tertiary health care facilities across the Gaza Strip and the West Bank. We have constructed three new hospitals and rehabilitated 50 clinics and healthcare centres. However, substantial investment has also been made in preventive health care programs, including immunization and raising public awareness of healthy lifestyle choices. More recently, efforts to upgrade the quality of tertiary health care will progressively reduce the need for citizens to seek costly specialist medical treatment overseas. All of these efforts, along with the huge contribution made by non-governmental organizations



and the private sector, have yielded a standard of healthcare that is relatively high by regional standards. The most significant challenge now facing the health sector is to consolidate a system which further improves on public health care outcomes for citizens in a sovereign State of Palestine which does not rely on external aid. Over the longer-term, the aim is to establish affordable, quality tertiary healthcare services that will attract fee-paying patients from overseas, rendering these services to an important source of income.

Over the next three years, our key policy commitments are:

- Develop and begin implementing a master plan for the construction and maintenance of health care infrastructure across the homeland to provide comprehensive primary, secondary and tertiary healthcare at a sustainable cost.
- Continue investment in preventive health care, including immunization and screening programs as well as public education campaigns.
- Execute a comprehensive plan to improve and manage human resources in the health sector and invest in the continuous professional development of medical practitioners, enabling them to develop new skills and specializations, particularly in tertiary health care.
- Promote sustainable financing of the health sector by strengthening financial management systems and development of the health insurance system.
- Promote increased private sector participation and investment in the healthcare sector.

To safeguard and renew Palestine's heritage and culture

Our Palestinian heritage and culture have played a critical role in maintaining our national identity, positive societal values, and social cohesion through the long decades of occupation and oppression we have suffered. The preservation of this heritage and culture, as well as a positive and socially-responsible value system, will assure the long-term future of the State of Palestine. It will continue to bind our society together and be a source of pride for future generations of Palestinians living in their homeland and overseas.

During 2009, the Government backed the celebration of Jerusalem as the Capital of Arab Culture, marked through numerous cultural events inside and outside of Palestine. A Culture Fund has been launched to support and develop cultural centers and support various events. As we look forward to the establishment of the State of Palestine, we will promote East Jerusalem as the center of Palestinian culture while continuing to invest in heritage sites, cultural infrastructure and activities in areas and communities in the homeland that have been neglected during the occupation.

Our core policy priorities are:

- Rehabilitate and restore East Jerusalem as the epicentre of Palestinian culture and the home of many of its most important heritage sites.



- Invest in cultural infrastructure and heritage sites across the homeland, enabling future generations to remain connected with, and proud of, their Palestinian identity as well as to offer visitors an opportunity to experience our rich history and ancient culture.
- Develop and enact legislation and institutions to protect and preserve our cultural heritage.
- Provide government grants to support Palestinian artists and cultural organizations.

To promote the full participation and empowerment of women in society

All citizens have a crucial role to play in securing a better future for Palestine. The participation and leadership of women is needed in all segments of our society. The proportion of women in leadership positions in both the public and private sectors is increasing, but this process must be accelerated. Female participation in the labor market is also rising, but not quickly enough. There is still much further to go before we can claim to be an equitable society with respect to gender. In Palestine, the law must protect women from all forms of discrimination and it must punish all forms of violence against women with the full force of the law. In this context, the Council of Ministers approved in January 2011 the National Strategic Plan for Combating Violence Against Women 2011-19.¹⁶

Over the next three years, our policy commitments in relation to the empowerment of women are:

- Complete a comprehensive review and amendment of all legislation to ensure that women's equal rights are codified in the law of Palestine.
- Ensure that all our public institutions abide by a policy of, and implement plans based on, zero tolerance for discrimination and violence perpetrated against women.
- Provide dedicated funding for ongoing, independent research to monitor society's progress towards achieving gender equality.

To invest in our youth to enable them to reach their full potential in their homeland

Almost 30% of the population is aged between 15 and 29. More than one third of them are unemployed and approximately one third are contemplating emigration. We cannot afford to lose this precious resource. The future of Palestine depends on these future leaders and members of our society. We are committed to playing a significant role in ensuring that young people feel valued and respected.

Youth empowerment is an area which has not benefited from significant public investment for many years. Between 2008 and 2010, however, we have managed to promote the youth sector infrastructure. We constructed 14 standard football stadiums, five Olympic swimming and pools, and eight multi-purpose sports halls. We have also constructed and developed 30 sports clubs. We are committed to building on

¹⁶ This Strategic Plan aims to promote the equal and fair treatment of women under the law. It aims to enhance institutional mechanisms to protect and support abused women in order to build a society that is grounded on equality and justice for all citizens without discrimination on the grounds of gender.



and consolidating these achievements as well as to expanding our scope of work in order to empower and invigorate the youth. This can only be achieved through providing our youth with better opportunities and facilities to develop their skills, fulfil their potential and participate in our political institutions.

Key policy commitments are as follows:

- Launch a major program of investment in sports, entertainment and youth centers across the West Bank and the Gaza Strip.
- Open up opportunities to participate in international youth organizations and exchange programs.
- Establish a 'Future Leaders of Palestine' program to promote youth participation in political processes and institutions.

2.2.3 Social Sector Targets

The Government has established a set of targets to facilitate the monitoring and evaluation of its social policy agenda, and to track improvements in the delivery of social services over the period from 2011 to 2013.

Table 2.2.2 provides a summary of the national targets in relation to the social sector. These represent a Government commitment to improving social service delivery outcomes for citizens. However, it must be noted that our ability to meet these commitments is highly susceptible to lack of progress towards establishing a sovereign state of Palestine during 2011, as envisaged in the Program of the 13th Government.

A more comprehensive and detailed framework of sector indicators and as targets has been established to assess implementation of the social sector strategies as well the cross-cutting gender and youth sector strategies. The mechanism established for tracking and assessing performance against these targets is described in detail in Chapter 5.



Table 2.2.2: Social sector national targets

#	Sector Indicator			Baseline	2013 Target
Objective: To support and empower the poor and other vulnerable citizens and their families					
1	Percentage of households living below the poverty line			22%	13%
2	Share of national consumption by the poorest 20% of the population			10%	12%
3	Poverty gap ratio			5%	3%
4	% of households that are food insecure			33%	27%
5	Number of households enabled to establish income generating enterprises			2,100	12,000
Objective: To prepare our children and youth for a fulfilling life and productive work in Palestine					
6	Basic education net enrolment rate		Boys	95.2%	97.9%
	Girls		97.6%	97.9%	
7	Secondary education net enrolment rate		Boys	66.4%	74.3%
	Girls		75.6%	76.6%	
8	Percentage of population who have completed higher education (higher than diploma)			14.9%	22.5%
9	Percentage of higher education students enrolled in vocational education			5%	9%
10	Rate of students' achievement in TIMMS	8 th grade maths	Boys	349	434
			Girls	385	434
		8 th grade science	Boys	386	452
			Girls	422	452
11	Higher education graduate unemployment rate			23%	20%
Objective: To restore Palestine as a center of excellence in higher education & academic research					
12	Number of universities ranked in the 'top 10' in the Middle East			1	2
13	Number of publications published in international journals by local universities and institutes per researcher per year			0.7	1.5
14	Student teacher ratio in universities			35:1	27:1



Objective: To promote and sustain a healthy society			
15	Average life expectancy	71.5	73.6
16	Infant mortality rate (per 1,000 live births)	25.3	17.0
17	Child mortality rate (per 1,000 children under the age of 5)	28.2	20.0
18	Percentage of underweight babies	7.5%	6%
19	Children's vaccination coverage rate + EPI	96%	99%
20	% of deaths caused by cancer, cardiovascular disease and diabetes	54%	48%
21	Expenditure on transfer to tertiary health care in Egypt, Jordan & Israel as a percentage of the total governmental expenditure on health	9%	7%
Objective: To safeguard and renew Palestine's heritage and culture			
22	Cultural event shield overseas by the Ministry of Culture during the year	7	10
23	Number of Palestinian creative persons participating in cultural, artistic and literary events overseas	20	30
Objective: To promote the full participation and empowerment of women in society			
24	Proportion of women in the labor market	15.7%	17.5%
25	Ratio of women's average pay to that of men	82%	90%
26	Proportion of women in local government councils	18%	24%
27	Percentage of senior civil service positions occupied by women	2%	4%
28	Percentage of women holding BA or higher degree	9%	12%
Objective: To invest in our youth to enable them to reach their full potential in their homeland			
29	Youth unemployment rate	32.5%	28.0%
30	Percentage of youth participating in organized public programs (summer camps, voluntary work, training, etc.)	0.05%	3.0%



2.3 Economy

2.3.1 Context

The Government is committed to building a free and competitive economy through close cooperation between a competent and visionary public sector and a pioneering private sector. Our economic policy agenda focuses on developing domestic capacities and resources, creating an environment that attracts investment, and laying the foundations of sustainable growth and development which will ultimately eliminate dependency on external aid. We will continue to provide essential economic stimulus to alleviate poverty, rebuild business confidence and attract private sector investment. We will also work to help the private sector build a vibrant, knowledge-based economy capable of producing goods and delivering services that are competitive in both the domestic and international marketplaces.

The three years from 2007 to 2009 witnessed accelerating, but still modest, economic growth. Increased economic activity and investment have been underpinned by significant improvements in the rule of law and the stabilization of the Government's financial situation.¹⁷ The second annual Palestine Investment Conference, held in June 2010, brought investors and Palestinian businesses together against a backdrop of increasing confidence. In recent months, efforts to encourage public-private partnerships have yielded major investments in the housing¹⁸ and ICT¹⁹ sectors that will provide competitive, affordable products and services for citizens.

However, the economic growth prospects for Palestine remain in the shadow of a military occupation which has placed our economy under siege for more than four decades. The development of our private sector has been stunted by the denial of freedom to engage in the open exchange of ideas, technologies and trade with the outside world. Free of the constraints imposed by the occupation, colonization and exploitation of our land and natural resources, Palestine will have enormous potential for private-sector led growth. Such growth is critical to our plans to eradicate poverty, tackle unemployment, and propel Palestine and its citizens rapidly forward from a state of aid dependency towards self-sufficiency.

In order to establish a sound analytical basis for economic policy, the recent signs of recovery must be viewed in the context of economic indicators at the time the PNA was established in 1994. Real GDP per capita has now recovered to 5.6% above its 1994 level in the wake of four consecutive years of growth,

Figure 2.3.1: Real GDP per capita, 1999-2009, cf. 1999



¹⁷ Economic stimulus provided by the repayment of arrears owed by the Government to the private sector and public employees also played a significant part in driving growth.

¹⁸ A number of housing initiatives, set to provide hundreds of affordable homes, are underway.

¹⁹ Following on from the entry of Wataniya Mobile into the telecommunications market in November 2009, the launch of affordable 3G mobile services was announced by GlobalCom (a Palestinian company) at the second Palestine Investment Conference.



but still remains 11.5% below its peak in 1999. Unemployment has also increased during this period accompanied by a structural shift in the economy towards heavier reliance on internally-consumed public and private sector services, as economic activity in the productive sectors and exports have declined.

Between 1995 and 2009, total unemployment rose from 18.2% to 24.8% (from 13.9% to 18.1% in the West Bank and from 29.4% to 39.3% in Gaza). Between 1999 and 2009, unemployment more than doubled from 11.8% to 24.8%, rising from 9.5% to 18.1% in the West Bank and from 16.9% to 39.3% in Gaza. However, by June 2010, unemployment fell to 22.9%, standing at 15.2% in the West Bank, significantly below its 2002 peak of 28.2%. In Gaza, however, unemployment as of June 2010 was 39.3%, only slightly below its 2008 peak of 40.6%.

As figure 2.3.3 illustrates, there has been a steady shift in the structure of the economy since 1994. The contribution to GDP of private and public sector services rose from 33% in 1994 to 37% in the first half of 2010. Meanwhile, the contribution of the main productive sectors (i.e., agriculture and manufacturing) fell from 35% to 19%. This is driven by movement and access restrictions which have discouraged capital investment, raised production costs and suppressed exports. Though private sector services and construction witnessed a surge in 2009, helped by increasing confidence, they have only just returned to their 1994 levels.

Between 1994 and 2010, exports have fallen from 14.6% to 13.1% of GDP after peaking at 17.7% in 1998 (see figure 2.3.4). It is noteworthy that, whilst real GDP per capita rose by 6.8% in 2009, exports declined from 14.4% of GDP to 12.7%. However, current projections indicate that exports have recovered somewhat in 2010. Meanwhile, imports have averaged more than 70% of GDP during this period and are estimated to reach 65.4% in 2010.

Our economic policy agenda is designed to counteract the underlying drivers of these negative trends in productive capacity and the balance of trade. The central challenge is to ensure that recent growth accelerates on a sustainable path. An independent, sovereign Palestine on the June 1967 borders with a

Figure 2.3.2: Unemployment (%), 1995-2010

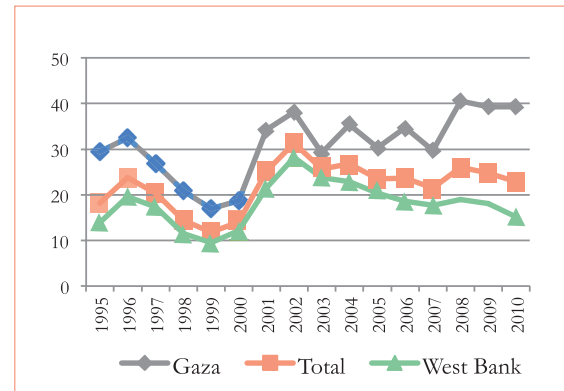


Figure 2.3.3: Change in share in GDP of sector output

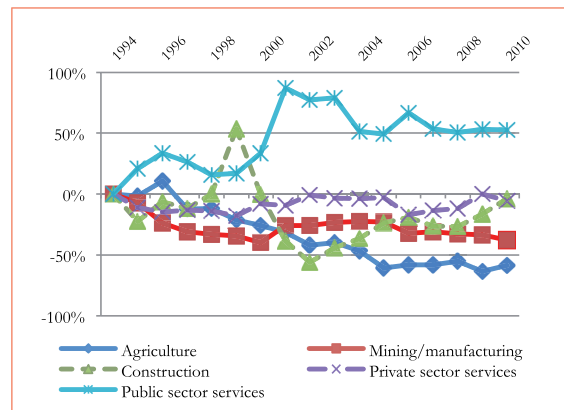
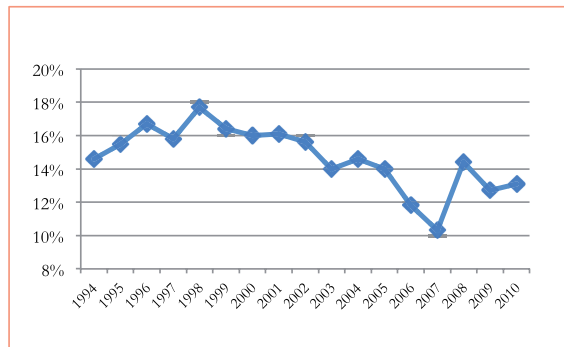


Figure 2.3.4: Exports 1994 to 2010 (% GDP)





territorial link between the West Bank and the Gaza Strip, and with East Jerusalem restored as its social, cultural and economic hub, has enormous potential for economic growth. If liberated from restrictions on the movement and access of goods and people, and free to develop and utilize all of Palestine's land and other natural resources, our economy will grow and thrive.

2.3.2 Strategic Objectives

The strategic objectives listed in Table 2.3.1, and the underlying policies described thereafter, have been developed based on sector strategies prepared through a collaborative effort between relevant ministries and agencies in consultation with non-governmental stakeholders. These strategies inform public policy and expenditure in the following national sectors: industrial modernization and business promotion, foreign trade and investment, consumer protection, employment and worker protection, agriculture and rural development, telecommunications and IT, and tourism and antiquities.

Table 2.3.1: Strategic objectives 2011-13

Economy Sector Strategic Objectives

To ensure a positive investment environment in Palestine.

