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OCCUPIED PALESTINIAN TERRITORY

**ENABLING PALESTINIAN STATE-BUILDING – FOUNDATIONS FOR PEACE**

**Ad Hoc Liaison Committee Meeting  
New York, 21 September 2010**

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## ACRONYMS

AHLC	Ad Hoc Liaison Committee
ASYCUDA	Automated System for Customs Data
CAP	Consolidated Appeal Process
CDTP	Commission for Developing Teach Professionals
CPA	Crossing Points Authority
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GOI	Government of Israel
HRF	Humanitarian Relief Fund
HCJ	High Court of Justice
ICA	Israeli Civil Administration
IDF	Israel Defence Force
ILO	International Labour Organization
IMF	International Monetary Fund
IT	Information Technology
MOA	Ministry of Agriculture
MOEHE	Ministry of Education and Higher Education
MOFA	Ministry of Foreign Affairs
MOH	Ministry of Health
MOPAD	Ministry of Planning and Administrative Development
MOSA	Ministry of Social Affairs
MT	Metric Tonne
MTRP	Medium-Term Response Plan
MYR	Mid-Year Review
NM	Nautical Mile
OCHA	Office for the Coordination of Humanitarian Affairs
oPt	Occupied Palestinian Territory
PA	Palestinian Authority
PLO	Palestinian Liberation Organisation
PNP	Palestinian National Plan
PRDP	Palestinian Reform and Development Plan
SEFSec	Socio-economic and Food Security
UNCT	United Nations Country Team
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Program
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office for Project Services
UNSCO	Office of the United Nations Special Coordinator for the Middle East Peace Process
UNRWA	United Nations Relief and Works Agency for Palestinian Refugees
VAT	Value Added Tax
VAW	Violence Against Women
WB	World Bank
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation

## **EXECUTIVE SUMMARY**

The Palestinian Authority's *Programme of the 13<sup>th</sup> Government* (hereafter the Government Programme) and the recently published, *Homestretch to Freedom*, (hereafter *Homestretch*) outline the goals, priorities and activities of the Palestinian Authority (PA), that support the establishment of a viable Palestinian state. The Ad Hoc Liaison Committee (AHLC) expressed support for the Government Programme in September 2009, which was reaffirmed in the AHLC Chair's Summary in April 2010. This report provides a summary of how the Government Programme can be further enabled and facilitated during the final year of its purview, in support of the priorities outlined in the *Homestretch* document.

As the efforts to strengthen the foundations of the future Palestinian state proceed, political negotiations have begun with the goal of achieving a final status agreement within a year's time. These tracks complement and reinforce each other but each deserves international support and encouragement in its own right.

The international community's support for Palestinian state-building efforts over the coming period is critical. In this regard, this report is intended to help guide the efforts of AHLC members. Progress in the areas outlined in this report will enable the implementation of the Government Programme, and in so doing, will also help build a positive environment for negotiations.

This report provides an update on the situation on the ground, assesses progress on the key recommendations outlined in the UN's April report to AHLC, and proposes new recommendations that will further enable implementation of the Government Programme. It is therefore divided into four sections: 1) Political and Security Context; 2) PA Planning, Reforms and Economic Development; 3) West Bank Recovery and Development; and 4) Gaza Recovery and Development.

### ***PA Planning, Reforms and Economic Development***

The implementation of the Government Programme has already resulted in a number of achievements, including support for solid economic recovery through donor-funded reform efforts, with real GDP growth of approximately 12 percent in the first quarter of 2010. However, structural constraints to economic growth remain. Though the PA continues to reduce the percentage of GDP funded through external budget support, (from 22 percent in 2009 to 18 percent in 2010) and is implementing a set of key austerity measures to rationalize government spending, it faces a mounting liquidity crisis due to the provision of lower than expected external assistance: **there is an estimated financing gap of approximately US\$0.3bn for the remainder of 2010.**

The PA and the UN have established a joint Trust Fund (oPt Trust Fund) to support UN work across the occupied Palestinian territory (oPt) as a complement to PA activities. The Fund has a joint PA-UN governance structure at both the strategic and project approval levels and will facilitate support to all UN activities across the oPt. In Gaza, for example, the Fund will enable support to critical recovery and reconstruction interventions, ensuring funding is available as future programmes of work are agreed with the PA and Government of Israel (GoI). The Fund will also enable support to important capacity development initiatives and other efforts to further strengthen the structures of a future Palestinian state throughout the oPt.

Ongoing humanitarian needs will continue to be addressed through the Consolidated Appeal Process (CAP), including a number of time sensitive projects to address needs and complement assistance provided by the PA.

- PA austerity measures and reform efforts should be pursued to continue to improve the fiscal situation, as well as the effectiveness and efficiency of institution building efforts.
- Donors should increase their budgetary assistance, ensuring that predictable support is available to meet the PA's recurrent expenditures.
- Donors are encouraged to support UN recovery and development efforts through the PA/UN oPt Trust Fund, including for Gaza, as a complement to efforts implemented directly by the PA. Donors are also encouraged to continue to address humanitarian needs through the Consolidated Appeal ([CAP](#)).

## **WEST BANK**

There have been a number of positive developments in the West Bank, including continued PA reform efforts that support improvements in socio-economic conditions and institution building (see Annex A for a summary of key reforms and recommendations of further measures necessary); these were complemented by easing of restrictions on movement and access by the Israeli authorities. A reduced number of incursions by Israeli Security Forces (ISF) and significant reduction in the number of arrests, were complemented by increased cooperation between the ISF and Palestinian Security Forces (PASF). Stability and continued progress in the West Bank is an important precondition for further development and improved livelihoods. The UN has called for an extension of the Israeli policy of a moratorium on settlement construction in the West Bank, which came into effect in November 2009, and for it to be expanded to cover all settlement activity throughout the oPt, including East Jerusalem.

As discussed below, in areas outside of PA authority, continued constraints on Palestinian access to land and resources undermine development, as do continued demolitions and evictions; protection concerns also persist, related to incidents with Israeli settlers. In this regard, there are important opportunities to build an improved environment.

Pending a detailed border agreement between the parties in the context of a final status agreement that ends the occupation that began in 1967, the facilitation of Palestinian development efforts throughout the occupied Palestinian territory (including East Jerusalem and Area C) should be a shared priority of AHLC members as they seek to lay the basis for a permanent peace.

The section on the West Bank covers one thematic area and two specific geographic regions, which are seen as particularly important for the Government Programme and state-building agenda: 1) movement and access; 2) East Jerusalem; and 3) Area C, with a particular focus on the 'Seam Zone' and the Jordan Valley.

### ***Movement and Access***

Since the AHLC last met, and following important easing measures in the previous reporting period, there has been limited further progress towards enacting the steps that would enable greater movement and access in the West Bank. Citing security concerns, Israel maintains 500 closure obstacles in the West Bank, 50 fewer than in April 2009; however, the overall impact of the reduction of obstacles on improving access has been limited. Further easing would be consistent with improved security cooperation and the existing commitments of the parties, including the 2005 Agreement on Movement and Access (AMA) and the Roadmap.

- Recalling the UN's recommendation to the AHLC in April, **and in the context of continued security cooperation, further and more far-reaching steps to enable greater movement and access are needed. Urgent steps are necessary by the Israeli authorities to improve access to East Jerusalem, the 'Seam Zone' and the Jordan Valley, as well as for the removal of additional closure obstacles blocking key routes into urban centres.**
- **Removal of further Israeli restrictions on access to internal and external markets is also critical to enable private sector growth.**

### ***East Jerusalem***

**There has been relative restraint demonstrated in East Jerusalem through a reduced number of evictions of Palestinians and demolition of Palestinian structures than in previous years.** (in 2009 there were 84 demolitions and self demolitions; there were 30 over the past eight months). However, following a period in which there were no house demolitions or evictions, unilateral actions creating tensions in the city have resumed over the reporting period. Furthermore, since the AHLC last met, there has been little progress regarding efforts to improve the socio-economic situation for Palestinians in East Jerusalem or improve access to services within East Jerusalem. Access to East Jerusalem from the rest of the West Bank remains constrained.

- Recalling the UN recommendations from April, **Israel should re-open closed Palestinian institutions and cease evictions and home demolitions, consistent with its Roadmap commitments.**
- Recalling the UN recommendations from April, **effective planning should be enabled by Israeli authorities to accommodate construction in order to meet Palestinian Jerusalemites' housing needs.**
- Recalling the UN recommendations from April, **increased access for people and goods should be provided between East Jerusalem and the rest of the West Bank by Israeli authorities.**

### ***Area C (Including the Jordan Valley and 'Seam Zone')***

**The situation in Area C outlined in the UN's report to the AHLC in April has not improved and has deteriorated in some areas.** Demolitions of Palestinian homes and structures continue to have a negative impact on households (the number of demolitions increased from 65 to 185 during the reporting period as compared to the previous four months), while access to services, including water and electricity, remain restricted. Lack of access to land and resources continue to constrain livelihoods, while protection concerns related to incidents with Israeli settlers persist. In this regard, factors contributing to disproportionately high food insecurity in Area C (highlighted in April) have not improved. Only a limited number of the interventions within the Humanitarian Country Team's Humanitarian Response Plan for Area C have been approved, and implementation of only one has been facilitated.

- Recalling the recommendation of the UN in April, **Palestinian service delivery in the West Bank should be facilitated by the Israeli authorities through the planning and permit processes. These processes should also be more efficient to meet critical development and infrastructure needs.**
- **The PA is encouraged to continue its reform efforts, including within the Palestinian Water Authority (PWA), and the development of a roads masterplan by the Ministry of Public Works and Housing, to ensure the effective planning and**

**execution of development projects.** Recalling the recommendation of the UN in April, **the support of the international community is required for projects identified as priorities by the PA, including major infrastructure projects.**

- Recalling the recommendation of the UN in April, **Israeli authorities should cease demolition of Palestinian structures.**
- Recalling the UN recommendation in April, **Israeli facilitation of the implementation of all of the interventions in the Humanitarian Response Plan is critical, as a first step towards meeting urgent needs.**

### ***Jordan Valley***

**Palestinian access to land and resources remains restricted in almost the entire Jordan Valley; the majority of the Jordan Valley is classified as Area C and much of the area is also designated as closed for military purposes; approximately 88 percent of demolitions during the reporting period were in such closed areas. Access into the Jordan Valley also remains restricted.** The Jordan Valley remains important as a source of growth and development for the future Palestinian State. Many of the demolitions over the reporting period were carried out in the Jordan Valley, compromising Palestinians' ability to remain in the area.