To enhance the competitiveness of Palestinian products and services.

To promote economic integration and access to external markets.

To ensure a vibrant labor market and combat unemployment.

To strengthen consumer protection institutions.

To ensure a positive investment environment in Palestine

The PRDP 2008-10 committed the Government to empowering the private sector to become the main driver of sustainable economic growth in Palestine. Since 2007, the Government has worked on multiple levels to improve the business environment and attract new investment. In the ICT sector, for example, the Government supported the entry of Wataniya Mobile into the mobile telecommunications market, bringing new investment and jobs, as well as much-needed competition. The Government has also adopted a partnership approach with private sector investors in a series of major housing projects and, through the second annual Palestine Investment Conference, has helped connect Palestinian businesses with investors and companies from 26 countries. A new Agricultural Insurance Law, approved by the Council of Ministers in March 2010, provides for the creation of an agricultural insurance fund for farmers, which will increase confidence and encourage investment.²⁰

Over the coming three years, we will consolidate our efforts to work in partnership with the private sector.

²⁰ The Government approved a set of laws, which will promote investment environment and investor trust and confidence in the Palestinian economy. These include the Investment Promotion Law, Company Law, Law on Chambers of Commerce and Industry, Law on the Guarantee of Immovable Property, Industry Law, and Law on the Prohibition of Settlement Products.



The annual Palestine Investment Conference will continue to be a fixture in the business calendar and we will continue to support private investment in existing and new sectors. However, the main challenge to be addressed will be the need for reform of the legal and regulatory framework in order to reduce bureaucratic 'red tape' and provide investors and companies with the confidence and certainty needed to do business in Palestine.

Policy priorities for the next three years are:

- Complete a comprehensive review and update of economic laws and regulations.
- Host three more annual investment conferences in Palestine.
- Continue to make strategic public investments in national infrastructure that are supportive of private sector investment (e.g., connecting industrial zones and housing projects to road and utility networks).
- Conduct targeted dialogue with private investors and investment funds to identify and deliver incentives to invest in strategic sectors of the economy (e.g., sectors with high export potential, 'knowledge-based' service sectors, including healthcare and education).

To enhance the competitiveness of Palestinian products and services

The last three years witnessed accelerating, but still modest, economic growth in Palestine. However, this growth has largely been driven by expansion in the public and private services sectors, which are less susceptible to restrictions on the movement and access of goods and people both within Palestine and between Palestine and the outside world. Nevertheless, the Government has made some significant progress in its efforts to reverse the declining trend in the productive capacity of key sectors such as agriculture, manufacturing and ICT. In the agriculture sector, 18,000 dunums of land have been reclaimed and 1,250 million trees, including 750,000 fruit-bearing trees and 500,000 forest trees, cultivated. Furthermore, 500km of rural roads were constructed and 1,400 wells for rainwater collection built. A new industrial park has been completed in Bethlehem and work is underway to build industrial parks in Jenin and Jericho.

Additionally, the Palestine Investment Fund is developing an ICT industrial estate in the Al Rihan housing project near Ramallah. The Government is also taking steps to strengthen legitimate Palestinian businesses to compete in the domestic market by addressing instances of unfair competitive practices, including products from Israeli settlements (which are illegal under international law). This will increase revenues and profits of Palestinian manufacturing businesses and raise their confidence to reinvest profits to increase capacity and productivity.

Looking forward, the main sources of private-sector led economic growth in the short run will be those sectors in which Palestine has previously enjoyed competitive advantage. The agriculture sector benefits from relatively low input costs and proximity to European consumers for off-season produce. The tourism sector remains well-placed to benefit from Palestine's unique historical and cultural significance to both religious and secular visitors from around the world. However, these sectors have undergone a long



period of isolation from international markets and businesses and have not been able to keep pace with changing tastes, standards and technologies. Accordingly, Government support and public investment will be required to raise capacity and standards, and thereby enhance the competitiveness of products and services in both domestic and international marketplaces. This strengthening of competitiveness, along with Government action to open up access to new markets, will in turn raise business confidence and encourage further investment in these core sectors.

Palestine's economic growth and prosperity over the long-term will depend on expansion of sectors that provide higher value-added goods and services. In recent years, somewhat sheltered from the full effect of movement and access restrictions, the ICT services sector has demonstrated its potential as a growth area. Palestinians have also enjoyed a reputation across the region as skilled educators and health care professionals, and Palestine's higher education institutions continue to be rated highly in the Arab world. As with agriculture and tourism, these sectors have been held-back through many years of underinvestment and isolation from regional and global markets. However, there are foundations on which, with significant public investment and other support, capacity to deliver competitive, high-value added services for domestic and international consumption can be built.

The priority policies over the next three years include:

- Continue to implement public awareness campaigns and introduce regulations that will bring an end to products and services supplied by illegal settlements.
- Complete construction of industrial parks in Jericho and Jenin, and establish three additional industrial parks with particular emphasis on hi-tech and alternative energy.
- Complete ongoing agricultural land reclamation and rehabilitation programs, and upgrade agricultural extension services to help farmers increase crop and livestock productivity and quality.
- Continue ongoing rehabilitation of archaeological and cultural heritage sites, establish tourism information centers at key locations, and sponsor national and international marketing campaigns to raise awareness of Palestine's rich heritage.
- Establish two independent commissions to develop national strategies for raising the quality of higher education and healthcare services to a level which will attract consumers from overseas.
- Complete the establishment of regulatory and technical standards institutions in all major economic sectors to ensure free and fair competition in the provision of products and services that meet internationally-accepted standards.

To promote economic integration and access to external markets

Restrictions on movement and access, along with the siege of the Gaza Strip, have fragmented the economy and isolated it from international markets. This factor, more than any other, has driven the de-development of our economy and engendered its reliance on external aid. The Government is making



measured progress towards ensuring that Palestine has strengthened economic institutions capable of managing rapid economic growth that will ensue once the occupation ends. We are also developing plans for the early construction of national infrastructure networks, including a land transportation link between the Gaza Strip and the West Bank, which will liberate internal trade and reduce production and freight costs for Palestinian businesses.

The increased competitiveness of domestic products and freedom to trade them throughout Palestine will lead to significant import replacement and improve our balance of trade even without significant near-term increases in exports. While there is high potential for our exports to grow in the near-term from what has become a very low base, especially in the agriculture and tourism sectors, we will need to pursue economic policies to promote investment and increase productivity and quality across all sectors.²¹ In order to promote exports from Palestine, we have already begun work, under the auspices of the 13th Government Program, to rejuvenate international economic relations through membership of international trade and economic cooperation organizations and the activation of trade agreements.

Over the next three years, our key policy priorities are:

- Reinforce the overall objective of securing international political support for the establishment of the State of Palestine, by maintaining efforts to raise international awareness of the economic impact of the occupation and, in particular, the resulting entrenchment of de-development, aid dependency and insecurity.
- Invest in national infrastructure networks, including trade infrastructure at our borders, to ensure the free flow of goods and services internally and between Palestine and international trading partners.
- Adopt and implement national strategies (developed jointly with private sector representative bodies) for the promotion of internal trade and overseas exports and appoint commercial attachés to represent Palestine in key export markets .
- Reactivate existing international trade agreements and invigorate Palestine's membership in the Arab Free Trade Area.
- Work towards accession to key international organizations such as the World Trade and World Customs organizations.

To ensure a vibrant labor market and combat unemployment

In recent years the Government's labor policy has focused on employment generation programs to address rising unemployment and poverty. As we prepare for the establishment of the State of Palestine, we are pursuing a different approach. Our policies will now focus on building a capable workforce with the requisite skills and qualifications to drive the growth of a modern society and economy that is equipped to participate in, and benefit from, global advancements in technology and rising living standards. This will complement

²¹ These policies are described elsewhere in this section.



our efforts to promote the private sector investment and sustainable growth needed to create jobs. Our labor policy will be coordinated and implemented in close cooperation with the Palestinian business community.

The Government has established a committee to examine the proposal on the incorporation of the Palestinian Employment Agency, which will be set to oversee a series of regional employment centers. These will provide information about job and vocational training opportunities, as well as career guidance to job-seekers. The Government is also working to attract Palestinian workers currently employed in settlements into employment in home-grown businesses. Another key aspect of our labor policy is to foster close coordination between the education sector and the private sector. Our academic institutions, as they continue to modernize curricula, will need to pay increasing attention to changes in the structure of the domestic economy as it adapts to new economic growth strategies.

The priority policies over the next three years include:

- Develop partnerships with the private sector and non-profit organizations to provide low-cost loans to promote investment and incorporate productive enterprises.
- Improve existing professional training programs and centers and develop new professional training programs in coordination with the private sector to ensure compatible professional training outputs with the labor market needs as well as to develop and refine trainers' skills.
- Launch the Employment and Social Protection Fund in partnership with the private sector and civil society organizations.
- Organize the labor market, protect workers, ensure that employers adhere to vocational health and safety standards, and promote oversight.
- Establish regional employment centers throughout governorates and build a database on the labor market to be utilized by both workers and employers.

To strengthen consumer protection institutions

The PRDP 2008-10 included a number of commitments aimed at enhancing consumer protection. Subsequent to the publication of the PRDP, the Government has established a Council for Consumer Protection to oversee further development and implementation of consumer protection policy and legislation. The Government has also supported increased competition in the mobile telecommunications market, which will increase the quality and affordability of services.

The primary purpose of the Government's consumer protection policy is to ensure public safety and the provision of high quality goods and services at a reasonable price. However, effective consumer protection policy also plays an important role in strengthening the national economy. Systematic enforcement of high quality standards, along with penalties for producers and service providers who breach regulations, will raise consumer confidence in domestic products and services. It will also raise the standard of Palestinian products and services and make them more competitive in international markets. Accordingly, the



enforcement of smart consumer protection policies and legislation is in the interests of both buyers and sellers and, through import replacement and increased exports, will improve Palestine's balance of trade.

During the period from 2011-13, our policy priorities are:

- Invest significantly in strengthening the capacity of the Palestinian Standards Institute to set and monitor quality standards in line with international norms.
- Strengthen the legal and regulatory framework governing consumer protection, including the Law on Standards and Specifications and the Law on Consumer Protection and Monopoly Control, and ensure properly empowered institutional arrangements for its enforcement.
- Develop locally and internationally applicable oversight systems to regulate Palestinian markets and enhance the quality of products within those markets.

2.3.3 Economy Sector Targets

The Government has established a set of targets to facilitate the monitoring and evaluation of its economic policy agenda over the period from 2011 to 2013.

Table 2.3.2 provides a summary of the main, national indicator targets in relation to the economy sector. These represent a Government commitment to strengthening and growing the economy of Palestine. However, it must be noted that our ability to meet these commitments is highly susceptible to lack of progress towards establishing a sovereign state of Palestine during 2011, as envisaged in the Program of the 13th Government.

A more comprehensive and detailed framework of sector indicators and targets has been established to assess implementation of the economy sector strategies. The mechanism established for tracking and assessing performance against these targets is described in detail in Chapter 5.

Table 2.3.2: Economy sector national targets²²

#	Sector Indicator	Baseline	2013 Target
General economic indicators			
1	Annual real GDP growth	6.8%	12.0%
2	Annual real GDP per capita growth	3.8%	8.9%
3	Nominal GDP per capita	US\$1,554	US\$2,317
4	Public sector services contribution to GDP	16%	X%

22 Note: Certain baselines and targets (denoted with an 'X') are subject to ongoing surveys and analysis which will be finalized in Q2 2011.



Objective: To ensure a positive investment environment in Palestine			
5	Gross capital formation (as % of GDP)	30.7%	36%
6	Gross capital formation, excluding public investment (as % of GDP)	23.6%	25%
7	Savings-investment balance (as % of GDP)	8.7%	15%
8	Private business registrations	1,712	2,900
Objective: To enhance the competitiveness of Palestinian products and services			
9	Agriculture and fisheries sector contribution to GDP	4.8%	X%
10	Total area of agricultural land	1.53 million dunums	1.61 million dunums
11	Amount of agricultural exports	US\$50m	US\$85m
12	Amount of agricultural imports	US\$103m	US\$85m
13	Mining and manufacturing sector contribution to GDP	14.7%	X%
14	Tourism sector contribution to GDP	0.6%	X%
15	Contribution of ICT sector to total services sector production	17%	22%
Objective: To promote economic integration and access to external markets			
16	Exports of goods and services (as % of GDP)	13.5%	21.4%
17	Balance of trade deficit	US\$3.01bn	US\$2.26bn
Objective: To ensure a vibrant labor market and combat unemployment			
18	Unemployment rate – Total	24.5%	15%
19	Unemployment rate – West Bank	17.8%	11.0%
20	Unemployment rate – Gaza	38.6%	23.1%
21	Employment rate among vocational and technical training graduates	35.0%	70.0%
22	Proportion of labor force in public sector employment	23.3%	20%
Objective: To strengthen consumer protection institutions			
23	Number of agreements on mutual recognition of quality assurance process	N/A	5
24	Number of new specifications for consumer protection implemented	1,500	5,000



2.4 Infrastructure

2.4.1 Context

Development of Palestine's infrastructure will play a critical role in enabling the implementation of the Government's entire policy agenda. Comprehensive and sustainable national water, electricity, telecommunications and road networks are essential to ensuring that all our citizens enjoy access to sufficient quantities of safe drinking water, adequate and uninterrupted energy supply, affordable telecommunications services, and efficient and safe transportation throughout Palestine. Connectivity of transportation and utilities networks between the Gaza Strip and the West Bank will ensure the free flow of goods and people, enabling the equitable and cost-effective distribution of resources and services throughout Palestine. Such networks will also support the development and growth of the private sector by reducing input and transportation costs, creating a unified, free domestic market for Palestinian products and services, and exploring opportunities for privatization. Improved infrastructure, including government buildings, will also enhance the capability of the public sector to provide expanded access to higher quality, cost-effective services to all citizens throughout Palestine. All of our infrastructure will be developed with due regard to the need to protect and preserve Palestine's natural resources, environment and energy supply for the benefit of future generations. For example, nation-wide facilities for treating and recycling wastewater and solid waste are essential not only for public health reasons, but also for the sustainable utilization and conservation of natural resources and protection of the environment.

Given the extremely difficult operating environment, in which we are denied the freedom to access our natural resources and develop infrastructure on the majority of our homeland, public infrastructure in the West Bank currently provides citizens with a remarkably high level of connectivity to water, electricity and road networks. Nevertheless, substantial improvement is required in the quality and affordability of these services to ensure that Palestine is able to meet international standards (e.g., WHO standards, Millennium Development Goals, etc.). In the Gaza Strip, years of neglect and destruction have severely compromised infrastructure networks and significant investment will be required for their rehabilitation and development. The need for substantial public investment in infrastructure was highlighted in the PRDP 2008-10, and in the Gaza Recovery and Reconstruction Plan published in the wake of the military assault launched in December 2008.

The PRDP 2008-10 included a series of programs to upgrade existing public infrastructure in previously neglected communities, and over the longer-term, replace our fragmented infrastructure with a series of national networks connected to regional and international networks. The PRDP envisaged an increasing role for private sector investors as well as commercialization of utilities services. Public safety, regulation and environmental protection considerations were also given priority. The Gaza Recovery and Reconstruction Plan designated more than \$500 million for reconstruction and rehabilitation of infrastructure. To date, the ongoing blockade of the Gaza Strip has prevented any investment.

Over the last three years, some progress has been made towards upgrading public infrastructure in the West Bank. Extensions and upgrades to our water and electricity systems have enabled us to connect 88.4% of households to the public water supply and 99.9% of households to the public electricity network. Installation of prepaid meters, coupled with the establishment of northern and southern distribution companies, are



significant steps towards ensuring the sustainability and commercialization of the electricity services. Road rehabilitation, maintenance and construction, alongside improved regulation and enforcement in the transportation sector, have improved the quality and safety of the road network. Major housing projects, now underway, have attracted significant private sector investment.

These are important achievements, but our progress in improving public infrastructure fell far short of expectations. Our PRDP policy agenda was predicated on the lifting of the Gaza Strip blockade and movement restrictions needed to develop infrastructure and networks throughout the homeland. In practice, the continuation of the occupation and its severe restrictions on movement and access to our land and resources compromised our ability to implement medium and large scale infrastructure projects. Though we have implemented some large and medium scale infrastructure projects, such as road construction, most of the improvements to public infrastructure over the last three years were confined to smaller-scale projects. Although these projects have yielded much-needed benefits for citizens, especially in communities that were previously neglected, the fact that we were deprived of implementing all of our planned projects compromised our ability to exert the transformational impact on public service delivery and economic growth envisaged in the PRDP 2008-10.

During 2011-13 we will maintain our focus on connecting marginalized communities to our public infrastructure networks. The ongoing program of community-based projects will remain an important vehicle for ensuring timely and efficient implementation of these essential improvements in service delivery. The freedom to develop national networks across a contiguous land area, and to secure and diversify access to natural resources and regional energy networks, is crucial to establishing sustainable, cost-effective infrastructure and providing alternative forms of national and international transportation. We will therefore continue to press for the implementation of long-postponed major infrastructure development projects and encourage our international development partners to join us in this effort. These are essential to realizing our vision of an independent Palestine with a sustainable backbone of infrastructure that provides a solid foundation for delivery of basic services that meet international norms and standards, as well as to stimulate private sector-led economic growth and provide access to regional and international markets.

2.4.2 Strategic Objectives

The strategic objectives listed in Table 2.4.1, and the underlying policies described thereafter, have been developed based on sector strategies prepared through a collaborative effort. These strategies inform public policy and expenditure in the following national sectors: energy security, environment and natural resources, solid waste management, housing, transportation networks, telecommunications and IT,²³ international gateways, water management, and wastewater management.

²³ This national sector is included as part of the economy major sector, but is included here because of its vital infrastructure role.



Table 2.4.1: Strategic objectives 2011-13

Infrastructure Sector Strategic Objectives

To develop integrated and sustainable national infrastructure networks.

To secure Palestine's supply of energy and natural resources.

To protect the environment in Palestine.

To maintain the long-term quality, affordability and safety of infrastructure systems.

To ensure adequate, safe and affordable housing.

To develop integrated and sustainable national infrastructure networks

Despite the severe restrictions on access to natural resources and development of infrastructure, the Government has, over the last three years, been able to dig, electrify and rehabilitate 70 wells, construct 7 new water storages, construct new cisterns and repair existing ones, install and repair 1,700km of water pipelines in many areas, and link 137 previously unconnected communities to the public electricity network. The electricity distribution network has also been expanded to reach more households. 2,250km of roads were rehabilitated or newly constructed. We also finished a draft design for Palestine International Airport that will be established in Al-Buqei'a area in Jerusalem governorate. A new sanitary landfill has been opened in Jenin to serve the northern West Bank and a project has been launched to construct a sanitary landfill in the southern West Bank. New solid waste management vehicles and equipment have also been distributed around the country. These are important achievements that have had a real impact on improving services to citizens and we will continue to replicate these efforts across our towns and villages. Over the next three years, the Government will consolidate and build on these achievements and work to develop integrated national infrastructure networks.

Establishment of national networks throughout and between the Gaza Strip and the West Bank will contribute significantly to improving access to and the quality of essential public services and addressing significant public health, safety and environmental concerns. Construction of these networks will also provide a short-term economic stimulus, accelerate medium and longer-term growth, promote national autonomy and social cohesion, and link Palestine to the world. It is critical that these networks are connected with neighboring countries to enable diversification of imports and exports. To date, efforts to build integrated national infrastructure have stalled. The majority of major infrastructure projects have failed to move beyond the feasibility study stage, pending approval and cooperation from Israel. A fundamental change in this status quo is needed so that we can immediately step-up the construction of national infrastructure. This will give Palestine a head start in building a society and economy which can thrive, grow and move quickly beyond a state of dependency.

Policy priorities for the next three years are:

- Establish an integrated national electricity distribution network, connected to neighboring countries, which is operated on a commercial basis by regional electricity distribution companies.
- Exercise control over our water sources and consolidate a national public network capable of



supplying potable water to all Palestinian citizens and providing sufficient supply for agricultural and industrial use.

- Expand sewage treatment facilities across the country to serve all citizens, addressing public health issues and providing treated wastewater suitable for agricultural and industrial use.
- Complete construction of solid waste management facilities in line with the Solid Waste Management Sector Strategy to serve communities properly throughout Palestine, enabling the closure of informal, unsanitary waste dumps.
- Establish a national transportation network, connected to international transportation gateways by land, sea and air, and infrastructure at border crossings that will ensure the secure and efficient movement of goods and people.
- Develop the communications infrastructure in Palestine to ensure that all citizens and businesses have access to affordable, reliable telecommunications and postal services and, over time, significantly increase the number of households with access to the internet.

To secure Palestine's supply of energy and natural resources

The Government recognizes the importance of good stewardship of Palestine's natural resources. About 18% of energy consumed in Palestine is derived from renewable sources and, during 2009 and 2010, pilot projects have been initiated to further develop the use of wind and solar power. In the wastewater sector, work has started on a new treatment plant near Nablus which will treat 3 million cubic meters of wastewater each year, some of which will be used by local farmers to help ease a growing water shortage.

Responsible and sustainable use and conservation of our natural resources is essential for the good of future generations of Palestinians. The establishment of national energy and water distribution networks, along with expansion of wastewater treatment facilities across the country, will play a major part in achieving this goal. Rehabilitation of wells and local water supply networks, along with enhanced regulation, will help deal with significant problems related to leakage and irresponsible extraction. However, securing an adequate and diversified supply of water and energy over the long-term will require significant investment to develop new sources. For example, investment in the establishment of desalination plants and development of local electricity generation capacity are essential to Palestine's water and energy security.

The priority policies over the next three years include:

- Extensive rehabilitation of wells and water supply networks, along with properly regulated drilling of new wells.
- Public investment in the establishment of desalination plants, wastewater treatment facilities, and more effective rainwater harvesting and irrigation systems.
- Encourage private sector investment in domestic electricity generation capacity and renewable energy production.
- Establish fuel storage facilities in the West Bank and the Gaza Strip.



To protect the environment in Palestine

The Environmental Quality Authority (EQA) has been increasingly active in driving the coordination of environmental protection policy across government. EQA also started the preparation of the National Strategy for Combating Desertification and National Strategy for Adaptation to the Climate Change. The EQA participated in the development of a National Solid Waste Strategy and a Master Plan for Hazardous Waste, updated the Emergency Plan on Nature Protection and developed a national report on 26 nature reserves in Palestine. The Council of Ministers approved the EQA's proposals to form and chair a National Committee on Climate Change, and regulation of the stone, marble and concrete industry. Major infrastructure projects now require comprehensive Environmental Impact Assessments and approval from the EQA.²⁴

In order to protect and sustain our environment to the benefit of future generations, we will step up our efforts to reduce contamination of air, water and soil; promote waste reduction, reuse and recycling initiatives; ensure mechanisms are in place for safe handling of solid waste and hazardous materials; rehabilitate our nature reserves and our coast line, and ensure environmental goals are reflected in land use planning and resource management policies and practices.

The priority policies over the next three years include:

- Ensure that the national solid waste management system, serving all communities across the country, includes adequate facilities for recycling and processing solid waste and hazardous materials, ensuring the protection of the environment and public health.
- Launch comprehensive nation-wide awareness campaigns to promote the responsible and sustainable use of natural resources, and proper disposal and recycling of solid waste.
- Upgrade and enforce laws and regulations, including deterrent provisions, for environmental protection.²⁵
- Continue to implement ongoing reforestation, through the Green Palestine initiative, as well as anti-desertification programs.
- Ensure environmental oversight and inspection and establish the Environment Police.

To ensure the long-term quality, affordability and safety of infrastructure systems

The Government has a responsibility to ensure that national infrastructure is adequately maintained and regulated. Citizens and businesses are entitled to equitable access to affordable and safe infrastructure and related services. To ensure long-term quality and sustainability, it is essential that services are operated on a commercial basis by, where possible, private sector businesses. At the same time, effective and smart government regulation is necessary to protect consumers from the risk of declining service standards and non-competitive pricing.

²⁴ In 2010, the EQA approved the Regional Solid Waste Management Project in Ramallah and Al Bireh, and granted preliminary approval to the Solid Waste Management and Environmental Program in Hebron and Bethlehem. The EQA also issued instructions and conditions on the operation of stone quarries in the Jaba' area of the Jerusalem governorate to reduce environmental contamination.

²⁵ The EQA has already drafted a series of bylaws and submitted them to the Council of Ministers. These include bylaws on solid waste management and medical waste management. The EQA has also developed environmental standards, covering the treatment of industrial wastewater and air quality.



In the electricity and telecommunications sectors, progress is already being made towards the separation of regulation from service delivery, through the establishment of independent regulatory bodies. In the water sector, the Government has taken action to curtail the extraction and sale of water from illegal wells.

In the transportation sector, road rehabilitation and maintenance, tightening and enforcement of the legal-regulatory framework, and a crack-down on unlicensed vehicles have contributed to improvements in road safety.²⁶

In the telecommunications sector, the entry into the marketplace of a new mobile service provider has introduced much-needed competition which, over time, will contribute to better services at more competitive prices. Palestine has now joined the international post code system and adopted a unified sovereign logo of the Palestinian post system, rendering Palestine capable of direct postal exchange with other countries. In the energy sector, the ongoing installation of prepaid meters has led to significant progress in reversing the culture of non-payment for electricity services, providing a solid basis for ensuring their fiscal sustainability, and, ultimately, commercializing electricity generation and distribution services in Palestine.

The priority policies over the next three years include:

- Complete the transfer of responsibility for electricity distribution from local government to regional electricity distribution companies operating under regulatory supervision by the Electricity Regulatory Council.
- Empower the Telecommunications Regulatory Commission to regulate and promote competition while protecting Palestine from violations of its sovereign frequency spectrum.
- Promote the entry of at least one more telecommunications service provider, providing both land line and mobile telephone services.
- As regional sanitary landfills become available, implement a program of closure of irregular waste dump sites.
- Ensure that the solid waste management network includes the capability for safe-handling of medical waste and other hazardous materials.
- Encourage private sector investment in the solid waste management sector.
- Promote the development of a sustainable public transportation system in Palestine.²⁷
- Implement a systematic road maintenance and marking program across Palestine.
- Conduct public awareness campaigns to highlight the importance of responsible driving.

²⁶ Licensing of road vehicles increased from 68% in 2008 to 84% in 2009, and hundreds of stolen vehicles have been seized.

²⁷ The Ministry of Transport, with assistance from the World Bank, has already developed a strategy for the passenger transportation sector. The core principle is to facilitate consolidation of small operators into commercially viable companies of sufficient scale to yield network, organizational and operational efficiencies.



To ensure adequate, safe and affordable housing

Significant progress has been made in the last year to address the developing housing shortage. The Palestine Investment Fund's National Housing Program, which will provide 30,000 housing units across 10 neighborhoods, is well underway; the first phase of construction of the *Al Reehan* neighborhood in Ramallah has begun²⁸, internal roads have been cleared and first phase of construction has commenced in *Al Jinan* neighborhood in Jenin²⁹, and internal roads have also been cleared and construction has begun at the new city of *Rawabi* in Ramallah governorate.³⁰ Elsewhere, the Austrian Housing Project in Nablus city is being extended, providing 26 housing units for low income families. Construction of 74 residential apartments for low income families has also begun in Qalqiliya. As part of the social housing initiative in Hebron governorate, the first 24 of 100 housing units will be completed during 2011. In December 2010, the Palestinian Real Estate Investment Company (PRICO) has also started to construct *Al Ghadeer* neighborhood in Abu Qash village in Ramallah governorate, which will include a total of 400 housing units.

Increasing home ownership and addressing the housing needs of a rising population will be a major priority for the Government for many years to come. Provision of new and more affordable housing across the country, as well as addressing housing crises in the Gaza Strip and East Jerusalem, are major challenges requiring significant public and private investment, and legal and financial sector reform. They will also require significant forward progress at the political level. Israel's discriminatory policies and practices in East Jerusalem and Area C continue to lead to home demolitions, overcrowding and housing insecurity. The ongoing blockade of the Gaza Strip is preventing the rehabilitation of war-damaged homes, let alone the construction of new housing.

The priority policies over the next three years include:

- Assist residents of East Jerusalem and those affected by Separation Wall to obtain and safeguard appropriate housing connected to electricity and water supplies.
- Expand housing programs for middle and low-income families, including cooperative housing society projects.
- Work with public and private financial institutions to increase the supply of affordable mortgage financing.
- Work in close coordination with the private sector to maximize the inputs of domestic businesses, workers and raw materials in housing construction.
- Ensure environmentally responsible and sustainable practices in housing construction projects.

28 The neighborhood will include a total of 2,000 housing units of 100-250 square meters each. The total area of the neighborhood is 250,000 square meters.

29 The neighborhood will include a total of 1,000 housing units of 100-250 square meters each.

30 To be constructed over an area of 1,200,000 square meters, the city will include 5,000 housing units.



2.4.3 Infrastructure Sector Targets

The Government has established a set of targets to facilitate the monitoring and evaluation of its infrastructure policy agenda over the period from 2011 to 2013.

Table 2.4.2 provides a summary of the national indicators and targets in relation to the infrastructure sector. These represent a Government commitment to ensuring that Palestine has the infrastructure it needs to deliver basic services to all citizens in line with international standards and to enable growth and development of the private sector. However, it must be noted that our ability to meet these commitments is highly susceptible to lack of progress towards establishing a sovereign state of Palestine during 2011, as envisaged in the Program of the 13th Government.

A more comprehensive and detailed framework of sector indicators and targets has been established to assess implementation of the sector strategies of the infrastructure sector. The mechanism established for tracking and assessing performance against these targets is described in detail in Chapter 5.

Table 2.4.2: Infrastructure sector national targets

#	Sector Indicator	Baseline	2013 Target
Objective: To develop integrated and sustainable national infrastructure networks			
1	Percentage of households connected to clean water supply	88.4%	95%
2	Per capita water consumption (liters/day)	80	84
3	Percentage of households connected to sewage network – WB/GS	35.5%/83.3%	65%/92%
4	Percentage of households connected to electricity network	99.9%	99.9%
5	Per capita electricity consumption (KWH/year)	950	950
6	Percentage of households connected to the internet	28.5%	49%
7	Percentage of households with telephone land lines	51.4%	70%
8	Percentage of households with cell phones	91.9%	99%
9	Percentage of households connected to solid waste collection services	80%	97%
10	Percentage of total solid waste disposed in sanitary landfills	22%	90%
11	Number of kilometers of surfaced roads (main, regional & local)	4,220	4,440
Objective: To secure Palestine's supply of energy and natural resources			
12	Percentage of energy consumption that is generated locally	9.5%	17%



13	Percentage of electricity imports sourced from Israel	86%	75%
14	Percentage of energy consumption from renewable sources	18%	21%
15	Percentage of treated wastewater reused	1%	30%
Objective: To protect the environment in Palestine			
16	Percentage of solid waste recycled	5%	20%
17	Percentage of forested land	1.56%	1.86%
Objective: To maintain the long-term quality, affordability and safety of infrastructure systems			
18	Percentage of losses from leakage from water network	37%	25%
19	Percentage of losses from leakage from electricity network	26%	20%
20	Net lending related to the supply of electricity	US\$275m	US\$40m
21	Percentage of existing sanitary landfill (i.e., Zehrat Al Fenjan) operating costs covered by revenues	80%	100%
22	Number of road traffic accidents resulting in casualties	5,513	4,960
23	Number of casualties resulting from road traffic accidents	6,741	6,066
Objective: To ensure adequate, safe and affordable housing			
24	% of housing units with a density of 3 or more individuals per room	12.7%	8.7%
25	Number of new housing units built over the next 3 years	N/A	33,000



3. Macroeconomic & Fiscal Framework

3.1 Macroeconomic and Fiscal Developments 2008-10

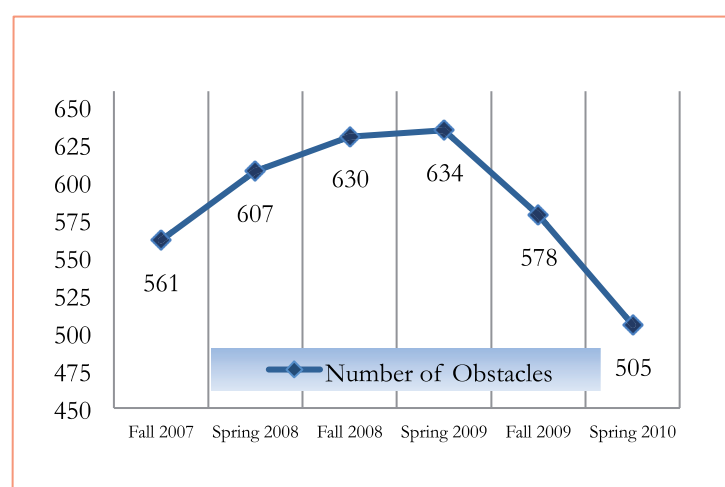
The PRDP 2008-10 included a bold reform agenda to stabilize the Government's financial situation, progressively move towards fiscal sustainability, and reduce reliance on external aid. The Government immediately took steps to restore confidence in its financial standing and solvency through repayment of accumulated debts to public sector employees and private businesses. In parallel, hard constraints on the public sector wage bill were enforced by limiting public sector recruitment and a series of measures to reduce subsidization of citizen's electricity consumption were implemented. In 2008, the recurrent budget deficit declined by more than two percentage points to 21.6% of GDP, compared with 23.8% in 2007 and 24.8% in 2006. As table 3.1 illustrates, this was driven by improvements on both the revenue and expenditure sides.