- Recalling the UN recommendation in April, **consistent with the Agreement on Movement and Access, to improve livelihoods and enable development, Israeli facilitation of the access to and development of land and resources within the Jordan Valley is urgently required. Movement of people and goods into the Jordan Valley should also be facilitated.**
- **Increased areas currently designated as closed for military or other purposes, as well as 'nature reserves', should be opened to Palestinian use by the Israeli authorities.**

### ***'Seam Zone' Between the Barrier and the Green Line***

**Israeli cites security concerns for its construction of the Barrier. However, the effects of the Barrier on access and services continue to impact those Palestinians who reside in between the Green Line and Barrier ('Seam Zone'), or that own land in these areas but live outside it.**

- Recalling the UN's recommendation to the AHLC in April, **Israel should take heed of the International Court of Justice advisory opinion.**
- **Improved Palestinian access to the 'Seam Zone' should be enabled by Israeli authorities, in particular to facilitate access to agricultural land; Palestinian access to health services should also be facilitated.**

### **GAZA**

**Since the AHLC last met there have been a number of developments concerning Gaza, though there has been little movement towards a durable solution that addresses the issues of security, economic recovery and unity within the framework of Security Council Resolution 1860.<sup>1</sup> The main features of the crisis in Gaza remain unaddressed, including the lack of Palestinian unity based on PLO commitments, recurrent violence by militants and Israeli military actions, and continued smuggling. Hamas remains in *de facto* control of the Gaza Strip and continues to reject basic principles of the peace process as well as an Egyptian-mediated proposal for reconciliation. Though the Israeli closure has been eased, it**

continues to affect the socio-economic situation and undermine recovery prospects in Gaza.<sup>2</sup>

On 20 June 2010, the Government of Israel announced a package of measures aimed at 'liberalizing the system by which civilian goods enter Gaza'. The Israeli shift in policy is an important development. Full and effective implementation of the new Israeli policy would help meet the needs of Gaza's population for humanitarian and commercial goods, civilian reconstruction and infrastructure - including housing - and legitimate economic activity, while continuing to respond to the security needs of Israel. Even assuming full implementation, much work and more fundamental changes remain, to improve the situation in Gaza, support economic recovery, promote greater commerce between the West Bank and Gaza and encourage involvement of the PA at the crossings.

The United Nations has continued its focussed engagement with Israel and its close consultation with the PA on priority areas of work in Gaza. Since January, the UN has received approval from the GoI for a total of US\$74.27m of projects, including the Khan Younis Waste Water Treatment Facility, for which a funding gap of US\$40.8m exists. Two projects (approved in March) were completed and approval was received for an additional 11 UNRWA projects with a total value of US \$15m in July.

**The UN has presented to the Government of Israel a programme of construction/reconstruction work (by UNRWA and UNDP) worth US\$250m, all of which should be started over the coming twelve months.** This would be part of a 'flow' of work that would help address critical civilian construction/reconstruction needs, while also creating opportunities for Gaza businesses and jobs for Gazans. The UN expects that this programme of work will receive timely approvals by the Israeli authorities, and that the procedures for the entry of material will be simplified to enable this work to be implemented.

- Recalling the UN's recommendation from April, **a durable solution to the challenges of security – including smuggling – unity and crossings must be found within the framework of Security Council Resolution 1860.** Though the closure has been eased, it continues to affect the socio-economic situation and undermine recovery prospects in Gaza.

**While this objective is pursued, further measures can be taken without jeopardizing Israel's security:**

- **All actors must make the necessary adjustments to allow for the further flow of goods into Gaza without undermining Israel's security. Crossing capacity should be expanded by the Israeli authorities in cooperation with the PA to meet real demand; additional capacity will be necessary with an expanded scope of work approved for implementation. The PA should continue to improve and streamline coordination mechanisms for the import and export of commercial goods.**
- **Increased predictability in imports and increased exports are needed for sustainable economic growth. In particular, additional categories of raw material, particularly for construction, should be allowed to enter for the commercial sector. Efforts are necessary to promote greater commerce between the West Bank and Gaza.**
- **Movement of further categories of people into and out of Gaza should be facilitated by the Israeli authorities. Restrictions on the access of civilians to all areas of Gaza's land and sea should be eased by Israeli authorities to the fullest extent possible.**

- **The internal understanding on the collection of revenues to ensure financing is available for industrial fuel for the Gaza Power Plant should be fully implemented; the international community should support longer term solutions for the supply of gas to meet energy needs.**
- **Israeli authorities should simplify procedures for the entry of construction materials; approve the proposed programme of UN work that will allow a steady 'flow' of work in Gaza to move forward; and approve a steady flow of material required for the programme's completion. Donors are encouraged to continue to fund new and suspended projects for Gaza.**

Over the course of the reporting period, a number of positive developments have been realised by both the PA and the Gol. Significant challenges remain. Continued PA progress in the implementation of the state-building agenda serves to strengthen the structures of a future Palestinian state. The Gol, in turn, has eased movement and access restrictions in the West Bank over the past years, and with the 20 June policy announcement, has set the stage for real progress on the ground in Gaza. These are important achievements and it is now more essential than ever to redouble tripartite efforts to support state-building.

## **INTRODUCTION**

The Palestinian Authority's *Programme of the 13<sup>th</sup> Government* (hereafter Government Programme) outlines the goals, priorities and activities designed to strengthen the structures of a future Palestinian state. In September 2009, and reaffirmed by the Chair in April 2010, the Ad Hoc Liaison Committee (AHLC) pledged to assist in implementing the Government Programme for building a viable Palestinian state, with a focus on developing a sustainable economy and building robust state institutions. On 30 August the PA released the *Homestretch to Freedom* (hereafter *Homestretch*), outlining the work that remains to be completed in the second year of the implementation of the Government Programme.

There has already been considerable progress in implementing the state-building agenda. Resumption of final status negotiations provides the political horizon for the Government Programme's implementation and reinforces the urgent need for the international community to support the PA's state-building efforts.

The UN has worked to ensure that recovery and development efforts support the state-building agenda of the PA – providing the basis for improved institutions and socio-economic wellbeing for all Palestinians. As such, the UN's April 2010 report to the AHLC outlined some of the key factors that affect such efforts and proposed a number of recommendations to further enable implementation of Palestinian state-building priorities in the five month period between AHLC meetings. This report, covering the period between 13 April and 13 August (unless otherwise noted), provides an update on the situation on the ground, assesses progress in implementing those recommendations and proposes new recommendations that will enable continued implementation of the Government Programme. It therefore complements the reports from the World Bank (WB), which includes analysis of the PA's economic and institutional development, and the International Monetary Fund (IMF), which focuses on the macroeconomic and fiscal situation.

It is particularly important to highlight at the outset of this report that the PA faces a mounting liquidity crisis with **an estimated external financing gap of approximately US\$0.3bn for the remainder of the year**. Now more than ever it is imperative that all donor countries fulfil pledges to support the PA's budgetary needs, reaffirming and buttressing the critical PA state-building agenda.

## **1. POLITICAL & SECURITY CONTEXT**

**Since the last meeting of the AHLC, the international community -- led by the US and supported by the Quartet -- has remained actively involved in supporting the resumption of Israeli-Palestinian negotiations.** On 1 May, the League of Arab States Follow-Up Committee on the Arab Peace Initiative met in Cairo and announced support for Palestinian participation in proximity talks with Israel for a period of four months.

US Special Envoy George Mitchell facilitated seven rounds of proximity talks which led to the Quartet issuing a statement on 20 August inviting the parties to resume direct negotiations in Washington on 2 September. The statement included a renewed call for negotiations to end the occupation that started in 1967 – as well as a timeframe of one year to conclude the talks.

On 1 September President Mubarak of Egypt and King Abdullah of Jordan attended a dinner with Israeli Prime Minister Netanyahu and Palestinian President Abbas hosted by US President Obama, and direct negotiations between Israel and the Palestinians were launched the following day.

**Ensuring a stable and improving situation on the ground, remains critical to ensure the success of renewed talks.**

### ***West Bank***

**The situation in the West Bank has remained stable but fragile since the AHLC last met. The number of violent incidents has decreased in the reporting period despite a rise in the number of incidents between Israeli settlers and Palestinians.**

**The key element defining the context has been the continued Israeli restraint policy on settlement activity in the West Bank. The restraint has led to fewer settlement housing units being constructed than in previous periods and has been recognized as a positive step by the international community, however it falls short of Israel's Road Map obligations of a full freeze in settlement activity.** The UN has called for an extension of the Israeli policy of a moratorium on settlement construction in the West Bank, which came into effect in November 2009, and for it to be expanded to cover all settlement activity throughout the oPt, including East Jerusalem. During the reporting period the Israeli government has taken some steps towards dismantling certain structures within illegal settlement outposts that have been erected since March 2001.

**On 13 April Israeli military orders went into effect that constituted a revision of existing orders concerning the eviction of a broad category of Palestinians deemed by the Israeli authorities not to be residents of the West Bank.** The military orders provided those subject to possible eviction the right to appeal the decision before a judicial panel. The broad potential scope of the orders has raised concerns from the PA and the international community.