Table 3.1: Recurrent deficit (commitment basis), 2006-2010

	2006	2007	2008	2009	2010
(% of GDP)	Act.	Act.	Act.	Act.	Act.
Net revenues	25.4	24.4	25.7	25.9	26.1
Recurrent expenditures	50.2	48.2	47.2	51.8	41.6
Recurrent deficit	-24.8	-23.8	-21.6	-25.9	-15.5

The positive results in 2008, which exceeded PRDP targets, were achieved despite continued severe restrictions on economic activity. The PRDP's 2008-10 macroeconomic and fiscal forecasts were based on the assumption that the constraints of occupation would ease, with reduced movement and access restrictions enabling modest increases in trade and private sector confidence. In reality, restrictions in the West Bank tightened during the first half of the PRDP time horizon, and have only recently fallen back to pre-PRDP levels (figure 3.1). Meanwhile, the Gaza Strip remains under embargo.

Figure 3.1: Movement & access obstacles, 2007-2010





The Government therefore registered significant achievements in implementing fiscal reforms during the first year of the PRDP, despite the tightening of closures. However, efforts to control public expenditure were set back by Israel's military assault on the Gaza Strip. Driven largely by related emergency spending, recurrent expenditure rose by almost 5% of GDP in 2009 compared with 2008, and Government revenue collection from the Gaza Strip came to a virtual standstill. In 2009, the recurrent budget deficit rose to 25.9% of GDP compared with the PRDP target of 20.5%. Data for 2010, however, indicate that the recurrent deficit fell to 15.5% of GDP – lower than the PRDP target of 17.1%.

Despite the increasing restrictions on economic activity in the West Bank and the virtual shut-down of the economy in the Gaza Strip, the three-year period covered by the PRDP witnessed growth that has exceeded forecasts (see figure 3.2). This was largely driven by above-estimate growth in the West Bank. The IMF credits the government's institutional reforms, particularly in the areas of security, public finance and governance, with creating a climate conducive to economic growth.³¹ If the Gaza Strip had been able to participate in the economic expansion, growth would have exceeded forecasts even further.

Since the PRDP was published, unemployment in the West Bank declined from 17.7% in 2007 to 15.2% in the second quarter of 2010. During the same period, unemployment in the Gaza Strip has spiked sharply from around 30% to almost 40%. As figure 3.3 shows, the negative trend in Gaza unemployment was in place even before the Israeli military offensive launched in December 2008. Standing at 22.9% at the end of the first half of 2010, total unemployment is higher than the 21.5% level recorded in 2007, but is broadly in line with the PRDP target of approximately 23% for 2008-10.

Given the tightening of the blockade on the Gaza Strip, and taking into account the fact that movement and access obstacles have only recently returned to pre-PRDP levels, GDP growth during 2008-10 has not been driven by the kind of sustainable private sector growth and public investment envisaged in the PRDP. As trade remains hampered by movement and access restrictions, the separation wall, and the Gaza

Figure 3.2: Real GDP growth, 2008-2010

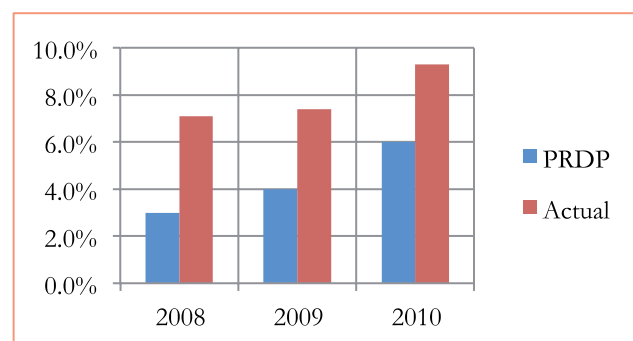
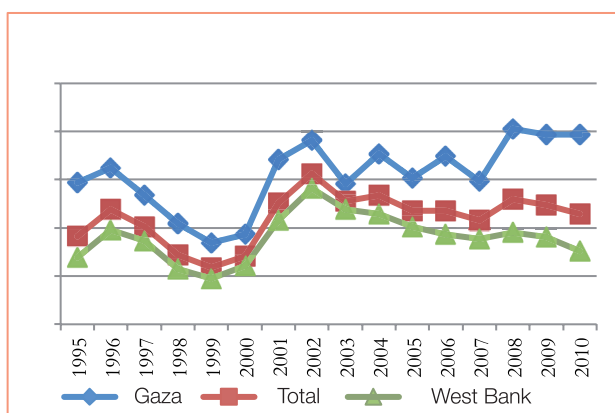


Figure 3.3: Percentage unemployment in the Gaza Strip and the West Bank, 1999-2010



31 Macroeconomic and Fiscal Framework for the West Bank and Gaza: Fifth Review of Progress: IMF, April 2010.



Strip blockade, the anticipated growth in exports has not occurred. In fact, exports declined from 14.4% GDP in 2008 to an estimated 13.1% GDP in 2010. GDP composition similarly reflects an economy under draconian trade restrictions as the export-affected sectors (agriculture, manufacturing) continue to decline while construction, real estate, and services expand³²

In reality, sustained high levels of external support to finance recurrent and development expenditures, which rose by almost 10 percentage points of GDP from 2007 to 2008, have played the more significant role (see Table 3.2).

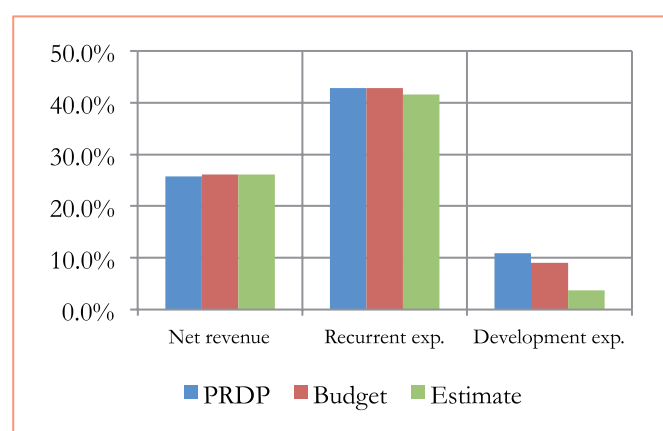
Table 3.2: External financing, 2006-2010

	2006	2007	2008	2009	2010
(% of GDP)	Act.	Act.	Act.	Act.	Act.
Financing for recurrent expenditure	16.3	19.4	28.9	22.0	15.5
Financing for development expenditure	6.2	2.5	3.5	6.5	1.8
Total external financing	22.5	21.9	32.4	28.5	17.3

These high levels of external support, facilitated by ongoing strengthening of the public financial management system, have made a major contribution to the maintenance of fiscal and economic stability. They have also enabled the Government to progressively increase capital expenditures, primarily through implementation of community-based development projects aimed at upgrading infrastructure and services in previously neglected rural communities. These projects, which have proved to be less vulnerable to restrictions on movement and access, demonstrate the Government's commitment and capacity to execute development projects effectively and in alignment with citizens' real needs.

Figure 3.4: Revenues and expenditures (% GDP), 2010

Whilst acknowledging the important role of external financing, the Government has remained committed to staying the course towards fiscal self-sufficiency laid out in the PRDP – the projected recurrent deficit of 15.5% in 2010 beats the PRDP target of 17.1%. Improved revenue mobilization underpins a net revenue figure of 26.1% of GDP in 2010, compared with 25.8% projected in the PRDP. Estimated recurrent expenditure in 2010 amounts to 41.6% of GDP, lower than the PRDP target of 42.8%, and substantially lower than the 2008 figure of 47.2%. Estimated development expenditure in 2010 of 3.7% of GDP lags far behind the PRDP forecast of 10.9%.



³² Between 1999 and 2009, agriculture's share of GDP fell from 10.4% to 4.8%, while manufacturing declined slightly from 12.5% to 11%.



3.2 Macroeconomic and Fiscal Framework: 2011-13

The 2011-13 macroeconomic and fiscal framework is predicated on a baseline scenario which, like PRDP, assumes progress in removing the externally-imposed constraints placed on Palestine's economy. This includes the steady removal of obstacles to movement and access, the lifting of the Gaza Strip blockade, and a sustained, adequate level of financial support from the international community. Adoption of this scenario reflects the Government's obligation to develop prudent revenue and expenditure plans over the medium-term. However, the Program of the 13th Government puts forward a more positive scenario in which sovereignty is attained within the first year of the NDP planning horizon. In such a scenario, the West Bank and the Gaza Strip economies can be reintegrated, international trade can flourish, significant private sector investment can be unlocked, and long-delayed large-scale public investment projects can be launched.

Table 3.3: Macroeconomic indicators (baseline scenario)

	2008	2009	2010	2011	2012	2013
	<i>Act.</i>	<i>Act.</i>	<i>Act.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>
Output and prices	(Annual % change)					
Real GDP (2004 market prices)	7.1	7.4	9.3	9.0	10.0	12.0
CPI inflation rate (end of period)	7.0	4.3	2.8	3.8	2.7	2.3
Investment	(% of GDP)					
Public capital formation (gross)	4.1	7.0	4.2	6.4	9.5	10.3
Private capital formation (gross)	22.8	23.2	22.7	22.6	22.9	23.7
Public finance (commitment basis)	(% of GDP)					
Revenue	25.7	25.9	26.1	25.4	26.5	27.7
Recurrent expenditure and net lending	47.2	51.8	41.6	38.3	35.2	31.8
Wage expenditure	23.8	23.8	21.8	20.2	18.7	17.1
Non-wage expenditure	16.1	21.9	16.6	16.1	14.9	13.6
Net lending	7.3	6.1	3.2	1.9	1.5	1.1
Recurrent balance - before external support	-21.6	-25.9	-15.5	-12.8	-8.7	-4.1
Development expenditure	3.5	6.5	3.7	5.9	9.1	9.9
Overall Balance – before external support	-25.1	-32.4	-19.3	-18.7	-17.8	-14.0
External support for recurrent and capital exp.	32.4	28.5	17.3	17.4	18.3	14.5
Labor	(% of labor force)					
Unemployment	26	25	24	21	18	15



Under the baseline scenario, real annual GDP growth is projected to increase steadily from 9.3% in 2010 to 12.0% in 2013. Unemployment is projected to decline from 25% in 2009 to 15% in 2013. Continued implementation of prudent fiscal policies and broader institutional reforms will drive a reduction of the recurrent deficit from 15.5% of GDP in 2010 to 4.1% in 2013. At the same time, development expenditures will rise from 3.7% of GDP in 2010 to 9.9% in 2013.

Growth under the baseline scenario is very susceptible to lack of progress in lifting restrictions in the West Bank and the blockade of the Gaza Strip. Continued impediment of trade and investment would inhibit private sector growth, while public investment plans would continue to be stalled. Economic growth would falter (fig. 3.5) and, by 2013, the West Bank's real GDP per capita would rest at only 36% above its 1994 level (compared with 58% under the baseline scenario) while Gaza's would drop to 28% below its 1994 level.

At the same time, under the status quo scenario, budgetary revenues and external aid would be depressed. Rising unemployment (fig. 3.6) and escalating poverty would necessitate increased expenditures on social transfers and other emergency spending.

The impact of a continuation of the status quo on development of infrastructure and the economy would also be severely retrograde. Development expenditure would fail to reach the double-digit levels envisaged in the baseline scenario (see figure 3.7), and recurrent spending would continue to crowd out public investment. Notwithstanding these downside risks, the Government is committed to implementing prudent fiscal policies and institutional reforms that will deliver fiscal consolidation under the baseline scenario. Accordingly, the fiscal framework summarized in table 3.5 sets out a path to fiscal sustainability and increased self-reliance.

Figure 3.5: Real GDP growth, 2006-2013

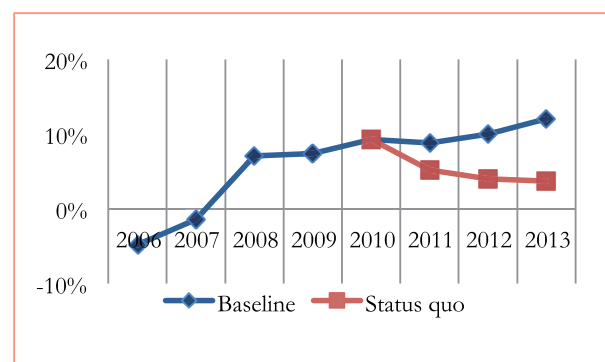


Figure 3.6: Unemployment, 1996-2013

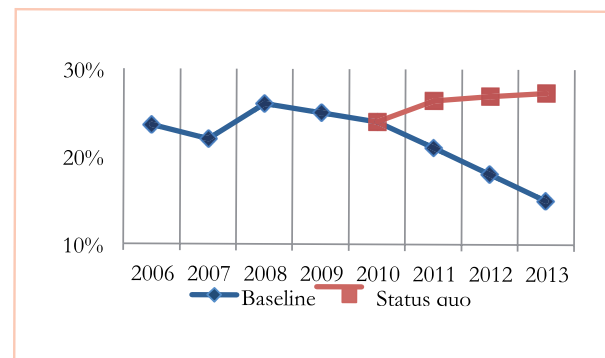


Figure 3.7: Development expenditure (% GDP), 2006-2013

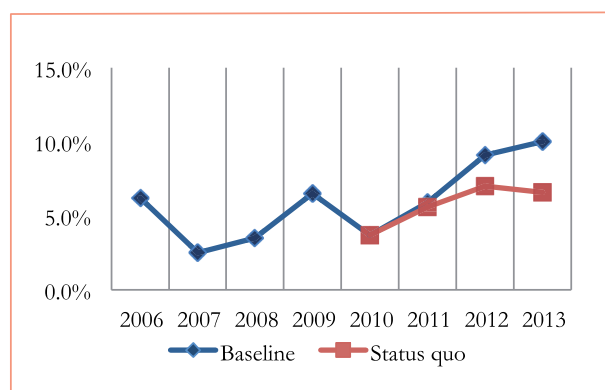


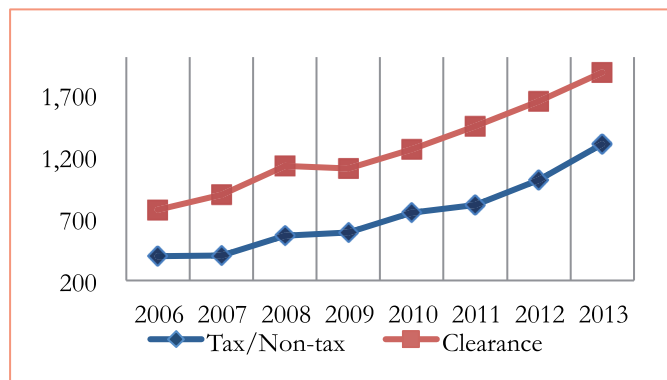

Table 3.5: Fiscal framework (baseline scenario)