**In the context of Israeli-Palestinian violence, four Palestinians were killed and 287 were injured during the reporting period; between December 2009 – March 2010, eight Palestinians were killed and 591 injured.<sup>3</sup> During the reporting period, 46 members of the Israeli Security Forces (ISF) were injured, compared with 98 during the previous four months. In a serious escalation, on 31 August, Palestinian militants shot and killed four Israelis in a car in Area C of the West Bank near Hebron – the PA condemned this incident as well as a subsequent**

**attack, and seized vehicles and a number of persons allegedly responsible.** There was also an increase in the number of incidents of Israeli settler violence between 10 April and 10 August,<sup>4</sup> whilst weekly demonstrations against the Barrier continued over the reporting period, with injuries sustained in this context.<sup>5</sup>

**Palestinian Authority Security Forces (PASF) expanded both their activities and the scope of their deployment. The PASF continue their efforts to maintain law and order and combat terrorism and incitement in areas under their authority in the West Bank (Area A). To this end, some 450 new security officers have recently been trained, equipped and deployed. Security coordination between Israeli Security Forces (ISF) and PASF was also enhanced during the reporting period.<sup>6</sup>** Discussions are ongoing regarding the potential expansion of PASF's area of responsibility within the West Bank. The issue was discussed notably at a meeting between Prime Minister Fayyad and Defence Minister Barak on 5 July.

**The number of search operations conducted by the ISF in Palestinian homes and institutions was slightly lower between 10 April and 10 August than during the previous four months:** 1,691 operations were carried out as compared to 1,743. The total number of Palestinian arrested by the ISF decreased from 1,496 to 1,010 between the two reporting periods.

**Palestinian Municipal elections planned for 17 July could not take place in Gaza due to a Hamas refusal, but were slated to proceed in the West Bank. However, on 10 June the Cabinet indefinitely postponed municipal elections citing "national interests".**

**The situation in East Jerusalem remains volatile.** There has been relative restraint demonstrated in East Jerusalem through a reduced number of evictions of Palestinians and demolition of Palestinian structures than in previous years (in 2009 there were 84 demolitions and self demolitions; there were 30 over the past eight months). However, following a period in which there were no house demolitions or evictions, unilateral actions creating tensions in the city resumed over the reporting period. Four members of the Palestinian Legislative Council from East Jerusalem currently face the prospect of expulsion from Jerusalem. Palestinian institutions in East Jerusalem remain closed contrary to Roadmap obligations.

## **Gaza**

**Since the AHLC last met there have been a number of developments concerning Gaza, though there has been little movement towards a durable solution as called for in Security Council Resolution 1860.**

**On 31 May, Israeli naval forces boarded a flotilla of six ships in international waters which was travelling towards Gaza with the stated purpose of delivering humanitarian aid and 'breaking the Israeli blockade on Gaza'.** As a result of the violence that occurred in the context of the Israeli naval operation, nine people who had been aboard ships in the flotilla were killed and dozens were injured. On 2 August, the UN Secretary-General announced the launching of a panel of inquiry on the flotilla incident as a result of intensive consultations with the leaders of Israel and Turkey. Chaired by former New Zealand Prime Minister Palmer and outgoing Colombian President Uribe, and including an Israeli and Turkish member, respectively, the Panel started its work on 10 August and will provide a first report by mid-September. Israeli and Turkish national commissions are also conducting separate inquiries into the incident. On an exceptional basis, the UN has, in agreement with the owners of the cargo from three vessels in the flotilla, and with the Israeli government, taken possession

and responsibility for the entire cargo and is ensuring its timely distribution in Gaza for humanitarian purposes, as determined by the UN.

**Subsequent to the flotilla incident on 31 May, on 20 June, the Government of Israel announced a package of measures aimed at 'liberalizing the system by which civilian goods enter Gaza'.** (See the section on Gaza below for a description of these measures and the status of their implementation).

**Consistent with United Nations Security Council Resolution 1860, on 21 June the Quartet reiterated its call for a solution to the crisis in Gaza** that ensures the unimpeded flow of humanitarian aid, commercial goods and persons to and from Gaza; addresses Israel's legitimate security concerns, including an end to weapons smuggling into Gaza; and promotes Palestinian unity based on the Palestinian Liberation Organization (PLO) commitments and the reunification of Gaza and the West Bank under the legitimate Palestinian Authority.

**Smuggling of goods, including reports of arms, continues through tunnels from Egypt into Gaza.** Between 10 April and 10 August, 19 Palestinians died and 40 have been injured in tunnel collapses. Egypt continues its efforts to counter smuggling along its border with Gaza.

**Hamas remains in *de facto* control of the Gaza Strip and continues to reject basic principles of the peace process as well as an Egyptian-mediated proposal for reconciliation. The Palestinian reconciliation process remains stalled.** On 13 June, the Secretary-General of the League of Arab States visited the Gaza Strip urging an end to the closure of Gaza and for Palestinian reunification in order to advance efforts towards the two state solution.

**25 June 2010 marked the fourth anniversary of the capture of Israeli Staff Sergeant Gilad Shalit.** The UN continues to call for his immediate release and humanitarian access to be granted to him.

**Over 9,000 Palestinian prisoners remain in detention in Israeli jails, among them women and children, and persons detained without charges.**

**Armed clashes between Palestinian armed factions and the ISF across the Israel-Gaza border, Israeli airstrikes, and shooting of Palestinians approaching the border fence, intensified during the reporting period resulting in larger numbers of casualties.** (See below for an analysis of access issues related to restricted areas along the border fence.) Between April to August 2010 a total of 27 Palestinians were killed and 115 injured, compared to 18 fatalities and 61 injuries in the previous four months.<sup>7</sup>

**Palestinian factions have continued firing rockets and mortars towards Israel a number of times every week;** although no Israeli deaths or injuries have been reported as a result. On 30 July, a rocket was fired from Gaza into the Israeli town of Ashkelon, causing no casualties. On 2 August five rockets were fired from Sinai toward Eilat, Israel and Aqaba, Jordan that killed one Jordanian civilian and injured three others; Israel accused Hamas of perpetrating the incidents and investigations are ongoing.

**Hamas has continued to impose control over the population of the Strip and during this reporting period carried out executions of Palestinian prisoners. There was also an increase in attacks on international and civil society organizations in Gaza.** On 23 May and 28 June, militant elements vandalized UNRWA's summer camp for children. There was also an increase in the confiscation of equipment and closure of NGO offices, including UN partners. Furthermore, there was an alarming increase of political arrests by the *de facto* local authorities.

## **2. RECOVERY & DEVELOPMENT CONTEXT**

### **PA Planning, Reform and Economic Developments**

Since the UN's last report to the AHLC, the PA has continued to build the structures of a future Palestinian state in accordance with the Government Programme, and since then in the *Homestretch* document (30 August) which outlines the work that remains in the second year of the implementation of the Government Programme. This work includes further improvement in good governance; public sector reforms; improved provision of basic services; and measures to enable private sector growth. In addition to these two documents, PA planning continues well beyond the one year timeframe of both the *Homestretch* document and the proposed timeline for final status negotiations. Sectoral strategies have been developed, which will form the basis of the next Palestinian National Plan (2011-2013). Increased participation of stakeholders in the development of these strategies has helped to ensure they reflect sector-wide priorities.

**The UN continues to organize its recovery and development activities in a Medium Term Response Plan, which serves to support the priority areas outlined by the PA.**<sup>8</sup> In support of these priority areas, the PA and the UN have agreed to establish a **joint PA/UN Trust Fund (oPt Trust Fund)**, with a joint PA-UN governance structure at both the strategic level and the project approval level. In support of UN programming, this mechanism is intended to complement direct funding for recurrent budgetary needs and development efforts of the PA. The Trust Fund will consist of two windows, one for Gaza and one for the West Bank. In Gaza, the Fund will enable support to critical recovery and reconstruction interventions, ensuring funding is available as future programmes of work are agreed with the PA and Gol. The Fund will also enable support to critical capacity development initiatives and other efforts throughout the oPt to further strengthen the structures of a future Palestinian state.

**On 15 August, the PA issued the *Government Report on Achievements May 2009 – May 2010, taking stock of progress roughly halfway through the Government's two-year state-building agenda articulated in the Government Programme.*** The report emphasises the substantial progress made in building sound institutions and a stable society. The report highlights the Government's macro-fiscal achievements, such as the increase of government revenue by 18 percent. It also emphasises government investment in development, including through 1,250 community-based initiatives; harmonization of social protection programmes; investment in social development and health (building or expanding 57 schools and 41 clinics); and considerable investment in infrastructure and housing (including launching 56 road and 44 housing projects). These achievements are an important measure of continued PA investment in state-building.

**Further progress in reform efforts will be critical in the period ahead in the four sectors of Economy, Governance, Social Development and Infrastructure.** (An indicative assessment of reforms undertaken is provided in Annex A, including several recommendations for further PA efforts that are important for supporting the state-building agenda). In particular, the economy will be further strengthened by PA efforts to maintain the fiscal stance in line with the 2010 budget. In support of improved governance, continued security sector reforms will be critical, while rationalizing roles and responsibilities will support justice sector reform. Continued development of major infrastructure is of paramount importance, as an important component of the future state. In support of social development, Palestinian agencies, in close cooperation with donors, the UN, private sector, civil society and other partners are encouraged to continue to work to meet basic needs and towards achieving the Millennium Development Goals – which provide a framework for meeting the needs of the poorest.

The PA is also working to improve the information basis that informs Palestinian planning and programming. A new Palestinian Aid Management Database (DARP) was launched in July that will support the monitoring of project implementation and augment efforts to enhance aid effectiveness, particularly in support of achieving the objectives outlined in PA programmes and sector strategies.

### ***Macroeconomic Situation***

#### **Economic growth accelerated during the reporting period, but there was a loss of jobs in the Gaza strip and a marginal decrease in unemployment in the West Bank.**

The real GDP growth rate for the first quarter of 2010 was about 12 percent as compared to the first quarter of 2009. There was, however, a differential in growth in the oPt, with 11 percent growth in the West Bank and 14 percent in Gaza. In the West Bank, institutional reforms, donor-funded fiscal stimulus, improved security conditions, fewer internal obstacles to the movement of goods and people than in early 2009, and the resulting increase in private sector confidence contributed to this growth.<sup>9</sup> For the first time, per capita income was higher than in 1999, when there was a substantial drop.

According to the IMF and World Bank, the improved growth rate in Gaza reflects an increase in the number and type of items that were allowed into Gaza the first quarter of 2010, prior to the Israeli Cabinet decision that further expanded imports to Gaza. It also represents increased activity – including humanitarian assistance and the entry of goods through the tunnels with Egypt – following the Israeli military operation in 2008/2009, when formal sector activity was highly constrained.