	2008	2009	2010	2011	2012	2013
(millions of U.S. Dollars)	Act.	Act.	Act.	Proj.	Proj.	Proj.
Revenue	1,568	1,598	1,927	2,145	2,538	3,051
Gross domestic	562	585	745	810	1,010	1,303
Gross clearance revenue	1,122	1,103	1,259	1,442	1,649	1,885
Tax refunds	-116	-91	-76	-107	-121	-137
Expenditure	2,886	3,190	3,076	3,228	3,369	3,502
Wage expenditure	1,453	1,467	1,613	1,710	1,796	1,885
Non-wage expenditure	985	1,349	1,227	1,358	1,426	1,497
Net lending	447	374	236	160	148	120
Recurrent balance (commitment basis)	-1,317	-1,592	-1,149	-1,083	-831	-451
Add: Expenditure arrears	-387	270	93	-	-50	-50
Ded: Net clearance revenue withheld	-15	13	16	-116	-	-
Add: Arrears on tax refunds	-	-36	-11	-	-	-
Recurrent balance (cash basis)	-1,690	-1,371	-1,083	-967	-881	-501
Development expenditure (cash basis)	215	400	275	500	873	1,095
Total deficit (cash basis)	-1,905	-1,771	-1,358	-1,467	-1,754	-1,596
Financing	1,905	1,771	1,358	1,467	1,754	1,596
Net domestic bank financing	-29	176	84	-	-	-
External financing for recurrent exp.	1,764	1,355	1,147	967	881	501
External financing for capital exp.	215	400	131	500	873	1,095
Net external debt	-4	-4	-	-	-	-
Residual and arrears	-40	-156	-4	-	-	-



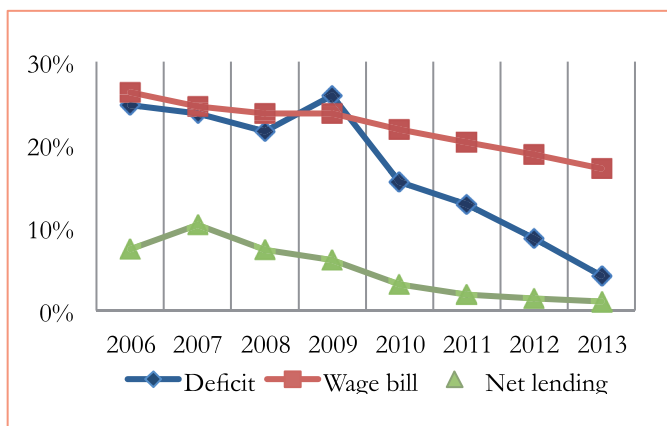
The fiscal framework projects 16% per annum annualized growth in revenues over the three years from 2011 to 2013, with total net revenues exceeding US\$ 2 billion in 2011 and exceeding US\$ 3 billion by 2013. Increases in tax and non-tax revenues will be driven by economic growth, continued efforts to recover arrears due from large taxpayers, increased collection rates, and broadening of the tax base. As figure 3.8 illustrates, this projected growth is broadly in line with the existing trend which has seen a 48% increase between 2006 and 2009. Clearance revenues are projected to recover from a set-back in 2009, in the wake of the Gaza war, through economic growth enabled by progressive lifting of movement and access restrictions and the Gaza Strip blockade.

Figure 3.8: Net revenues (US\$ million), 2006-13



Recurrent expenditures (including net lending) rose to 51.8% of GDP in 2009, driven by emergency spending in the Gaza Strip, but the downward trend has now resumed. Between 2006 and 2008, policies to contain the public sector wage bill and curb net lending drove recurrent expenditure down from 50.2% of GDP in 2006 to 47.2% in 2008. A decline to 41.6% of GDP is projected for 2010, and further reforms are expected to yield a reduction to 31.8% of GDP by 2013.

Figure 3.9: Recurrent expenditure and deficit (% GDP), 2006-13



Building on its previous success, the Government will push forward with a range of reforms to control expenditure. These include:

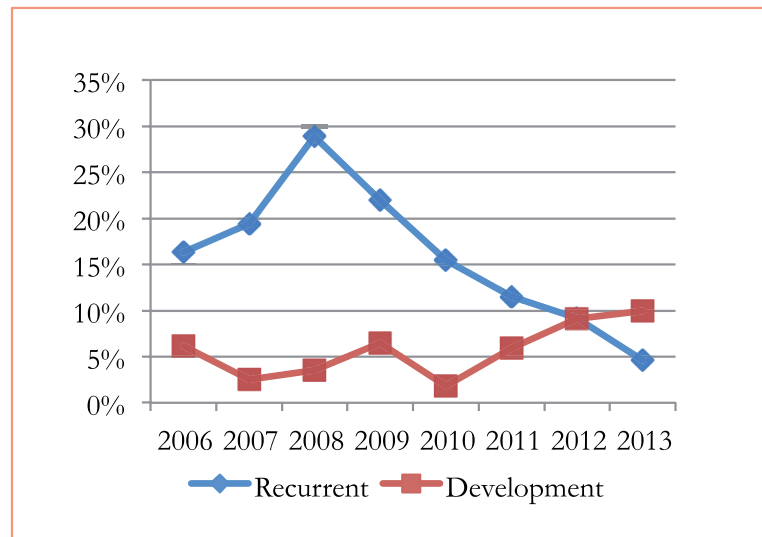
- Full implementation of reforms associated with the creation of the Palestinian National Social Safety Net Program (PNSSP).
- Complete the transfer of responsibility for electricity distribution from municipalities to commercial utility companies. A transfer was implemented in the northern West Bank in 2010 and will be finalized by mid-2011, with the regions of Qalqilya and Tulkarm to be covered. The transfer in the remainder of the West Bank will be finalized by the end of 2011.
- Implementation of the adopted 2010 action plan to reduce pension liabilities and ensure long-term fiscal sustainability of the Unified Pensions Scheme.



- Conduct a medium term plan for civil service reform, including a review of the Law of Civil Service. The plan will be submitted to the Cabinet by the end of 2011.

With planned increases in Government revenues driven by economic growth, more efficient revenue administration, and strict expenditure control, it will become feasible to shift the pattern of external financing from recurrent budget support towards development. This will free-up resources for increased investment to address major government priorities such as upgrading public infrastructure, improving the quality of basic services, and creating an enabling environment for private sector growth. In the short-term, this increased investment is achievable through continued up-scaling of the program of community development projects and, as movement and access restrictions and the blockade of the Gaza Strip are lifted, through larger-scale reconstruction, rehabilitation and development projects throughout Palestine.

Figure 3.10: External financing for recurrent and development expenditure (% GDP), 2006-13





4. National Development Expenditure Plan

The national policy agenda detailed in Chapter 2 calls for significant investment in the future of Palestine. The overall aim of the policy agenda is to secure the long-term future of a sovereign state of Palestine in which its people can live in freedom and dignity, enjoying equal rights and opportunities under the law. The emergence and consolidation of a free, stable and prosperous Palestine offers the promise of a quantum leap in socio-economic development for all its citizens and a major step forward in regional stability and prosperity.

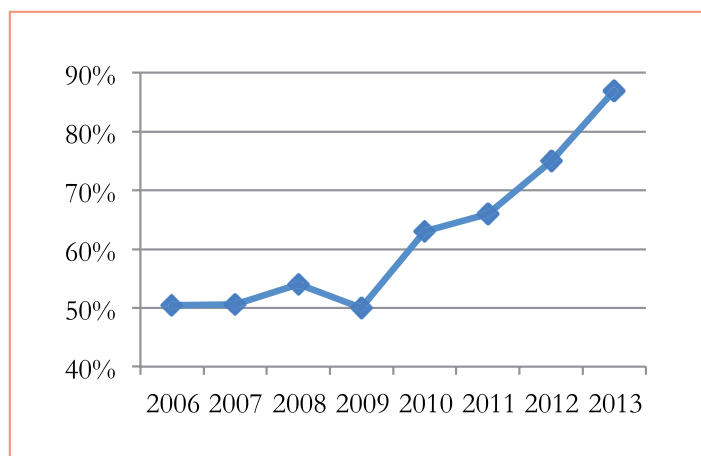
The development of Palestine is not a task for the Government alone. It is a national venture requiring concerted effort from central and local government, civil society, non-governmental organizations, and the private sector. Palestine's human capital, drawn from all segments of society, both at home and abroad, will play a critical role in ensuring the success of this venture. The policy agenda therefore gives great emphasis to the need for increasing the participation of and partnership with local communities, civil society, non-governmental organizations, and the private sector in Palestine's national development. Furthermore, the policy agenda embraces the need for all citizens, from all areas of the homeland and walks of life, to reap the benefits of our national development both in the near and longer term. Accordingly, planned development initiatives range from large national-level investment projects to smaller, community-based projects. These include projects to develop strategic national infrastructure networks over the long-term and projects targeted at raising the level of basic public services in the near-term, particularly in more deprived communities that have not shared fully in the benefits of previous national development efforts.

Palestine's development will require substantial investment. The funding will come from a variety of sources, including tax and customs revenues, domestic and international private sector investment, and external aid. During the next three years, the largest single source of funding will be financial aid from our international development partners. However, the national policy agenda envisages gradual reduction of reliance on external financial support, driven by economic policies to nurture the potential of the domestic private sector to create employment and growth. The reduction, over time, of the level of public expenditure needed to alleviate poverty and unemployment, coupled with the rising tax and customs revenues that will accompany private sector-led economic growth, will, over the long-term, free-up domestic revenues to fund all of Palestine's development expenditure. Private sector investment, particularly in large-scale infrastructure development projects, such as the development of domestic electricity generation capacity, will also help reduce dependency on public expenditure and external aid.



From 2010 to 2013, the ratio of revenues to recurrent expenditure is projected to increase from 63% to 87%. However, substantial recurrent budget support, as well as external financing for development expenditure, is needed to support implementation of the NDP. Sufficient and predictable external financing is critical to maintaining the daily operations of the public sector, including salaries and operating expenditure, to ensure Palestine remains firmly on the path to sustainable development.

Figure 4.1: Revenue to recurrent spending ratio 2006-13



It should be noted that these development expenditure plans do not include transfers incorporated within recurrent expenditures.³³ Also, they do not include expenditure in relation to the reconstruction of war-damaged Gaza. The Palestinian National Early Recovery and Reconstruction Plan for Gaza continues to reflect our planning and expenditure framework in relation to the reconstruction of the Gaza Strip (see Box 4.1 below).

Box 4.1: The Palestinian National Early Recovery and Reconstruction Plan for Gaza

The Palestinian National Early Recovery and Reconstruction Plan for Gaza

The humanitarian and economic crisis prevailing in Gaza in 2007 deepened with the destruction of homes, businesses, infrastructure and livelihoods as a result of the Israeli military offensive launched in December 2008. Israeli restrictions at crossing points continue to place limitations on the flow of people, goods and construction materials, preventing reconstruction of the Gaza Strip and denying its residents any chance of living a normal and decent life.

Donor pledges amounting to US\$ 4.7 billion to fund the recovery and reconstruction, made at Sharm Al Sheikh in March 2009, remain largely undischursed. As a consequence, the quantity and quality of basic humanitarian needs – including food, water and shelter – remain far below international norms and standards.

It is anticipated that the majority of the recovery and reconstruction requirements identified below, although targeted for 2009-10, will be dischursed in 2011-13.

³³ This plan does not include transfers to poor households registered at the Ministry of Social Affairs, government support to universities, Student Lending Fund, and other transfers.



Sector	US\$ million	%
Governance	68	5%
Social	315	24%
Economy	412	31%
Infrastructure	531	40%
Total	1,326	100%

Activation and rapid implementation of the PNERRP, along with continued budget support to ensure the continuity of public services, are critical to the effort to build a free and democratic Palestine in which all its citizens enjoy justice and equality. Recognizing the abiding constraints on the comprehensive implementation of the PNERRP, the government established a Gaza Task Force (comprising senior officials from the Prime Minister's Office, the Ministry of Planning and Administrative Development, and the Ministry of Finance) to lobby for and coordinate the implementation of individual recovery and reconstruction projects with key development partners. Despite major obstacles to implementation imposed by Israel, during 2010, a total of 131 projects (with a total estimated budget of US\$ 770 million) were initiated.

The national policy agenda also highlights, across all major sectors, the vital importance of rebuilding East Jerusalem as the capital city of Palestine and reconnecting it with the remainder of the West Bank. East Jerusalem will be the center of the government, the hub of the economy and the heart of social and cultural life in the State of Palestine. Years of neglect have left public institutions and infrastructure in a severely debilitated state and, as such, the need for investment is both substantial and urgent. Recognizing the need for the government to work closely with civil society, non-governmental organizations and the private sector to invest in the development of our capital city, the Jerusalem Unit of the Office of the President published a three-year *Strategic Multi Sector Development Plan for East Jerusalem* which runs concurrently with the NDP. The SMDP (summarized in Box 4.2 below) represents the minimum level of investment needed to begin to restore East Jerusalem as our capital city. The emergence of the State of Palestine, with East Jerusalem as its capital, is expected to create space for accelerated investment which will enable us to quickly move from a remedial phase of recovery and reconstruction to long-term, sustainable investment.



Box 4.2: The Strategic Multi Sector Development Plan for East Jerusalem

The Strategic Multi Sector Development Plan for East Jerusalem

In November 2010, the Jerusalem Unit of the Office of the President published its Strategic Multi Sector Development Plan for East Jerusalem (SMDP). In line with the Program of the 13th Government, *Palestine: Ending the Occupation, Establishing the State*, the SMDP highlights the need for new and sustained investment to safeguard East Jerusalem's critical role as the capital city of the emerging State of Palestine. As noted throughout this Palestinian National Plan 2011-13, the rehabilitation and development of East Jerusalem is central to our plans to realize the aspiration of our citizens to build their future in a free, secure and prosperous state.

The implementation of the SMDP, enabled through a mix of government, private sector and donor investment, is vital to our national goal of realizing a State of Palestine in which all citizens enjoy equal rights and opportunities. Implementation will require a concerted and collaborative effort from government, the private sector, civil society and non-governmental organizations, backed by political and financial support from the international community.

The SMDP envisages investment over the next three years in three 'clusters' as follows:

Cluster	US\$ million	%
Social Protection and Development	75	17.6%
Economic Development	328	76.7%
Human Rights	25	5.7%
Total	428	100%

It is estimated that the private sector contribution to this investment will be US\$ 210 million (49% of the total), with the remainder coming from government funding and external aid. The national development expenditure plan incorporated in the NDP includes provision for investments in the development of East Jerusalem, and the government's recurrent budget also allocates resources to provide essential support to meet the basic needs of citizens living in East Jerusalem.



The remainder of this chapter provides an overview of planned national development expenditure, and how resources will be allocated based on the priorities highlighted in the national policy agenda. Section 4.1 summarizes the allocation of planned expenditure across the four **major sectors** (Governance, Social, Economy and Infrastructure) and the underlying **national sectors** over the next three years based on policy priorities. Section 4.2 provides a more detailed review of planned expenditure in each of the **national sectors** and highlights some of the more significant individual development initiatives and projects in each of these sub-sectors.

4.1 Summary of Allocation of National Development Expenditure

The national policy agenda, and the strategy for its implementation, is underpinned by 23 sector strategies prepared by ministries and agencies as input into the national development planning process.

In formulating plans and priorities for development expenditure, some of larger sector strategies have been sub-divided in order to ensure that due attention is given to sub-sectors, termed national sectors, that have been identified as requiring specifically targeted investment (see Table 4.1.1). For example, development expenditure priorities in the education sector have been sub-divided into three components: Pre-School and General Education, Higher Education, and Vocational and Technical Training. This will help ensure that, while primary and secondary education will continue to demand the larger proportion of investment in the education sector, essential investments in vocational and tertiary education will not be neglected.



Table 4.1.1: Mapping of Sector Strategies to National Sectors

National Development Plan 2011-13

National Sectors	
Governance	Social
Justice	Pre-School & General Education
Security	Higher Education
International Relations	Technical & Vocational Education & Training
Local Governance & Administration	Health
Administrative Development	Social Protection & Empowerment
Public Financial Management	Gender Equality
Public Information and Media	Youth & Sports
Government Statistics & Research	Culture & Heritage
Land Management	
Economy	Infrastructure
Industrial Modernization & Business Promotion	Energy Security
Foreign Trade & Investment	Environment & Natural Resources
Consumer Protection	Solid Waste Management
Employment & Worker Protection	Housing
Agriculture & Rural Development	Transportation Networks
Telecommunications & IT	International Gateways
Tourism & Antiquities	Water Management
	Wastewater Management

This ***national sector*** structure has been incorporated into both the government accounting system and the DARP database³⁴ in order to facilitate tracking of future development expenditure against NDP spending priorities. Total planned development expenditure in each of the four ***major sectors*** and the thirty two ***national sectors***, is summarized in Table 4.1.2. Expenditure plans have been developed with extensive input from line ministries and agencies, and through consultation between the Ministry of Finance and the Ministry of Planning and Administrative Development.

³⁴ DARP, which was rolled out in the summer of 2010, is the PNA's new database system used for recording and tracking all externally-financed development projects.



Table 4.1.2: Planned National Development Expenditure (US\$ '000)

#	National Sector	2011	2012	2013
		US\$ '000	US\$ '000	US\$ '000
1	Governance			
1.1	Justice	15,800	29,600	36,100
1.2	Security	61,100	85,600	85,600
1.3	International Relations	7,500	7,900	5,500
1.4	Local Governance & Administration	26,800	39,000	34,400
1.5	Administrative Development	9,400	15,900	14,400
1.6	Public Financial Management	8,300	9,100	7,700
1.7	Public Information and Media	3,900	7,300	9,100
1.8	Government Statistics & Research	4,000	4,700	5,800
1.9	Land Management	5,400	7,800	8,800
	Total	142,200	206,900	207,400
	(% of total development expenditure)	28%	24%	19%
2	Social			
2.1	Pre-School & General Education	56,400	111,300	164,800
2.2	Higher Education	2,500	4,200	4,700
2.3	Technical & Vocational Education & Training	2,500	4,600	5,700
2.4	Health	36,000	73,200	96,000
2.5	Social Protection & Empowerment	21,200	40,300	51,600
2.6	Gender Equality	2,500	6,300	5,800
2.7	Youth & Sports	19,300	40,200	53,600
2.8	Culture & Heritage	2,200	3,100	2,500
	Total	142,600	283,200	384,700
	(% of total development expenditure)	28%	32%	35%
3	Economy			
3.1	Industrial Modernization & Business Promotion	19,300	39,900	57,600
3.2	Foreign Trade & Investment	2,300	3,200	3,200

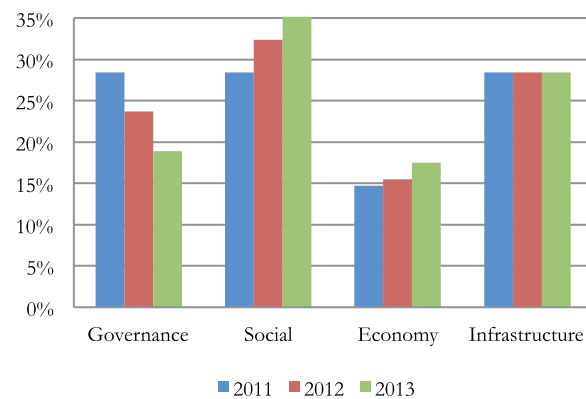


3.3	Consumer Protection	1,500	100	100
3.4	Employment & Worker Protection	5,000	8,700	17,300
3.5	Agriculture & Rural Development	34,200	60,700	83,000
3.6	Telecommunications & IT	2,800	5,200	7,900
3.7	Tourism & Antiquities	8,700	17,500	22,900
Total		73,800	135,300	192,000
(% of total development expenditure)		15%	15%	18%
4	Infrastructure			
4.1	Energy Security	23,100	27,500	34,700
4.2	Environment & Natural Resources	4,700	8,900	10,200
4.3	Solid Waste Management	11,200	13,400	15,000
4.4	Housing	23,200	34,200	35,500
4.5	Transportation Networks	26,100	61,200	78,100
4.6	International Gateways	5,700	31,600	52,600
4.7	Water Management	33,400	46,300	53,900
4.8	Wastewater Management	15,300	25,300	31,300
Total		142,700	248,400	311,300
(% of total development expenditure)		28%	28%	28%

The sector allocation of planned national development is consistent with the following broad themes in the national policy agenda:

- **Governance:** While the basic institutional building-blocks of a modern, democratic state are already in place, further investment will be required to enable our governing institutions to extend their reach across all areas of the homeland. The level of development spending will increase slightly over the three years but will decline as a proportion of total national development expenditure, reflecting the relatively

Figure 4.2: Sector allocation of total development expenditure, 2011-13





high level of investment the sector has attracted during the previous institution-building phase.

- **Social:** Investment in the social sector will be expanded significantly in absolute terms, almost doubling between 2011 and 2013, reflecting the government's plans to ensure that, post-independence, all citizens residing throughout Palestine enjoy modern social services. Annual development expenditure in the sector will rise from 28% to 35% of the total during the next three years as we work to guarantee access to a decent level of basic services for all, provide essential social empowerment and protection assistance to the poor and vulnerable through the transition from dependency to self-reliance, and invest in the human capital of Palestine as we build a knowledge-based economy.
- **Economy:** While the private sector will lead the drive to build an open and vibrant national economy, significant public investment will be needed to reclaim and prepare land and other natural resources (especially in the so-called 'Area C') and provide economic development infrastructure (e.g., industrial parks and enterprise zones) to encourage investment and enable the rapid build-up of productive capacity. During the three year period, planned investments will increase significantly, rising from US\$ 74 million to US\$ 192 million.
- **Infrastructure:** A high level of public investment in basic public infrastructure networks is planned throughout the three year period, rising from US\$ 143 million to US\$ 311 million. Significant and expanding investment in infrastructure is needed to ensure a viable and sustainable backbone for a growing economy and to ensure reasonable standards of basic public service delivery (particularly water and energy) over the long-term.



4.2 National Sector Development Expenditure Plans

4.2.1 Governance

Table 4.2.1 summarizes the allocation of planned development expenditure to *national sectors* within the Governance *major sector*.

Table 4.2.1: Planned Development Expenditure in the Governance Sector

National Sector	2011		2012		2013	
	US\$ '000	%	US\$ '000	%	US\$ '000	%
Justice	15,800	11%	29,600	14%	36,100	17%
Security	61,100	43%	85,600	41%	85,600	41%
International Relations	7,500	5%	7,900	4%	5,500	3%
Local Governance & Administration	26,800	19%	39,000	19%	34,400	17%
Administrative Development	9,400	7%	15,900	8%	14,400	7%
Public Financial Management	8,300	6%	9,100	4%	7,700	4%
Public Information and Media	3,900	3%	7,300	4%	9,100	4%
Statistics & Research	4,000	3%	4,700	2%	5,800	3%
Land Management	5,400	4%	7,800	4%	8,800	4%
Total	142,200	100%	206,900	100%	207,400	100%

A breakdown of the planned expenditure in each national sector, classified according to thematic areas of intervention, is provided in Annex 1. The remainder of this section provides an overview of the main programs, projects and activities which have significant development expenditure implications. It is important to note that, particularly in relation to major initiatives and projects, total expenditure required to complete implementation is expected to stretch beyond the three-year time frame of the \$. Therefore, development expenditure forecasts cited below do not necessarily represent the total cost of implementation; they represent the expected expenditure over the next three years.

Justice

Although planned development expenditure in the Governance sector as a whole is relatively static, spending in the justice sector is expected to rise significantly (from US\$ 16 million in 2011 to US\$ 36 million



in 2013). The higher level of expenditure primarily reflects plans to construct regional court complexes in the larger population centers, establish specialized courts, and build magistrate courts and public prosecution offices at the district level. The cost of court infrastructure is estimated at around US\$ 70 million to be spent over a period of 3 to 5 years, of which US\$ 58 million is planned for the next 3 years.

Planned development expenditure also includes US\$ 8 million over the next 3 years to further develop administrative systems and processes aimed at increasing the efficiency and responsiveness of justice sector institutions. Other priority areas include the establishment of an appropriate mechanism for providing legal aid, and specialized departments within sector institutions to ensure our justice system meets international standards in relation to human rights.

Security

Development expenditure in the security sector is expected to remain at relatively high levels over the next 3 years, totalling US\$ 234 million, as we assume the responsibility for security across Palestine and at its borders. A large proportion of this planned expenditure will be directed at building and consolidating essential infrastructure and equipment that is fit for purpose in the context of our expanded security responsibility. Investments in training and development of security personnel will begin to decline as training transitions from the initial investment phase in infrastructure and capacity, including development of security sciences and military medical services programs, towards a phase of ongoing capacity maintenance.

We are also planning an unprecedented level of investment in civil defense and civil affairs (US\$ 25.5 million over the next 3 years) in order to ensure that public safety and emergency response capability rises to meet the challenge of full governing authority in sovereign Palestine. Significant investment is also planned to ensure that prisoner correctional and rehabilitation facilities meet international standards.

International relations

The impending statehood of Palestine necessitates significant investment in expanding the capability of the Ministry of Foreign Affairs and the diplomatic service. Establishment of a diplomatic training institute and a new headquarters for the Ministry are immediate priorities, along with investment in automated systems to deal with the anticipated rising demand for consular services. Over the medium-term, we also plan to establish the Palestine Agency for International Cooperation in order to participate fully in the global effort to provide humanitarian and other assistance to lesser-developed countries.

Local Governance and Administration

Over the coming three years, the local government system will undergo comprehensive reform that will result in a substantial reduction in the number of local government units (LGUs). This will be achieved primarily through the amalgamation of smaller LGUs. At the same time, with the emergence of the State of Palestine on the June 1967 borders, demand for local government services is expected to increase significantly. Accordingly, we are planning significant investments in infrastructure and administrative systems to ensure



they are capable of meeting rising demand for local services, as well as improving the efficiency and effectiveness of revenue administration.

Planned expenditure also includes provision for US\$ 33 million of spending, through the Municipal Development Lending Fund, which will enable the implementation of local level development projects to improve public infrastructure and services.

Administrative Development

Reform and development activities in the administrative development sector will focus on two core areas: continued reform of processes and systems to improve policy administration, civil service management and public accountability mechanisms; and, targeted initiatives to strengthen institutional capacity to assume new or expanded responsibilities associated with statehood. Significant investment is planned to modernize human resources management in the civil service, including the implementation of a decentralized system of basic personnel administration, and to improve significantly civil service training and development programs and facilities. Establishment of an efficient, effective border crossings administration will also require significant development expenditure.

Public financial management

Strengthening of audit and oversight capacity will be a major focus of development expenditure over the next three years. The Financial and Administrative Control Bureau will be strengthened to fulfil its role as an independent external audit agency, in line with standards set by the International Organization of Supreme Audit Institutions, and government internal audit will be upgraded and decentralized. Modest levels of development expenditure will also be targeted at completing the roll-out and enhancement of the government accounting system. Another area which will require substantial investment, amounting to US\$ 18 million over the next three years, is the establishment of large fuel storage facilities in order to replace existing arrangements with Israel.

Public information and media

Significant investment is required to raise the technical and professional capacity and standards of public broadcasting. The anticipated total cost of expenditure, primarily on hardware, is estimated at US\$ 12 million over the next three years. The independent media sector also requires financial support, particularly in the area of professional development and training.

Government statistics and research

The Palestinian Central Bureau of Statistics (PCBS) has played a critical role in compiling, analyzing and publishing socio-economic data that has informed public policy administration, and will be relied on extensively to support the government's new monitoring and evaluation system. As the State of Palestine



is established, PCBS's scope of work is expected to increase significantly as freedom of movement and access to sources of information expands. Accordingly, significant development expenditure has been allocated to the sector, averaging US\$ 5 million per annum over the next 3 years.

Land management

Development expenditure totalling US\$ 22 million over the next 3 years has been provided to enable the Land Authority to complete ongoing land registration and settlement programs, as well as to fund further programs to handle the anticipated surge in its activities in the wake of the withdrawal of the occupation regime.

4.2.2 Social

Table 4.2.2 summarizes the allocation of planned development expenditure to *national sectors* within the Social *major sector*.

Table 4.2.2: Planned Development Expenditure in the Social Sector

National Sector	2011		2012		2013	
	US\$ '000	%	US\$ '000	%	US\$ '000	%
Pre-School & General Education	56,400	40%	111,300	39%	164,800	43%
Higher Education	2,500	2%	4,200	1%	4,700	1%
TVET	2,500	2%	4,600	2%	5,700	1%
Health	36,000	25%	73,200	26%	96,000	25%
Social Protection & Empowerment	21,200	15%	40,300	14%	51,600	13%
Gender Equality	2,500	2%	6,300	2%	5,800	2%
Youth & Sports	19,300	13%	40,200	14%	53,600	14%
Culture & Heritage	2,200	1%	3,100	1%	2,500	1%
Total	142,600	100%	283,200	100%	384,700	100%

A breakdown of the planned expenditure in each national sector, classified according to thematic areas of intervention, is provided in Annex 1. The remainder of this section provides an overview of the main programs, projects and activities which have significant development expenditure implications. It is important to note that, particularly in relation to major initiatives and projects, total expenditure required to complete implementation is expected to stretch beyond the three-year time frame of the NDP. Therefore, development



expenditure forecasts cited below do not necessarily represent the total cost of implementation; they represent the expected expenditure over the next three years.

Pre-school and general education

Planned development expenditure in the pre-school and general education sector represents just under 41% of the total for the social sector, amounting to US\$ 332 million over the next 3 years. Three quarters of this expenditure is earmarked to fund ongoing and new initiatives to upgrade school infrastructure, both to accommodate natural growth in the student population and to raise the standard of the classroom and school environment. This is a critical investment in the future of Palestine as we work to ensure a cohesive society and build a knowledge-based economy. It represents a key element of our preparation for statehood as we work to ensure that our education system is capable of taking on additional responsibilities, including schools in East Jerusalem.

Improving the quality of school and pre-school education will also be a high priority, necessitating significant investments in the training and development of teachers, upgrading the curriculum and examinations system in line with best practices, and making more and better use of technology in the delivery and administration of education.

Higher education

Key priorities in the sector are to ensure all young adults are given the opportunity to advance to higher education, to encourage higher levels of enrolment in science and medicine disciplines, and to raise the standard of academic research. A national fund for academic research, along with basic infrastructure and equipment to facilitate research and cooperation with academic institutions overseas, will require investment of around US\$ 9 million. Modest levels of development expenditure will also be required to fund institutional reform in the sector, including the strengthening of the legislative framework and engagement with the private sector in developing and implementing higher education policy in line with emerging labor market needs.

Technical and vocational education and training (TVET)

Strengthening the provision of TVET is a high priority as part of the overall strategy to develop a knowledge-based economy, develop human capital to meet labor market needs, and tackle youth unemployment. A significant investment in TVET infrastructure, amounting to more than US\$ 8 million over the next 3 years, is needed to provide adequate educational and training facilities and workshops across Palestine. Modest investments will also be made to reform and develop the TVET curriculum, including the addition of new specializations, and to develop the skills of TVET educators and trainers.