**Unemployment in the oPt, according to the standard ILO definition, increased from 22.0 percent in the first quarter of 2010 to 22.9 percent in the second quarter, and as compared to 22.2 percent in the second quarter of 2009.** Unemployment in the Gaza Strip increased from 33.9 percent in the first quarter to 39.3 percent in the second quarter, suggesting that economic growth in the first quarter of 2010 did not translate into increased employment during the second quarter. In the West Bank, unemployment decreased from 16.5 percent in the first quarter to 15.2 percent in the second quarter – which is the lowest level in many years (economic development in the West Bank and Gaza respectively, is discussed further below).

**Socio-economic and labour force surveys have consistently identified refugee households as particularly vulnerable, with higher rates of unemployment than non-refugees.** In the second quarter of 2010 refugee unemployment was 18.4 percent as compared to 20.5 percent in the second quarter of 2009.<sup>10</sup> In addition, labour force participation rates reveal that the disparity between refugees and non-refugees has grown, indicating that working-age refugees have increasingly withdrawn from the labour market due to lack of job opportunities.<sup>11</sup>

**Sustaining economic growth and the current reform efforts of the PA, requires adequate and predictable external donor support to meet recurrent budgetary needs.** The PA has steadily reduced its reliance on external budget support: in 2009 it represented 22 percent of GDP; 18 percent in 2010; and is projected to be 13 percent in 2011.<sup>12</sup> Furthermore, the PA is implementing a set of austerity measures to rationalize government spending. A number of donors front-loaded their assistance in the first half of 2010 (including the US, UK and EU) towards meeting the budgeted need for external budget support of US\$1.24bn in 2010. **An estimated financing gap of approximately US\$0.3bn remains. It is imperative that all donor countries fulfil pledges to support the PA's budgetary needs.**<sup>13</sup> The PA is at its peak of indebtedness, and any shortfall in funding at the end of the year is likely to translate into a build up of arrears,

which will have implications on the finance sector and create uncertainty in the private sector.

Due to limitations on their administrative authority in some areas of the oPt, the PA is unable to implement and provide assistance where chronic humanitarian needs such as malnutrition and access to water remain unaddressed. The humanitarian community has, through the Consolidated Appeal Process (CAP), been implementing a number of time-sensitive projects designed to respond to unaddressed needs and to complement PA assistance. This is particularly important in areas where the PA has limited reach, including in Area C, Gaza, East Jerusalem and among the refugee population. **The 2010 CAP, however, remains only 44 percent funded. The sectors of water, sanitation and hygiene; agriculture; and education are particularly under-funded.**<sup>14</sup>

### ***Economic Development***

**As indicated above, there are increasing signs of private sector confidence in PA reform efforts.** Such trust was evident during the second Palestinian Investment Conference, (2-3 June in Bethlehem), which resulted in pledges of almost US\$1bn of investment in Palestinian businesses.

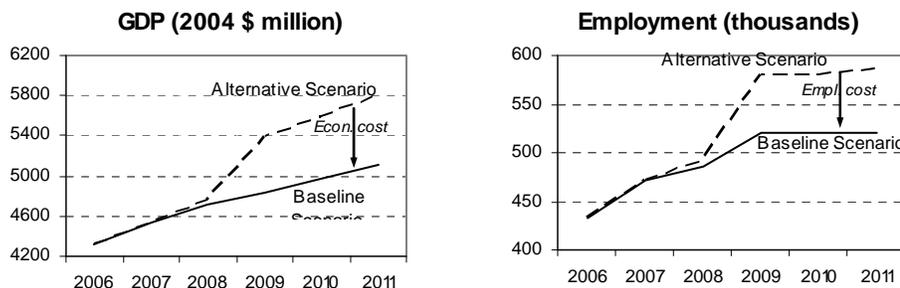
**Palestinian economic prospects, however, continue to face structural constraints related to restrictions on access to markets and on private investments. These conditions impact a fundamental restructuring of the economy.**<sup>15</sup> High transaction costs and fragmentation (both geographically<sup>16</sup> and within markets) have shifted production from the tradable goods sectors (agriculture and industry) towards the non-tradable goods sectors (such as services and construction).<sup>17</sup> (See Annex B for a graphic reflecting this restructuring.)

**Correcting the structural deformation of the economy requires the regular and predictable movement of goods (particularly raw materials and inputs for production) into, out of, and within the oPt.**

**Under the current conditions, it is estimated by UNCTAD that the movement and access restrictions in the West Bank and the closure of Gaza cost the oPt economy between US\$600-800m each year (13 percent GDP) and 60-80,000 jobs per year.**<sup>18</sup>

*The graphs below compare the GDP and employment rates under a “baseline” scenario (reflecting the 2008-2009 Israeli military operation in Gaza, the closure of Gaza and movement and access restrictions in the West Bank) and an “alternative” scenario assuming the 2008-2009 Israeli military operation did not occur, the closure of Gaza is lifted and the West Bank movement and access restrictions are relaxed to their pre 2000 levels.*

### **The economic cost of conflict, movement & access restrictions and closure<sup>19</sup>**



A quantitative assessment undertaken by UNCTAD (2010) suggests that the provision of US\$1.6bn in assistance for public investment in the oPt from 2010-2012 may increase annual GDP by less than one percent on average if the closure of Gaza is maintained and movement and access restrictions continue in the West Bank.<sup>20</sup> **If this investment is coupled with a full lifting of the closure of Gaza and a relaxation of the West Bank movement and access restrictions (to pre-2000 levels), it may increase annual GDP by 14 percent, on average, and could help create 80,000 jobs per year.**

### **Recommendations**

- PA austerity measures and reform efforts should be pursued to continue to improve both the fiscal situation, as well as the effectiveness and efficiency of institution building efforts.
- Donors should increase their budgetary assistance, ensuring that predictable support is available to meet the PA's recurrent expenditures. To ensure the effectiveness of aid provided, donors should commit to provide assistance in line with the Paris Principles. Consistent and timely reporting to the Palestinian Aid Management Database (DARP) will help enable better monitoring of assistance.
- Donors are encouraged to provide additional funding for UN recovery and development efforts through the PA/UN oPt Trust Fund, including for Gaza, as a complement to efforts implemented directly by the PA. Donors are also encouraged to fulfil the funding needs of the Consolidated Appeal (**CAP**) which is critical to meet humanitarian needs and prevent any deterioration in the humanitarian situation, especially in areas where the PA has limited authority to intervene.

Building on the assessment of the planning, reform and economic developments in the oPt, the following sections outline the recovery and development situation in the West Bank and Gaza, respectively.

### **West Bank**

There have been a number of positive developments in the West Bank, including continued PA reform efforts that serve to improve socio-economic conditions and support institution building; these were complemented by easing of restrictions on movement and access by the Israeli authorities (the number of closure obstacles was reduced from 550 to 500, though the impact of this reduction was limited). The relative stability and continued progress in the West Bank are important factors for state-building – providing a context in which development efforts can be undertaken and in which livelihoods are supported. However, in areas outside of PA authority, continued constraints to Palestinian access to land and resources undermine the development of resources and livelihoods, whilst continued demolitions and evictions are of great concern. In this regard, there are important opportunities to further enable development and state-building, as well as to build a more positive environment for negotiations.

Pending a detailed border agreement between the parties in the context of a final status agreement that ends the occupation that began in 1967, the facilitation of Palestinian development efforts throughout the occupied Palestinian territory (including East

Jerusalem and Area C) should be a shared priority of AHLC members as they seek to lay the basis for a permanent peace.

The section on the West Bank covers one thematic area and two specific geographic regions, which are seen as particularly important for the Government Programme and state-building agenda: 1) movement and access; 2) East Jerusalem; and 3) Area C, with a particular focus on the 'Seam Zone' and the Jordan Valley

### ***Movement and Access***

**Since the AHLC last met and following important measures to ease restrictions in the previous reporting period, there has been only limited progress towards enacting the additional and far-reaching steps that would enable greater movement and access in the West Bank, consistent with the parties' commitments, including the 2005 Agreement on Movement and Access (AMA) and the Roadmap.<sup>21</sup>** Citing security concerns, Israel maintains 500 closure obstacles in the West Bank, 50 fewer than in April 2009; however, the overall impact of the reduction of obstacles on improving access has been limited. Access of Palestinians to areas behind the Barrier, including East Jerusalem; to land and rural communities in the Jordan Valley and in the vicinity of Israeli settlements; and within the Israeli-controlled area of Hebron City (H2), remains very restricted. Israel cites security concerns as the motivation for these restrictions.

**On 24 May 2010 the Israeli authorities announced a package of measures to ease restrictions; these measures are welcome.<sup>22</sup>** At the time of writing, only one element had been fully implemented; fewer than 20 roadblocks from a list of 60 have been removed, of which only one is of major significance.<sup>23</sup>

**In May, the Israeli authorities opened a section of Road 443 to Palestinian vehicles in the Ramallah governorate.** The impact of the opening for Palestinians remains negligible because of lengthy search procedures at the checkpoints to enter the road, and because Palestinian access to Ramallah and to East Jerusalem via this road continues to be denied.

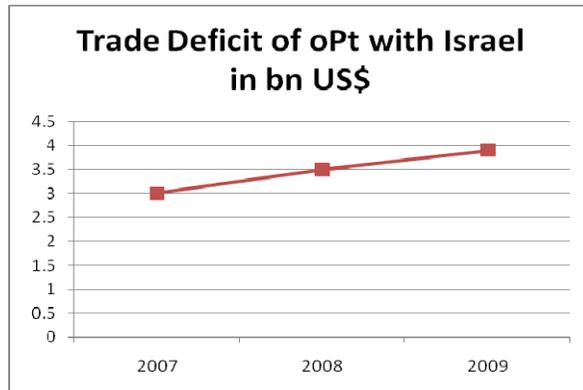
**Citing security concerns, Israeli settlements and their associated infrastructure remain a primary factor informing access restrictions imposed on Palestinians.<sup>24</sup>**

Due to restrictions on access to roads, a second road network has been developed to support Palestinian livelihoods and enable access to services. However, the emergence of this secondary network entrenches the exclusion of Palestinians from the primary road network in the West Bank.

**Important easing of restrictions that have been implemented in the past two years, enabling the movement of Palestinians between most urban centres in the West Bank (excluding East Jerusalem), are welcome, and continue to have a positive impact on mobility, access and market activity. The implementation of further measures that specifically enable increased market activity are also welcome.** For example, on 28 May, Israeli citizens of Arab descent were allowed to access Tulkarem directly during the weekends and every day during Ramadan, which is likely to increase market activity in Tulkarem.<sup>25</sup>

**However, restrictions to the movement of goods and people into, out of and within the West Bank continue to undermine potential economic growth by limiting the exchange of goods and services and distorting the economy, as well as discouraging both foreign and national investment.<sup>26</sup>** This situation has contributed

to a trade dependence on Israel. More than three quarters of Palestinian trade is conducted with Israel. The 2009 trade deficit with Israel (US\$2.6 billion) was seven percent larger than donor support to the oPt in 2009;<sup>27</sup> there was an 18 percent decrease in Palestinian exports to Israel in 2009, according to the Israeli Bureau of Statistics. Enhancing the performance of the Palestinian export sector whilst expanding investment in the economy is critical to addressing this imbalance. The loss of resources through this deficit undermines the efficacy of aid, blocking its potential fiscal stimulation effects.



- Recalling the UN's recommendation to the AHLC in April and in the context of continued security cooperation, **further and more far-reaching steps to enable greater movement and access are needed, consistent with the parties' commitments, including the 2005 Agreement on Movement and Access (AMA) and the Roadmap.**
- **Urgent steps are necessary by the Israeli authorities to improve access to East Jerusalem, the 'Seam Zone' and Jordan Valley as well as the removal of additional closure obstacles blocking key routes into urban centres.**
- **To enable revival of the private sector, easing of restrictions by the Israeli authorities on access to internal and external markets is necessary. Continued reform efforts by the PA are encouraged, such as improved standards and regulations, to promote investor confidence. Increased coordination between the PA, private sector and donors is important to ensure investment supports PA private sector development plans.**

### ***East Jerusalem***

There has been relative restraint demonstrated in East Jerusalem through a reduced number of evictions of Palestinians and demolition of Palestinian structures than in previous years. (Between 2000-2008 670 Palestinian-owned structures were demolished in East Jerusalem due to lack of permit). However, as described below, there has been an increase in demolitions over the reporting period. Furthermore, since the AHLC last met, there has been little progress in efforts to improve the socio-economic situation for Palestinians in East Jerusalem or improve access to services within East Jerusalem. Access to East Jerusalem from the rest of the West Bank remains constrained.

**Constraints to Palestinian construction in East Jerusalem continue,<sup>28</sup> including obstructions to Palestinian Jerusalemites obtaining building permits from the Jerusalem municipality and limitations on the construction that is initiated.** It is estimated that at least 20 percent of Palestinians in East Jerusalem live in unlicensed dwellings and are thus at risk of receiving demolition orders from the Israeli authorities.<sup>29</sup> Between 10 April and 10 August, 26 structures were demolished, displacing or affecting a total of 93 people.<sup>30</sup> While this reflects an increase from the previous four months (four demolitions affecting or displacing 19 people), the average monthly rate of demolitions so far in 2010 is lower than in previous years (there were 30 demolitions in the first eight months of 2010; there were a total of 84 in 2009).<sup>31</sup>

**Increased effective participation of Palestinian East Jerusalemites in planning for East Jerusalem, is important to ensure that plans respond to current and future needs.**<sup>32</sup> In particular, the Jerusalem Master Plan 2030 (under development) should address the current and projected needs of Palestinian Jerusalemites.<sup>33</sup> Pilot initiatives that involve Palestinians in the planning process have laid the groundwork for the regularisation of over 600 housing units in East Jerusalem, demonstrating the effectiveness of Palestinian involvement in planning. According to the Israeli Ministry of Justice, the District Planning Committee currently reviews plans presented by landowners in East Jerusalem, and some are authorized, thereby facilitating construction.

**Access constraints for people and goods between East Jerusalem and the rest of the West Bank persist, while new policy measures are expected to further undermine access, including for the UN and NGO partners. Israel cites security concerns for these access restrictions.** The responsibility for checkpoints through the Barrier into East Jerusalem is expected to be transferred from the ISF to the Crossing Points Administration (CPA) in 2011, which will impact the work of both the UN and NGOs.<sup>34</sup> These new measures for access into East Jerusalem will present operational concerns, with significant delays expected to impact the UN's ability to effectively deliver assistance, as well as security concerns for national staff who will be required to exit the vehicle and walk unprotected in an often tense and insecure environment.

**Since the AHLC last met, there has been no progress towards reaching an agreement to facilitate access to East Jerusalem hospitals for health staff, patients, medical equipment or supplies, nor improvements for the entry of students and teachers to access schools.**

### **Recommendations**

- Recalling the UN's recommendation to the AHLC in April, **Israel should re-open closed Palestinian institutions and cease evictions and home demolitions, consistent with its Roadmap commitments.**
- Recalling the UN recommendations from April, **planning should be enabled by Israeli authorities to accommodate construction in order to meet Palestinian Jerusalemites' housing needs.**
- Recalling the UN recommendations from April, **increased access for people and goods should be provided between East Jerusalem and the rest of the West Bank by Israeli authorities. In particular, access to health services and education should be facilitated between East Jerusalem and the rest of the West Bank.**<sup>35</sup> Furthermore, the UN privileges and immunities should be respected and UN passage into East Jerusalem should be facilitated.

### ***Area C (Including the 'Seam Zone' and Jordan Valley)***

As the only major contiguous area in the West Bank, effective development in Area C remains a critical factor for the future Palestinian state, as envisaged in the Government Programme.

**The situation in Area C outlined in the UN's report to the AHLC in April has not improved and in some areas has deteriorated.** Demolitions continue to have a negative impact on households, while access to services, including water and electricity, remains restricted. Livelihoods remain constrained due to the lack of access to land and resources, as well as due to protection concerns related to incidents with Israeli settlers.

In this regard, factors contributing to disproportionately high food insecurity in Area C, highlighted in April, have not improved.<sup>36</sup>

**There was a sharp increase in demolitions and related displacement between 10 April and 10 August; the number of demolitions increased from 65 in the previous four months to 185.**<sup>37</sup> There has also been a marked increase in the number of stop work and demolition orders on Palestinian construction and property being issued by the Israeli authorities in Area C in recent months.<sup>38</sup> In a recent submission to the Israeli High Court, the Israeli Civil Administration (ICA)<sup>39</sup> confirmed that it has received instructions from the Ministry of Defence to increase demolitions of Palestinian structures throughout Area C.<sup>40</sup>

**Demolitions of Palestinian construction and property often deprive households of their primary assets and source of physical and economic security, reduce access to services and lead to protection concerns.**<sup>41</sup> The Israeli Ministry of Justice asserts that demolitions are conducted in accordance with due process guarantees, such as the right to a fair hearing and the opportunity to seek the legitimization of an illegal building by filing requests for a building permit or by proposing a planning amendment. However, as has been documented (as in the OCHA report, 'Restricting Space: The Planning Regime Applied by Israel in Area C of the West Bank,' December 2009), the current legal and institutional context for Palestinians to plan in Area C remains highly restrictive, making it extremely difficult for Palestinian residents to obtain permits necessary for building under the ICA system.<sup>42</sup> This leaves residents little alternative than to build without such permits, resulting in increased vulnerability to demolitions.<sup>43</sup> Effective planning in Area C requires the participation of the Palestinian communities in order to ensure that the process adequately reflects their current and projected needs.<sup>44</sup>

**Progress towards the implementation of the Humanitarian Country Team's Humanitarian Response Plan, designed to address a first set of urgent needs of vulnerable communities in the areas of water, education and shelter in Area C, has been limited.** In July 2010 the ICA provided a written response in relation to the water component of the response plan: one of the 14 interventions has been implemented; written approval has been received for four of the interventions; and verbal approval has been provided for an additional three interventions.<sup>45</sup>

**The Government Programme emphasised the need for Israeli facilitation and increased donor support for large infrastructure projects in Area C.** Over the past year, the PA has supported the development of 16 new roads (over 87m km at US\$45m) and the rehabilitation of 40 roads (70km at US\$12.9m). However, rehabilitation and development of the road network requires further facilitation. Furthermore, additional funding is needed to meet challenges in the roads sector.

In the water sector, the Palestinian Water Authority (PWA) reports that in the West Bank, there is a willingness by the Israeli authorities to improve networks, for which there is sufficient funding. Development of additional water supplies through wells and springs remains important. Furthermore, the PWA recognizes the need for the increased treatment and re-use of wastewater (which will contribute only in part to satisfying additional water needs). There has been limited progress during the reporting period for the four priority projects in the water sector.<sup>46</sup> There remains an urgent need for donor funding to support some critical water development initiatives.

The UN also continues to face constraints in the implementation of infrastructure projects in Area C,<sup>47</sup> whilst donors remain reluctant to invest in infrastructure in Area C without guarantees that the necessary approvals will be provided by the ICA.

## **Recommendations**

- Recalling the recommendation of the UN in April, **Palestinian service delivery in the West Bank should be facilitated by the Israeli authorities through the planning and permit processes. These processes should also be more efficient to meet critical development and infrastructure needs. Continued reform efforts by relevant PA institutions is encouraged, including the ongoing reform efforts within the PWA, and development of a roads masterplan by the Ministry of Public Works and Housing, to ensure the effective planning and execution of development projects.** Recalling the recommendation of the UN in April, **the support of the international community is required for projects identified as a priority by the PA, including major infrastructure projects.**
- Recalling the recommendation of the UN in April, **Israeli authorities should cease demolition of Palestinian structures.**
- Recalling the UN recommendation in April, **Israeli facilitation of implementation of all of the interventions in the Humanitarian Response Plan is critical, as a first step towards meeting urgent needs.**

### ***Jordan Valley***

The Jordan Valley, the majority of which is classified as Area C, remains important as a source of growth and development for the future Palestinian State. Many of the demolitions over the reporting period have been carried out in the Jordan Valley, compromising Palestinians' ability to remain in the area, whilst access within and into the Jordan Valley remains constrained.