Health

Whilst we plan to continue to upgrade primary healthcare services, primarily through a planned investment in clinic construction and renovation of US\$ 28 million, the bulk of planned development expenditure in the health sector over the coming years is devoted to expanding and upgrading secondary and tertiary healthcare. Significant investment in constructing and equipping existing and new hospitals, amounting to US\$ 90 million over the next 3 years, is aimed at ensuring our citizens get the medical treatment they need in their home country. Training and developing healthcare professionals is also a major priority in order to raise the range and quality of health services in Palestine. The establishment of the Al Najah University Educational Hospital is a key component of our strategy to raise the capacity of our medical profession.

Social protection and empowerment

The primary focus of planned development expenditure will be the economic empowerment of poor households in order to reduce the long-term cost of the social safety net. Our plans include expenditure of US\$ 56 million over the next 3 years, primarily in the form of small loans, to help poor households establish their own sources of income.

Significant investment, amounting to US\$ 37 million, is also planned to transform the range and quality of services for those with special needs, ranging from the moderately to severely disabled. There is also a range of planned initiatives, amounting to US\$ 18million, to provide shelter and specialized assistance to vulnerable women, children, senior citizens, prisoners and released prisoners.

Gender equality

The Ministry of Women's Affairs is spearheading a complex and comprehensive effort to ensure that our legal framework and our administration of public policy genuinely enable the national effort to attain gender equality. Total planned development expenditure of US\$ 16 million over the next three years will enable the roll out of Women's Network Centers (*Tawasul*) to serve communities throughout Palestine, as well as to provide technical assistance to support legal and institutional reform.

Youth and sports

The next 3 years will witness a major investment in infrastructure to provide recreational and targeted developmental opportunities for the young people of Palestine. Total expenditure of US\$ 100 million is planned to ensure that our youth enjoy equitable access to a range of recreational facilities and youth centers.

Substantial investments are also planned to fund civic education and help develop the future leaders of our society, bringing the total planned investment in this sector to US\$ 113 million over the next 3 years.



Culture and heritage

Investment in preserving our heritage and culture, totalling US\$ 8 million over the next 3 years, will play a key role in instilling a strong sense of national identity, as well as positive values of openness and tolerance. It will also, over time, have a positive and increasing economic impact as museums, heritage sites and cultural events promote domestic and international tourism and small businesses receive assistance to export traditional arts and crafts products.

4.2.3 Economy

Table 4.2.3 summarizes the allocation of planned development expenditure to national sectors within the Economy major sector.

Table 4.2.3: Planned Development Expenditure in the Economy Sector

National Sector	2011		2012		2013	
	US\$ '000	%	US\$ '000	%	US\$ '000	%
Industrial Modernization & Business Promotion	19,300	27%	39,100	29%	56,900	30%
Foreign Trade & Investment	2,300	3%	3,200	2%	3,200	2%
Consumer Protection	1,500	1%	900	1%	800	0%
Employment & Worker Protection	5,000	7%	8,700	6%	17,300	9%
Agriculture & Rural Development	34,200	46%	60,700	45%	83,000	43%
Telecommunications & IT	2,800	4%	5,200	4%	7,900	4%
Tourism & Antiquities	8,700	12%	17,500	13%	22,900	12%
Total	73,800	100%	135,300	100%	192,000	100%

A breakdown of the planned expenditure in each national sector, classified according to thematic areas of intervention, is provided in Annex 1. The remainder of this section provides an overview of the main programs, projects and activities which have significant development expenditure implications. It is important to note that, particularly in relation to major initiatives and projects, total expenditure required to complete implementation is expected to stretch beyond the three-year time frame of the NDP. Therefore, development expenditure forecasts cited below do not necessarily represent the total cost of implementation; they represent the expected expenditure over the next three years.



Industrial modernization and business promotion

Investment in industrial parks and enterprise zones, amounting to US\$ 112 million over the next 3 years, accounts for the majority (87%) of planned expenditure in this national sector. The largest single investment will establish the Jericho agro-industrial park, as the lifting of the occupation finally allows this long-postponed project to proceed. Large projects are also planned in other areas throughout the Gaza Strip and the West Bank.

Significant investments in business promotion initiatives, including the annual Palestine Investment Conference, aim to attract domestic and international private sector investment. Programs to assist Palestinian businesses in ensuring that their products and services meet appropriate standards and specifications are also planned.

Foreign trade and investment

A modest level of development expenditure is planned to fund foreign trade and investment promotion programs aimed at opening up new markets to Palestine's private sector and establishing trade facilities.

Consumer protection

Initiatives to strengthen consumer protection institutions will be funded primarily from the recurrent budget, but planned development expenditure includes a small provision for technical assistance to establish and enforce codes and regulations that are aligned with international standards.

Employment and worker protection

The majority of development expenditure allocated to this sector, totalling US\$ 31 million, will be aimed at investing in vocational training facilities and employment centers that help the unemployed find productive work. There will also be significant investment ensuring health and safety in the workplace and combating child labor.

Agricultural and rural development

Development expenditure amounting to US\$ 178 million over the next 3 years reflects the Government's commitment to agricultural development as a key driver of economic growth and major contributor to food security. A large proportion of the investment will be devoted to effective management of agricultural inputs, including land and water, and programs to enhance plant and livestock productivity. Significant investment will also be made in providing marketing, export promotion and financial services to farmers and agro-industrial businesses.

Investment in agriculture and rural development will also include dedicated programs to generate employment and increase food security for previously marginalized communities and for workers previously employed in Israeli settlements.



Telecommunications and IT

Public investment totalling US\$ 16 million will focus on institutional reforms, including the establishment of a capable regulatory body which promotes competition and high service standards in a critical sector of the national economy. Initiatives will also be implemented to improve public service delivery through a comprehensive e-government program and through establishment of a national postal service.

Tourism and antiquities

Development expenditure of US\$ 49 million is planned for the next 3 years, focusing primarily on investments to rehabilitate and preserve national heritage sites and other areas of interest to domestic and international tourists. These include large investments in Hisham's Palace and the Tal Al Sultan archaeological park in Jericho.

Development programs to strengthen private sector capacity in this sector are also provided for, in the sum of US\$ 16 million. These include the establishment of a Tourism Promotion Board and tourism information centers at major sites across Palestine.

4.2.4 Infrastructure

Table 4.2.4 summarizes the allocation of planned development expenditure to national sectors within the Infrastructure major sector.

Table 4.2.4: Planned Development Expenditure in the Infrastructure Sector

National Sector	2011		2012		2013	
	US\$ '000	%	US\$ '000	%	US\$ '000	%
Energy Security	23,100	16%	27,500	11%	34,700	11%
Environment & Natural Resources	4,700	3%	8,900	4%	10,200	3%
Solid Waste Management	11,200	8%	13,400	5%	15,000	5%
Housing	23,200	16%	34,200	14%	35,500	11%
Transportation Networks	26,100	18%	61,200	25%	78,100	25%
International Gateways	5,700	4%	31,600	13%	52,600	17%
Water Management	33,400	23%	46,300	19%	53,900	17%
Wastewater Management	15,300	11%	25,300	10%	31,300	10%
Total	142,700	100%	248,400	100%	311,300	100%



A breakdown of the planned expenditure in each national sector, classified according to thematic areas of intervention, is provided in Annex 1. The remainder of this section provides an overview of the main programs, projects and activities which have significant development expenditure implications. It is important to note that, particularly in relation to major initiatives and projects, total expenditure required to complete implementation is expected to stretch beyond the three-year time frame of the NDP. Therefore, development expenditure forecasts cited below do not necessarily represent the total cost of implementation; they represent the expected expenditure over the next three years.

Energy security

The majority of planned development expenditure in the energy sector, totalling US\$ 85 million over the next 3 years, is earmarked for the completion of an integrated, national electricity distribution system. The largest single project will be to construct four 33/161kV transmission stations at a total estimated cost of US\$ 47 million. Regional connectivity to Egypt and Jordan will also require significant investment over the coming years, as well as the development of new energy sources, including a solar power station in Jericho. Institutional reform efforts will focus on commercialization through the regional electricity distribution companies, supervised by an electricity sector regulatory body.

Environment and natural resources

A total investment of US\$ 24 million is planned for the next 3 years. This represents a major step-up in development expenditure in the environment sector. The bulk of the planned expenditure will be dedicated to strengthening technical capacity in planning, surveying, monitoring and enforcing environmental protection policy. Substantial funding, totalling US\$ 3 million, has been allocated to fund public awareness programs, spearheaded by a new environmental information center.

Solid waste management

The majority of investment, averaging more than US\$ 13 million per annum, in solid waste management will be directed towards basic infrastructure, including the preparation of new sanitary landfills, waste collection and processing equipment, and specialized facilities to treat hazardous waste. US\$ 2 million will also be invested over the next 3 years to fund institutional reform and public awareness campaigns.

Housing

Significant investment, totalling US\$ 93 million, is planned over the next three years. Public investment in the housing sector will provide infrastructure to new private and public housing projects, as well as construction of affordable housing and provision of low-cost loans for lower-income families. In addition, US\$ 8 million has been provided for the reconstruction and rehabilitation of damaged homes.³⁵

³⁵ This excludes financing for reconstruction of homes in Gaza, which will be funded through the *Palestinian National Early Recovery and Reconstruction Plan for Gaza*.



Transportation networks

Public investment in transportation will be focused primarily on rehabilitating, maintaining and extending the road network, with planned development expenditure of US\$ 165 million over the next 3 years. This will include investment to establish a territorial link between the West Bank and the Gaza Strip, as well as the 'M40' project to connect our road system to the regional road network. Work will also begin on the establishment of a national rail network and on wider development of a public transportation system.

International gateways

A total investment of US\$ 90 million over the next 3 years is planned to establish international transportation gateways to connect Palestine to the rest of the world, including expenditure of US\$ 50 million to rebuild Gaza International Airport and begin construction of Palestine International Airport in AL-Buqei'a area in Jerusalem governorate, and US\$ 42 million on commercial and fishing ports in the Gaza Strip.

Water management

The planned investment of US\$ 134 million over the next 3 years encompasses a wide range of initiatives to create a national and regionally-connected water distribution network, establish new water sources, and ensure the financial viability of water services, under the governance of a strong regulatory body. This includes significant investment, totalling US\$ 37 million, to fund large scale projects to establish national and regional water carriers, large dams, and the Jordan Valley canal. Also included are major projects to begin building desalination plants in the Gaza Strip and Al Fashka, involving total development expenditure of US\$ 13 million during the next 3 years.

Wastewater management

An investment of US\$ 72 million in the wastewater management sector will be deployed to build a comprehensive sanitation system throughout Palestine, as well as to establish treatment facilities that will enable the re-use of wastewater for agricultural purposes. Institutional reforms are also planned to ensure effective governance of a comprehensive national system of wastewater management.



5. Public Accountability

The publication in 2007 of the PRDP 2008-10, and the subsequent publication in 2009 of the Program of the 13th Government, represented significant steps forward in terms of government accountability. These documents, which were widely circulated and publicized through the local media and government web sites, present a comprehensive picture of the national policy agenda and commit the Government to specific, measurable objectives and results.

Since 2007, the national budgeting process has been progressively enhanced to establish clear linkages between public expenditure and national policy objectives. As a consequence, the allocation of government revenues and external aid is increasingly being driven by national policy priorities. Furthermore, the Ministry of Finance now publishes government revenue and expenditure reports and, for the first time, has prepared and published the annual Government Accounts for 2008.

We take seriously our responsibility to ensure that public resources are invested wisely to deliver quality public services, positive socio-economic outcomes and good governance for citizens. During 2009 and 2010, in parallel with the preparation of the National Development Plan (NDP) 2011-13, and as part of its overall institutional reform agenda, the Government has been implementing a strategy to further strengthen public accountability to citizens. This strategy, which aims at extending recent achievements in improving financial accountability more broadly into other areas of public interest, comprises four main elements:

- Transparency.
- Performance.
- Partnership.
- Oversight.

5.1 Transparency

National policy and planning processes are being increasingly exposed to public scrutiny. As noted above, both the PRDP and the two-year Program of the 13th Government have been widely circulated and subject of vigorous public debate. In August 2010, the Government published a mid-term review of the two-year Program of the 13th Government, setting out explicit commitments to further strengthen public institutions and improve services during its final year. Through these measures, public policy priorities have been made clearer than ever before and citizens are better informed as to the results they can expect the public sector to deliver.

This trend towards greater transparency of public policy formulation and implementation has been reinforced



through continued reform of national planning and budgeting processes. With the launch of the NDP 2011-13, the Government is committing to ensuring public access to information in relation to national policies, development plans and budgets.

Table 5.1 provides a summary of the key documents that will be produced over the coming three years through the national policy-making, planning and budgeting cycle, highlighting those documents which will be made publicly available.

Table 5.1: Key policy, planning and budget documents

Year	Document
Publicly available documents are highlighted in bold text.	
2010	2008-09 Annual PRDP Monitoring Reports
	2011-13 National Development Plan
	2011-13 Sector Strategies
	2011-13 Budget Circular
	2011 State Budget
2011	2010 Annual PRDP Monitoring Report
	2008-10 PRDP Evaluation Report
	2012-14 NDP Update & Budget Strategy
	2012-14 Budget Circular
	2012 State Budget
2012	2011 Annual NDP Monitoring Report
	2013-15 NDP Update & Budget Strategy
	2013-15 Budget Circular
	2013 State Budget
2013	2012 Annual NDP Monitoring Report
	2014-16 Palestinian National Plan
	2014-16 Sector Strategies
	2014-16 Budget Circular
	2014 State Budget
2014	2013 Annual NDP Monitoring Report
	2011-13 NDP Evaluation Report
	2015-17 NDP Update & Budget Strategy
	2015-17 Budget Circular
	2015 State Budget



The Government has raised significantly the transparency of public finances through the publication of monthly financial statements on the Ministry of Finance's website and through preparation of the Government Accounts for 2008. The audited 2008 Government Accounts have now been published, and accounts for 2009 have been completed and will be published, once audited, during 2011.

In addition to these national-level initiatives to improve the transparency of public policy and expenditure, the Government is also working to strengthen transparency and public outreach at the sector level. For example, justice sector institutions are conducting monthly meetings with non-governmental organizations to discuss transparency and human rights issues, and are working with media organizations to facilitate their ability to observe and report on court proceedings. In the security sector, a senior spokesperson has been appointed to improve the quality and comprehensiveness of Government's communication with citizens on public safety and security issues.

5.2 Performance

The policy agenda laid out in Chapter 3 of this document sets specific and measurable targets to be achieved by the end of 2013. The Government recognizes the need to ensure that appropriate processes and systems are in place to evaluate and report publicly on progress towards these targets and thereby to assess objectively the performance of the public sector in implementing the national policy agenda. This is a critical element of the Government's commitment to provide citizens with a clear, detailed picture of how effectively national resources are being deployed to improve public services across all sectors.

In 2009, the Council of Ministers approved the establishment of the Directorate of Monitoring and Evaluation within the Ministry of Planning and Administrative Development (MoPAD) to coordinate the implementation of a comprehensive system for monitoring and evaluation performance of the Government ministries and agencies in relation to the implementation of national plans (see Box 5.1). In developing this system, it is important to note that the Government is not starting from scratch. The Palestinian Central Bureau of Statistics (PCBS) already has well-established systems and processes in place to gather and report a wide range of socio-economic data. Furthermore, various Government ministries have developed their own internal systems to track performance against key performance indicators. For example, both the Ministry of Health and the Ministry of Education and Higher Education have established mechanisms to monitor and evaluate progress towards achievement of the Millennium Development Goals (MDGs). These mechanisms have played a significant part in ensuring that public health and education policy are focused on achieving improvements in public service delivery in key areas such as universal maternal healthcare and access to basic education.