**In the Jordan Valley, access to land and resources continue to be constrained.** Since 1967, Israel has designated some 18 percent of the West Bank as a closed military zone for the purposes of military training. The majority of these closed areas are located in the Jordan Valley and southeast Hebron governorate.<sup>48</sup> Households in restricted areas also face increased vulnerability to demolitions and/or being evicted from the land. Approximately 88 percent of structures demolished in Area C during the reporting period were in such areas.

**Since the AHLC last met, all movement to and from the section of the Jordan Valley north of Jericho has remained tightly controlled by four permanently staffed ISF checkpoints.** The majority of Palestinians remained prohibited from crossing these checkpoints with their private vehicles, without a special permit.<sup>49</sup> The ISF maintains that checkpoints in the Jordan Valley are related to the security needs of the Israeli population living in the Israeli settlements established in this area (with approximately 9,000 Israeli settlers) or travelling on Route 90.<sup>50</sup>

**The checkpoints and permit requirements continue to have a significant impact on the livelihoods of farmers living in the Jordan Valley.** They also impact those who live in nearby towns in the Tubas, Nablus and Jericho governorates, who own and cultivate land in this area.<sup>51</sup>

## **Recommendations**

- Recalling the UN recommendation in April, **consistent with the Agreement on Movement and Access, to improve livelihoods and enable development, Israeli facilitation of the access to and development of land and resources within the Jordan Valley is urgently required. Movement of people and goods into the Jordan Valley should also be facilitated.**

- Increased areas currently designated as closed for military purposes or otherwise, as well as ‘nature reserves’, should be opened to Palestinian use by the Israeli authorities.

***‘Seam Zone’ Between the Barrier and the Green Line***

Israel cites security concerns for its construction of the Barrier. However, to the extent that the route of the Barrier deviates from the Green Line into occupied Palestinian territory, contrary to the Advisory Opinion of the International Court of Justice, it has a severe effect on access and services for Palestinians who reside between the Barrier and the Green Line (‘Seam Zone’), and on those who own land in these areas but live outside it. The number of Palestinians who reside in these areas reduced from 10,000 to approximately 7,800 following the re-routing of the Barrier at Alfe Menashe and the opening of the Azzun Atme enclave. Indeed, most of the recent construction involved re-routings ordered by the Israeli High Court of Justice (HCJ).<sup>52</sup> However, new construction has taken place in the northwest of Bethlehem governorate, leading to, in the case of Al Walaja, damage to agricultural property and undermining of livelihoods.

**If the Barrier is completed as planned, approximately 33,000 West Bank Palestinians will reside between the Barrier and the Green Line, in addition to the majority of the Palestinian residents of East Jerusalem.**<sup>53</sup>

**There have been no improvements in access to the ‘Seam Zone’.** As outlined in the UN’s April report to the AHLC, the combination of the restricted allocation of permits and limited opening times of Barrier gates has severely curtailed access for farmers to these areas and jeopardizes livelihoods. Access to health services is also significantly reduced for communities in the ‘Seam Zone’.<sup>54</sup>

**Constraints on access to the ‘Seam Zone’ also impact the UN’s ability to deliver services to communities in the ‘Seam Zone’.** For example, for operational purposes, UNRWA must apply for permits or carry out prior coordination with the ICA to serve the urgent needs of communities in the ‘Seam Zone’; despite prior coordination, work is sometimes delayed.<sup>55</sup> Access constraints also affect UNRWA’s ability to conduct assessments and provide additional services that require regular monitoring of beneficiaries such as provision of social services, micro-credit support and cash-for-work projects.

**Recommendations**

- Recalling the UN’s recommendation to the AHLC in April, **Israel should take heed of the International Court of Justice advisory opinion.**<sup>56</sup>
- **Improved Palestinian access to the ‘Seam Zone’ should be enabled by Israeli authorities, in particular to facilitate access to agricultural land. Residents of the ‘Seam Zone’ and farmers working their land should be facilitated to leave the area to access medical facilities whenever needed, without delay. Palestinian medical personnel should be facilitated to enter the ‘Seam Zone’ at all times and without delay.**
- Recalling the UN’s recommendation to the AHLC in April, **in coordination with the PA, the international community should increase assistance provided to the communities in the ‘Seam Zone’.** The provision of aid should be further facilitated by the Israeli authorities.

## **Gaza**

**Despite a number of significant developments, including the increase in real GDP by 14 percent in the first quarter of 2010** (as compared to the first quarter of 2009 when the situation was far more restricted), the main features of the crisis in Gaza remain unaddressed including the lack of Palestinian unity based on PLO commitments, recurrent violence by militants and Israeli military actions, and continued smuggling. Though the closure has been eased, it continues to affect the socio-economic situation and undermine recovery prospects in Gaza. Implementation of the AMA, to which the PA and Gol are parties, is constrained due to the current control of Gaza by the *de facto* authorities.

**Within this context, further efforts are needed to meet the human rights and humanitarian needs of the population without delay.** During the reporting period, the UN completed two projects (approved in March), and received approval for additional 11 projects (US\$15m). UN projects represent approximately 60 percent of the total projects approved by the Gol for Gaza between January-June 2010 (US\$100). The needs remain high and more should be done as a matter of priority. More fundamental changes are also necessary for any longer-term recovery in Gaza.

**This section covers four issues: 1) progress achieved under the 20 June Israeli policy change on Gaza and further steps necessary; 2) a summary of the situation and response efforts in five critical sectors; and 3) further changes that are necessary, including to support longer-term recovery.**

### ***20 June Israeli Policy Announcement on Gaza***

Since the AHLC last met, the Quartet Representative and UN, along with other members of the Quartet, worked with Israel, the PA, Egypt and other concerned parties, to effect a fundamental change in policy in Gaza.

On 20 June, the Government of Israel issued a summary of their policy to ease the closure on Gaza. The following section highlights the steps to implement the policy, as outlined by the Israeli Prime Minister in a statement following the Security Cabinet meeting on 20 June, progress made in their implementation at the technical level, as well as recommendations of further progress necessary.

#### **1. Publish a list of items not permitted into Gaza that is limited to weapons and war materiel, including problematic dual-use items. All items not on this list will be permitted to enter Gaza.**

- On 5 July a list of 'controlled use' items was published, which includes most construction material needed for critical infrastructure needs.
- There has been an increase in the volume of non-food items entering Gaza, including some new raw materials; food items continue to comprise the majority of imported goods (61 percent) as compared to less than 20 percent before the closure.
- 25 percent of the goods now entering Gaza are items previously prohibited from entering, according to the Israeli Coordinator of Government Activities in the Territories (COGAT) officials.
- In implementation of the dual use list, it is important that the control of an unspecified range of imports to Gaza for their compatibility with Israeli environmental, telecommunications and healthcare standards, not cause unreasonable delays.

#### **2. Enable and expand the inflow of dual-use construction materials for approved PA-authorized projects that are under international supervision and for housing projects...Israel intends to accelerate the approval of such projects in accordance with accepted mechanisms and procedures.**

- Since the new policy was instituted, Israeli authorities have approved 'in principle' a total of 31 new construction projects, 11 of which are small scale projects to be implemented by UNRWA (US\$15m), including eight schools, two health clinics and one project designed to increase classroom space at two schools. The UNRWA projects are currently being tendered. Following an awarding of the contracts in October, negotiations on the details of entry will commence.
- Between January – June 2010, the Government of Israel approved approximately US\$100m of construction work in Gaza, of which US\$59.27m was for UN projects: the Khan Younis Project to complete 151 housing units (US\$4.1m), which is expected to be completed by mid-September; a sewage pumping station at Tal El Sultan (US\$170,000), which was completed on 8 July; and the Khan Younis Waste Water Treatment Plant (US\$55m), where progress is pending further funding of US\$40.8m.
- The UN continues to consult closely with the PA on priority areas of work necessary in Gaza. The UN continues to employ working arrangements that guarantee that material for UN projects is used exclusively for those projects; these monitoring and verification procedures reflect standard UN operating procedures.
- Every Gol approval remains an approval 'in principle'. After the 'in principle' approval is received from the Israeli authorities, follow-up negotiations are required for coordination of the detailed lists of controlled-use items, and to establish the entry schedule for materials – this constitutes, *de facto*, a second layer of 'coordination approvals' that determines when and how projects are implemented.
- The UN has presented to the Gol a programme of construction/reconstruction work (by UNRWA and UNDP) worth US\$250m, all of which should be started over the coming twelve months. This would be part of a 'flow' of work that would help address critical civilian construction/reconstruction needs, while also creating opportunities for Gaza businesses and jobs for Gazans. The UN expects that this programme of work will receive timely approval by the Israeli authorities, and that the procedures for the entry of material will be simplified to enable this work to be implemented.

**3. Expand operations at the existing operating land crossings, thereby enabling the processing of a significantly greater volume of goods through the crossings and the expansion of economic activity.**

- Kerem Shalom Crossing has been expanded to allow for the daily entry of 250 trucks as of 4 August from approximately 80 truckloads per day before the policy.
- During the first two weeks of August, a total of 2,255 truckloads of goods entered Gaza. The weekly average of 1,006 truckloads entering since the June policy decision reflects an 80 percent increase over the weekly average in 2010 prior to the policy change (553 truckloads). This reflects only 36 percent of the average number of truckloads that entered over the first five months of 2007 (2,807 truckloads), prior to the imposition of the closure.<sup>57</sup> Since 2007, the amount of space per truckload for goods shipped by pallet may have increased.<sup>58</sup>
- Expansion of Kerem Shalom crossing and the associated increase in capacity is welcome. It is critical that this capacity be available to meet demand, and that operating hours agreed with the PA be maintained.
- Goods from the West Bank constitute 30 percent of imports to Gaza. Operating hours at Kerem Shalom should facilitate the entry of all trucks originating from the West Bank that must cross checkpoints into Israel the same day they intend to cross into Gaza. Limitations on the number of truckloads crossing through West Bank crossings should be reduced to ensure that demand for goods from the West Bank can be met.<sup>59</sup>

**4. Add substantial capacity at the existing operating land crossings and, as more processing capacity becomes necessary and when security concerns are fully addressed, open additional land crossings.**

- The expanded Kerem Shalom crossing continued to operate.
- Karni Crossing, which can accommodate over 750 truckloads per day, remains closed. The conveyor belt, used for the transfer of grains and construction gravel is operated two days per week (up to 120 truckloads per day). The Israeli authorities have committed to extend operation to three days per week, which has yet to be implemented.

- Additional crossing capacity will be necessary to meet demand. It is important that capacity meet demand; crossing capacity should not influence Israeli government approvals of projects or the number of truckloads approved/coordinated for entry.

**5. Streamline the policy of permitting the entry and exit of people for humanitarian and medical reasons and that of employees of international aid organizations that are recognized by the Israeli government. As conditions improve, Israel will consider additional ways to facilitate the movement of people to and from Gaza.**

- Restrictions on humanitarian national and international UN staff remain unchanged, which continues to constrain project implementation.
- The number of businesspeople allowed to exit increased from 20 per week to 50 per day during the week of 16 August; so far 113 per week have been allowed to cross.
- Since 20 June, a number of high level international delegations have been facilitated to enter Gaza, including the European Commission Vice President and Norwegian Foreign Minister.
- Restrictions on the movement of increased categories of people should be eased, in addition to the facilitation of humanitarian and emergency cases. All staff of humanitarian organizations should be allowed unfettered access into and out of Gaza; in particular, access for UN staff is important for accelerating project implementation. Students must be able to pursue an education abroad, while medical staff, including technicians should be able to exit Gaza. The increase in the number of businesspeople provided permits to exit Gaza is welcome; businesspeople must be allowed increased movement to support sustained economic growth. Increased access for Palestinians to come and go from Gaza needs to be introduced, with an urgent priority for family reunifications and visits.

**6. Continue to facilitate the expeditious inspection and delivery of goods bound for Gaza through the port of Ashdod.**

- On an exceptional basis, the UN has, in agreement with the owners of the cargo from three vessels of the 31 May flotilla, and with the Israeli government, taken possession and responsibility for the entire cargo and is ensuring its timely distribution in Gaza for humanitarian purposes as determined by the UN.

***Priority Sectors***

The UN continues to consult closely with the PA on priority areas of work necessary in Gaza. In this regard, programming will continue to focus on the four following areas: increasing access to quality education; addressing urgent water and sanitation needs; helping to ensure increased access to regular electricity; and supporting the development of housing to meet critical shortages. **There has been some limited progress in interventions within the main priority sectors that affect living conditions in Gaza. Further progress is necessary to reverse the degradation of living conditions, erosion of livelihoods and deterioration in both infrastructure and the quality of essential services.**

***Education***

**Access to quality education in Gaza remains severely constrained due primarily to restrictions and the absence of sufficient facilities.** Eighty-eight percent of UNRWA schools and eighty two percent of government schools operate on a double shift system to accommodate the maximum number of students.<sup>60</sup> Class sizes in UNRWA schools are as high as fifty children per class. Since 2007/2008, UNRWA's enrolment has increased by 18,000 children; no new schools have been built during this period to accommodate these children, resulting in the use of shipping containers and school yards as learning spaces.

**To respond to these needs, UNRWA is planning to build or resume the building of over 100 schools over the coming years, along with a teacher training college to meet the professional development needs of over 8,000 teachers.**<sup>61</sup> While approvals have been received for five new schools, three suspended schools, and eight classrooms at two existing schools, the construction of the remaining 92 schools is important. While funding has been secured for an initial construction of 12 schools, a further US\$10m is needed immediately for the completion of a training college, an important complement to the building of school facilities.

**Despite the constraints related to infrastructure, UNRWA's education and youth activities continue to have a positive impact on social development for Gaza's most important resource – this represents a critical investment in ensuring a peaceful and productive future.**<sup>62</sup>

### ***Energy***

**An electricity crisis continues to affect Gaza – impacting livelihoods, service delivery and prospects for revived economic growth.** There were recurrent power cuts during the reporting period, in addition to the regular 12-16 hours of electricity cuts during the day. The transfer of inadequate amounts of fuel for the operating of the power plant has continued to constrain the functioning of the Gaza Power Plant (GPP). Increasing the equity and efficiency of revenue collection will help ensure that increased fuel can be purchased and transferred to the GPP. The full implementation of an internal understanding would help to increase the collection rate to 60-70 percent, from approximately 34 percent in June.

To repair damages and rehabilitate the energy infrastructure, UNDP has plans in place to support the rehabilitation of key elements of the GPP and the electricity network. The regular entry of 181 key maintenance items is necessary to ensure the continued functioning of the Plant. Detailed lists of these parts have been submitted on several occasions to the Israeli authorities, approvals have yet to be received. Goods coordinated by Palestinian Energy and Natural Resources Authority have been facilitated to enter Gaza on a regular basis. **Israeli approvals for the entry of some material for the energy sector is welcome; further approvals are necessary, specifically for step up/step down transformers, and material for routine maintenance of the GPP, beyond that which is carried out on a regular basis by Siemens.**<sup>63</sup>

**Strategic, longer term solutions to meet Gaza's energy needs require additional facilitation.** Such solutions include increasing the energy supply to Gaza from the Israeli network; connecting Gaza with the regional electricity network; and sourcing natural gas from regional sources to run the GPP more efficiently.

### ***Water, Sanitation and Hygiene***

**The water, sanitation and hygiene (WASH) situation in Gaza remains dire.** More than 90 percent of water in Gaza is unsuitable for drinking, due in part to over exploitation and sewage pollution. The average consumption of water for personal and domestic use is 80-90 litres per day, below the WHO recommended 100 litres per day.<sup>64</sup> Over 30 percent of the population in Gaza is not connected to the sewage network, whilst the capacity of the existing treatment plants is over-loaded. Over 60 million litres of treated and partially treated wastewater continue to be discharged to the sea each day.<sup>65</sup>

**The UN, its NGO partners, the Coastal Municipalities Water Utility and PWA have developed a list of 39 priority humanitarian WASH projects (US\$85m) for which**

**urgent facilitation of the import of materials and spares parts is required.**<sup>66</sup> Coordination for the entry of material has delayed implementation of a number of these projects.<sup>67</sup> In August 18.5 truckloads of necessary materials entered Gaza.<sup>68</sup>

**At the same time, limited progress has been achieved on major WASH infrastructure development; Israeli approvals for the entry of material for the WASH sector is welcome; the needs remain immense.** The design for the Khan Younis Waste Water Treatment plant has been finalized, and implementation will begin when the balance of US\$40.8m in necessary funding has been secured and materials have entered Gaza.<sup>69</sup> The upgrading of part of Rafah's water network has been completed and the water network component for Beit Hanoun will be tendered soon. Planning has also begun for the upgrade of the Deir al Balah desalination plant.<sup>70</sup> A project to build the capacity of the CMWU to monitor heavy metals in the water supply is also being initiated.<sup>71</sup> Materials for phase two of the Northern Gaza Wastewater Treatment Plant have started to enter and at the time of writing, entry of materials for the Sheikh Ejlin Wastewater Treatment Plant was expected to start.<sup>72</sup>

### ***Health***

**The continued closure of Gaza as well as internal Palestinian divisions continue to undermine the ability of the health system in Gaza to function properly.** While many services are available to the population and there have been no outbreaks of communicable diseases, the system is functioning far below capacity and there has been an overall decline in the quality of health services during the reporting period.

Restrictions on the import of necessary equipment and material as well as on the ability of health sector staff to leave Gaza, have constrained the development of the health system.<sup>73</sup> Inadequate infrastructure, coupled with constant power cuts, has seriously compromised service delivery. There continue to be recurrent shortages of pharmaceuticals and consumables. This problem could be solved, in part, through improved coordination between the Ministry of Health in Ramallah and the *de facto* local authorities in Gaza.

**Given the inadequate health care available, patients continue to seek specialized medical treatment outside Gaza.** Between April and July, the percentage of patients whose application to exit Gaza was approved steadily increased (from 72.5 percent in April to 83.8 percent in August), reaching the highest rate since the beginning of 2008; the percent of delayed patients (those who did not receive an answer to their permit request in time to attend their hospital appointment) was less than ten percent between June through August, substantially less than the rate of 29.7 percent in 2009. The number of patients that applied and exited Gaza to Egyptian hospitals have increased markedly in the last three months due to the increased opening of the Rafah crossing from two to five days/week since 31 May 2010.<sup>74</sup> A longer-term solution is necessary that ensures the predictable exit of patients without delay.

### ***Housing***

**The housing shortage in Gaza continues to increase:** 6,280 houses suffered major damage or were totally destroyed in the Israeli 2008/2009 military operation;<sup>75</sup> 2,886 units were under construction by UNRWA and UNDP, but have been frozen since 2007; 2,900 households suffered from damages related to Israeli military activity before the 2008/2009 Israeli military operation; 5,611 refugee households live in derelict and unsanitary shelters in camps; and an estimated 68,437 units are needed to accommodate for population growth between 2006-2010, when the closure of Gaza restricted (re)construction. Furthermore, the increasing over-densification of the existing

housing stock (aggravated because the movement of individuals outside of Gaza is limited) is degrading the existing infrastructure.

Implementation of the Khan Younis Project to finalize 151 housing units is expected to be complete by mid-September. Preparations are underway by UNRWA and UNDP to complete further housing units.