Box 5.1: Building government performance monitoring and evaluation mechanisms

The Council of Ministers has tasked the Directorate of Monitoring and Evaluation (DME) to coordinate the development of a comprehensive, government-wide M&E framework to track and report regularly on progress in implementing the NDP and subsequent national plans.

The DME is working with a core group of six Government bodies to develop the M&E framework, along with operational processes and systems, to gather and report all necessary M&E data. This core group comprises the Ministries of Education and Higher Education, Health, Telecommunications, and Agriculture, and the Palestinian Energy Authority and Palestinian Central Bureau of Statistics.

The DME is also responsible for coordinating the strengthening of M&E capacity in all government bodies. Efforts will focus initially on a core group of institutions; by the end of 2013, M&E units will be fully operational in all ministries.

In 2011, the DME will prepare a PRDP 2008-10 Evaluation Report which will provide a comprehensive assessment of the Government's performance in achieving the policy objectives and targets laid out in the PRDP.

Beginning in 2012, the DME will submit quarterly reports to the Council of Ministers providing an assessment of progress towards national and sector-level targets. For 2011 and each subsequent year, the DME will prepare an Annual NDP Monitoring Report to be released early in the following year. This report, which will be available to the public, will provide an assessment of the Government's performance in meeting national targets.

5.3 Partnership

In formulating the NDP, the Government facilitated extensive consultations regarding public policy priorities with a wide range of stakeholders. By the end of the process, more than 240 consultation events were attended by over 2,000 participants, including 1,300 representatives from NGOs and civil society organizations, 143 from Palestine's private sector, 45 from local government bodies, and 172 from international organizations. This is by far the most extensive public policy consultation exercise ever conducted in Palestine. Over the coming three years, the Government plans to expand its public consultation efforts to include evaluation of the public sector's performance in implementing the NDP. For example, non-governmental stakeholders will be invited to participate in the process of preparing Annual NDP Monitoring Reports in order to ensure that independent perspectives are taken into account.

Strengthening partnerships with local communities is a critical element of the Government's efforts to be more accountable to citizens and more responsive to their needs. The success of the Government's program of Community-Based Projects has demonstrated the power of engaging at the local level to address high priority infrastructure development and service delivery needs. The PRDP 2008-10 and the Program of the 13th Government included a commitment to bring government closer to the people through a process of phased decentralization. To reinforce this commitment, the Government is overseeing ongoing reforms to consolidate democratic processes at the local government level. Local communities will be further encouraged to participate more actively in various areas of public policy, including the formulation of



local government expenditure plans and urban and rural planning.

In addition to working more closely with civil society organizations and local communities, the Government is committed to closer partnership with the private sector. There are many areas in which private investment can play a major role in improving the quality of basic services and partnering with the public sector to deliver these services. For example, the NDP envisages major investments in national infrastructure networks that will significantly improve public transportation and utilities services, including water and electricity. Private sector investment in the construction and operation of these networks will reduce the level of public expenditure needed to implement these improvements and, consequently, relieve upward pressure on the budget deficit and external aid requirements. The resulting fiscal stability and reduced reliance on foreign aid will be critical to ensuring more efficient and effective government performance in delivering national policy priorities.

5.4 Oversight

The Government is determined to fortify efforts to improve the performance of the public sector, to improve regulation and consumer protection, and to tackle corruption in both the public and private sectors. The Program of the 13th Government included a commitment to strengthen investigation and enforcement bodies and encourage greater engagement with civil society and non-governmental organizations in the fight against corruption. The Government Program also highlighted the strengthening of government regulatory bodies and consumer protection institutions as a high priority in order to ensure affordability and safety of services and products provided by the public and private sectors.

Independent public oversight bodies, such as the Financial and Administrative Control Bureau (FACB) and the newly-formed Anti-Corruption Agency, will play a key role in holding the government to account and ensuring that the private sector meets its related legal obligations. The Program of the 13th Government included specific policy measures to strengthen these institutions and give them greater authority and powers to assess independently and report publicly on matters related to government performance and other issues in the public interest, including corruption.

The Government is taking steps to establish and strengthen the regulatory bodies responsible for oversight of services critical to the public interest, including the Telecommunications Regulatory Commission and the Electricity Regulatory Council. Strengthening consumer protection bodies is also a high priority, starting with the rejuvenation of the Consumer Protection Council to increase its capacity and authority to tackle unfair and unsafe practices in the provision of goods and services to the general public.

The Government will continue to encourage more robust oversight of government performance by the civil society and non-governmental organizations. These efforts will focus on key areas where civil society and non-governmental organizations are already well-established, such as citizens' rights and anti-corruption, as well as those areas which have received less attention, such as financial accountability and public service delivery.



Annex

Development Expenditure Plan

Annex 1: Development Expenditure Plan - Governance Sector

National sector	Intervention	Expenditure (US\$ '000)		
		2011	2012	2013
Justice	Institutional reform - Judiciary, public prosecution, MoJ	3,000	1,800	1,800
	Legislative framework modernization	900	1,800	1,600
	Development of the legal profession	300	300	300
	Infrastructure - courts, public prosecution, arbitration	7,400	21,100	26,300
	Public awareness & legal aid	600	1,600	1,800
	Human right institutions strengthening	800	100	100
	Develop forensic sciences capacity	1,400	2,600	3,900
	Government buildings	1,400	300	300
	Total	15,800	29,600	36,100
Security		2011	2012	2013
	Training and development	7,500	6,600	6,600
	Operations and logistics	5,600	7,900	7,900
	<i>Muqata'at</i> construction in the governorates	7,500	10,500	3,400
	Border security agencies	2,800	2,000	1,300
	Civil defense and civil affairs	8,500	7,900	5,300
	Correctional and rehabilitation centers	3,800	5,300	5,300
	Government buildings	25,400	45,400	55,800
	Total	61,100	85,600	85,600



		2011	2012	2013
International relations	Institutional reform	5,600	5,300	3,900
	Government buildings	1,900	2,600	1,600
	Total	7,500	7,900	5,500
		2011	2012	2013
Local governance & administration	Institutional reform, including consolidation of LGUs	9,400	14,500	18,400
	Public participation in local government	900	800	800
	Municipal infrastructure, equipment & administrative systems	16,000	22,400	13,900
	Government buildings	500	1,300	1,300
	Total	26,800	39,000	34,400
		2011	2012	2013
Administrative development	Institutional reform - center of government institutions	2,800	5,300	5,800
	Civil service training and development	1,900	2,000	700
	Strengthening public accountability and oversight	1,900	700	0
	Border crossing administration	2,800	7,900	7,900
	Total	9,400	15,900	14,400
		2011	2012	2013
Public financial management	Institutional reform - financial management process/systems	1,900	2,600	2,100
	Financial sector professional development	400	400	300
	Revenue administration at border crossings	200	300	0
	Government buildings	1,100	500	0
	Fuel storage installations	4,700	5,300	5,300
	Total	8,300	9,100	7,700



		2011	2012	2013
Public information & media	Strengthening public broadcast media	1,900	3,900	5,300
	Public education	700	900	900
	Development of the media profession	900	2,000	2,600
	International affairs and diplomacy	400	500	300
	Total	3,900	7,300	9,100
		2011	2012	2013
Government statistics & research	Institutional reform	1,300	1,800	2,500
	Censuses	800	300	700
	Compilation and dissemination of government statistics	1,900	2,600	2,600
	Total	4,000	4,700	5,800
		2011	2012	2013
Land management	Institutional reform	1,100	1,800	1,800
	Land registration	1,100	1,600	2,600
	Land settlement	2,800	3,900	3,900
	Government buildings	400	500	500
	Total	5,400	7,800	8,800
Governance Sector Total		142,200	206,900	207,400



Annex 1: Development Expenditure Plan - Social Sector

National sector	Intervention	Expenditure (US\$ '000)		
		2011	2012	2013
Pre-school & general education	Institutional reform	1,900	4,200	6,600
	Professional development of teachers	6,000	13,200	17,900
	Curriculum development and civic education	3,800	8,400	11,100
	School building and renovation	42,500	82,900	126,600
	Using IT in schools	900	800	800
	Child health in schools	1,100	1,800	1,800
	Government buildings	200	0	0
	Total	56,400	111,300	164,800
		2011	2012	2013
Higher education	Institutional reform	900	1,300	500
	Promoting research in science and technology	1,400	2,600	3,900
	Special needs	200	300	300
	Total	2,500	4,200	4,700
		2011	2012	2013
Technical/ vocational education & training	Creating incentives to enter TVET	100	300	500
	Developing the TVET curriculum	100	300	300
	Professional development of TVET educators	200	100	0
	Using IT in TVET	200	500	500
	TVET infrastructure	1,100	2,600	3,900
	Government buildings	800	800	500
	Total	2,500	4,600	5,700



		2011	2012	2013
Health	Institutional reform	5,600	10,500	10,500
	Professional development	3,400	8,400	15,800
	Clinic construction and renovation	8,500	9,200	6,600
	Hospital construction and renovation	12,200	30,300	42,100
	Health insurance system	1,900	5,800	6,300
	Public health awareness and education	1,100	2,100	2,600
	Combatting chronic diseases	1,400	1,600	1,600
	Government buildings	1,900	5,300	10,500
	Total	36,000	73,200	96,000
		2011	2012	2013
Social protection & empowerment	Institutional reform	900	1,300	1,300
	Economic empowerment of poor households	11,300	18,400	21,100
	Children	2,300	3,700	4,200
	Women	300	800	800
	Senior citizens	800	1,100	1,700
	Special needs	3,800	11,800	19,700
	Rehabilitation of ex-detainees	500	400	0
	Combatting narcotics	500	700	700
	Government buildings	800	2,100	2,100
	Total	21,200	40,300	51,600
		2011	2012	2013
Gender equality	Institutional reform - gender sensitive policy administration	800	800	800
	Empowering women and their rights	900	1,600	2,100
	Government buildings	800	3,900	2,900
	Total	2,500	6,300	5,800



		2011	2012	2013
Youth & sports	Institutional reform	200	300	300
	Developing youth of the future	1,100	2,900	2,900
	Civic education, dialog and tolerance (participation)	1,100	2,600	2,600
	Facilities (playgrounds, swimming pools and stadia)	7,200	19,200	23,200
	Youth centers and multi-purpose facilities	6,600	10,500	19,700
	Youth institutions and clubs	1,700	2,600	2,600
	Female participation in youth and sports events	200	500	700
	Youth health	400	500	500
	Government buildings	800	1,100	1,100
	Total	19,300	40,200	53,600
		2011	2012	2013
Culture & heritage	Developing cultural centers, museums and archives	900	1,100	500
	Promoting Palestinian arts and crafts	400	800	800
	Cultural education and exchange	100	100	100
	Preserving the Islamic <i>Waqf</i>	800	1,100	1,100
	Total	2,200	3,100	2,500

Social Sector Total	142,600	283,200	384,700
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Annex 1: Development Expenditure Plan - Economy Sector

National sector	Intervention	Expenditure (US\$ '000)		
		2011	2012	2013
Industrial modernization & business promotion	Institutional reform	400	700	1,100
	Industrial parks	15,500	34,200	52,600
	Product quality standards and specifications	1,900	2,600	1,300
	Private sector investment promotion	1,500	2,400	2,600
	Total	19,300	39,900	57,600
		2011	2012	2013
Foreign trade & investment	Trade promotion	2,300	3,200	3,200
	Total	2,300	3,200	3,200
		2011	2012	2013
Consumer protection	Institutional reform	400	400	400
	Inspection and enforcement of quality standards	1,000	400	300
	Public awareness	100	100	100
	Total	1,500	900	800
		2011	2012	2013
Employment & worker protection	Institutional reform	400	700	1,200
	Vocational training and employment centers	3,800	6,600	14,500
	Health and safety in the workplace	600	1,100	1,300
	Empowering cooperatives and trade unions	200	300	300
	Total	5,000	8,700	17,300



		2011	2012	2013
Agriculture & rural development	Institutional reform	400	800	1,300
	Plant and livestock health and productivity	5,600	10,500	15,800
	Land reclamation, rehabilitation and forestation	9,400	13,200	13,200
	Irrigation and water resources management	7,500	13,900	21,100
	Agricultural product marketing and export promotion	5,600	10,500	15,800
	Agricultural insurance, micro-financing & legal services	3,800	7,900	10,500
	Support to marginalized communities & settlement workers	1,900	3,900	5,300
	Total	34,200	60,700	83,000
		2011	2012	2013
Telecomms& IT	Establish the telecommunications regulatory body	600	1,100	1,300
	Establish comprehensive post office services	900	1,800	2,600
	E-Government	900	1,800	3,700
	Government buildings	400	500	300
	Total	2,800	5,200	7,900
		2011	2012	2013
Tourism & antiquities	Institutional reform	300	400	500
	Promotion of tourism & private sector development	1,900	5,300	7,900
	Rehabilitation and conservation of heritage sites	5,600	10,500	13,200
	Developing museums	900	1,300	1,300
	Total	8,700	17,500	22,900
Economy Sector Total		73,800	135,300	192,000



Annex 1: Development Expenditure Plan - Infrastructure Sector

National sector	Intervention	Expenditure (US\$ '000)		
		2011	2012	2013
Energy security	Institutional reform – commercialization/ regulation/regional coop.	3,800	5,300	5,300
	Rehabilitation & development of the electricity distribution system	16,000	11,800	11,800
	Rural electrification and provision of energy sources for businesses	1,500	1,800	1,800
	Connectivity to regional electricity sources (e.g., Jordan, Egypt)	900	6,600	13,200
	Developing new energy sources	900	2,000	2,600
	Total	23,100	27,500	34,700
		2011	2012	2013
Environment & natural resources	Institutional reform – legislative framework and regulatory capacity	600	800	800
	National environmental planning	400	1,300	2,200
	Environmental survey, monitoring and enforcement	2,300	3,200	3,200
	Environmental rehabilitation	900	2,400	2,400
	Public awareness	500	1,200	1,600
	Total	4,700	8,900	10,200
		2011	2012	2013
Solid waste management	Institutional reform – planning, regulation and public awareness	200	700	900
	Constructing landfills	2,300	3,200	5,300
	Waste management equipment and infrastructure	6,600	6,600	5,300
	Hazardous material treatment	1,900	2,600	3,400
	Closure and rehabilitation of unofficial dump sites	200	300	100
	Total	11,200	13,400	15,000



		2011	2012	2013
Housing	Institutional reform – legal framework/regulatory capacity	600	1,300	1,300
	Restoration of damaged and demolished homes	1,900	2,600	2,600
	Affordable housing – new building projects & financial support	3,800	6,600	7,900
	Infrastructure to serve new residential areas	16,900	23,700	23,700
	Total	23,200	34,200	35,500
		2011	2012	2013
Transportation networks	Constructing and rehabilitating national road network	24,500	34,500	35,300
	Road planning, regulation & safety	100	100	300
	Public transportation system – establish & develop	100	100	300
	Rail system	900	5,300	5,300
	Gaza-West Bank corridor	400	21,100	36,800
	Regional road linkages	100	100	100
	Total	26,100	61,200	78,100
		2011	2012	2013
International gateways	Airport construction	3,800	18,400	26,300
	Seaport construction	1,900	13,200	26,300
	Total	5,700	31,600	52,600



National sector	Intervention	Expenditure (US\$ '000)		
		2011	2012	2013
Water management	Institutional reform – commercialization/regulation/regional coop.	500	1,300	2,600
	Water quality survey and monitoring	800	800	800
	Network rehabilitation and development	14,100	15,300	15,000
	Network extension to serve isolated communities	3,200	5,800	3,200
	Establishing a national carrier and large dams	8,500	11,800	13,200
	Well drilling and rehabilitation	5,400	10,000	8,600
	Constructing desalination plants	900	1,300	10,500
	Total	33,400	46,300	53,900
Wastewater management		2011	2012	2013
	Institutional reform	600	800	1,100
	Establishing national sewage networks & treatment plants	13,200	22,400	26,300
	Systems for the re-use of wastewater	1,500	2,100	3,900
	Total	15,300	25,300	31,300
Infrastructure Sector Total		142,700	248,400	311,300