### ***Further Fundamental Changes Necessary***

#### ***Access to Sea and Land Areas***

**From late 2008 to the present, in addition to the closure of Gaza, Palestinians have been totally or partially prevented from accessing land and sea areas within Gaza.** Restricted areas are designated by the Israeli authorities with the stated intention of preventing attacks on Israel by Palestinian militants, including the firing of projectiles. Access is restricted to land located up to 1,000-1,500 metres from the Green Line (this represents 17 percent of the total area of Gaza and 35 percent of the agricultural area in Gaza). Palestinians have also been restricted from the sea beyond three nautical miles (nm) from the shore, restricting access to 85 percent of maritime areas to which Palestinians are entitled according to the Oslo Agreement. The restrictions directly affect 178,000 people (12 percent of the Gaza population).<sup>76</sup>

**Enforcement of the restricted access presents protection concerns and constrains livelihoods and access to services.** Primarily “warning shots” are utilized by the ISF to enforce restrictions, though the boundary of the restricted areas are not consistently clearly marked. A total of 22 civilians and 41 militants have been killed and 146 civilians and 26 militants injured in related incidents. Annual losses in productivity are estimated to be over US\$75m and property losses are over \$308m.<sup>77</sup> Access to quality education is also affected: there are seven schools located within the restricted area; 4,600 students and staff attend these institutions. **Current restrictions on access to land and sea should be eased to the furthest extent possible.**

#### ***Economic Recovery***

**The Israeli closure of Gaza and restrictions on the import of most goods required for production has eroded Gaza’s formal productive sector.** The situation also contributed to the expansion of the informal sector and fuelled a grey market economy based on goods smuggled through the tunnels with Egypt.<sup>78</sup>

**The measures introduced by the Israeli government to ease the closure are not, in and of themselves, sufficient to enable sustained economic growth and long term improvements in living conditions.** Complete lifting of the closure and large-scale investment will be necessary to revitalize the eroded productive base, particularly in trade logistics and private sector capacities.<sup>79</sup> In the near term, securing increased investment depends on predictable imports and exports, which should be pursued within the framework of the Agreement on Movement and Access. Expansion of exports will require additional crossing capacity.

**The PA continues to face tax revenue shortfalls, due to constraints on the collection of revenues for goods entering Gaza.** With the increase in commercial goods entering Gaza through the legitimate crossings, due to the easing of the closure, the PA Ministry of Finance estimates that revenues could be increased by US\$15m, a quarter of the current US\$60m shortfall.<sup>80</sup> To enable this increase, the MoF revenue department must be enabled to access invoices for goods entering Gaza, which would provide the necessary documentation for claims of indirect tax receipts at monthly clearance sessions.

**Gaza's formal economy has also been undermined by an irregular supply of Israeli shekels and restrictions on the transfers of US dollars and Jordanian dinars.<sup>81</sup>**

Consequently, financial activities have been channelled into unregulated transactions. Israeli transfers of 200m NIS and replacement of 31.5m NIS between 11 April and 7 September, are a welcome first step. Private sector revitalization will require the lifting of constraints on the banking sector, complemented by a restoration of financial and trade links with the West Bank and the rest of the world.

### **Recommendations**

- **Recalling the UN's recommendation from April, a durable solution to the challenges of security – including smuggling, unity and crossings must be found within the framework of Security Council Resolution 1860. Though the closure has been eased, it continues to affect the socio-economic situation and undermine recovery prospects in Gaza. The measures introduced by the Israeli government to ease the closure are not, in and of themselves, sufficient to enable sustained economic growth and long term improvements in living conditions.**

**While a durable solution is pursued in the framework of Security Council Resolution 1860, further measures can be taken without jeopardizing Israel's security:**

- **All actors must make the necessary adjustments to allow for the further flow of goods into Gaza without undermining Israel's security. Crossing capacity should be expanded by the Israeli authorities in cooperation with the PA to meet real demand; additional capacity will be necessary with an expanded scope of work approved for implementation. The PA should continue to improve and streamline coordination mechanisms for the entry of commercial goods and exports.**
- **Increased predictability in imports and increased exports are needed for sustainable economic growth. In particular, additional categories of raw material, particularly for construction, should be allowed to enter for the commercial sector. Efforts are necessary to promote greater commerce between the West Bank and Gaza.**
- **Movement of further categories of people into and out of Gaza should be facilitated by the Israeli authorities. Restrictions on the access of civilians to all areas of Gaza's land and sea should be eased by Israeli authorities to the fullest extent possible.**
- **The internal understanding on the collection of revenues to ensure financing is available for industrial fuel for the Gaza Power Plant should be fully implemented; the international community should support longer term solutions for the supply of gas to meet energy needs.**
- **Israeli authorities should simplify procedures for the entry of construction materials; approve the proposed programme of UN work that will allow a steady 'flow' of work in Gaza to move forward; and approve a steady flow of material required for the programme's completion. Donors are encouraged to continue to fund new and suspended projects for Gaza, particularly through the UN's Trust Fund Gaza window designed to support critical construction and reconstruction needs.**

### **3. WAY FORWARD**

Over the course of the reporting period, a number of positive developments have been realised by both the PA and the Government of Israel. Significant challenges remain. Continued PA progress in the implementation of the state-building agenda serves to strengthen the structures of a future Palestinian state. The Government of Israel, in turn, has eased movement and access restrictions in the West Bank over the past years, and with the 20 June policy announcement, has set the stage for progress on the ground in Gaza. These are important achievements and it is now more critical than ever that tripartite efforts to support state-building be redoubled, as the critical complement to the resumption of final status negotiations. The time is now to realise the necessary developments which only tripartite collaboration can bring to fruition.

Fundamental changes are necessary in the West Bank. Parties should reaffirm their commitment to the Roadmap, including an end to incitement and provocative actions, and a moratorium on Israeli settlement construction. Continued reform efforts of the PA should be matched by further enabling measures by the Israeli authorities. In particular, access to resources should be expanded and an increasing number of restrictions on movement and access should be removed. These efforts will help ensure that increased investment is able to reach its full potential. Increased and well coordinated donor support for the PA's budget and for priority projects is of critical importance.

A fundamental change is also needed in Gaza. Unity under the legitimate Palestinian Authority is of paramount importance; in this regard, steps that support this objective, such as the establishment of PA presence at the crossings to Gaza, are important. Further essential changes are needed to meet humanitarian needs, redress de-development and help restore a sense of normality, whilst engendering hope amongst Gaza's youth for a better future. The change in Israeli policy towards Gaza is a positive step that must be further built upon; all parties must now act to address the core drivers of the unsustainable situation in Gaza, within the framework of Security Council Resolution 1860.

As the UN Secretary-General underscored on 22 August, negotiations are the only way for the parties to resolve all final status issues and both sides should show leadership to realize the aspirations of both peoples. Supporting a positive environment for negotiations is an important complement to the political track, and will help contribute to the durability of the agreement reached by the parties.

The parties and other members of the AHLC must support this important political process, towards a two state solution with the emergence of an independent, democratic and viable Palestinian State living side by side in peace and security with Israel and its other neighbours.

## **Annex A: Indicative PA Reforms, Achievements, and Next Steps**

### **Economy**

Government efforts to raise revenues and reduce reliance on budget support have continued, with collected revenues up 18 percent and budgeted support required from donors reduced by one third compared to 2009 – from US\$1.8 billion to US\$1.2 billion.

- The PA is encouraged to continue to enhance commitment controls to maintain its fiscal stance in line with the 2010 budget, support cash management efforts, and strengthen tax administration.
- It is also important that the PA make full use of the new computerized accounting system.
- Despite the significant progress in building a more enabling environment for the private sector, the PA is encouraged to continue to pursue reforms to develop clear, agreed upon export strategies, increase the competitiveness of Palestinian goods, reduce high transaction costs, and improve the legal and regulatory framework.

### **Governance**

The progress in improving law enforcement has been substantial, with 41,301 court orders carried out by the Police between March - July.

- To build on these gains, the PA is encouraged to support further reforms to improve the rule of law – in particular the drafting of the new Penal Code.
- It will be critical that the PA ensure that continued security sector reforms are achieved, whilst empowering the Ministry of the Interior to lead security efforts and ensure coherence under the security sector strategic plan.
- The international community is encouraged to continue to provide critical support to this process.

The number of cases registered at and disposed through the court system is increasing, with a 15 percent increase in cases registered at the High Judicial Court in the first half of 2010 (to over 69,292 cases).

- The PA should continue and strengthen reform efforts aimed at further defining and clarifying the roles and responsibilities of the Ministry of Justice, High Judicial Court, and Attorney General's Office in order to consolidate the gains made thus far and clear the way for further progress.
- Continued efforts by the PA are also required to maintain the independence of the court system from political pressures.

### **Social Development**

In support of Social Development, Palestinian agencies, in close cooperation with donors, the UN, private sector, civil society and other partners continue to work to meet basic needs and towards achieving the Millennium Development Goals – which provide a framework for meeting the needs of the poorest.

Major improvements have been made in unifying the social protection program: approximately 65,000 households have been entered into the unified system which was launched in June. Over 65,000 people have been assisted through government health insurance.

Regarding service provision towards more equitable access to quality services, 34 new schools have been built – plus three more schools being built in East Jerusalem – supporting progress towards universal education. Major teacher education initiatives continued, and 2,100 scholarships for higher education – about half of them abroad – were granted.

- The PA is encouraged to continue to pursue policy efforts to improve education quality assurance, increase the number of teachers in the sciences and curb student high drop-out rates.

Towards improved health service delivery, 11 new clinics were built, with 30 more expanded, and 95 percent of children in oPt were fully vaccinated. Major reform efforts are underway to develop a new national health insurance system and to improve the health information system.

- The PA is encouraged to maintain progress on these critical initiatives to ensure the goal of providing every Palestinian with adequate and high quality health services.

Several key social policies and related laws have been proposed, including the Juvenile Justice Law and the Child Law. The key amendments of the Child Law deal with specific gaps, including protecting children from hazardous labour; raising the compulsory education age from 15 to 18; providing health services for children under six who are not covered by insurance; and raising the liability age from nine to 12 years old for children who will appear in the juvenile justice courts. A national strategy to combat violence against women is also underway, and aims to define the roles and linkages between various stakeholders to ensure better results.

- Enacting these policies and laws is a critical next step.
- Social development interventions will benefit from greater cross-sectoral integration, by the PA and donors, ensuring that interventions in each sector leverage others.

## **Infrastructure**

As an important component of the future state, continued development of major infrastructure and efficient service delivery is of paramount importance.

Notable progress has been achieved: 16 new roads totalling over 87 km have been built, improving access throughout the oPt. Furthermore, 44 new housing projects have been undertaken, marking progress towards meeting the housing needs of Palestinians.

- The PA is encouraged to finalize the Master Plan for the housing sector to help articulate the relationship of housing development with the private sector, and support a state-guaranteed lending program as well as the formulation of general housing construction specifications.
- Further reform within specific PA agencies should continue, to help ensure effective planning and implementation of projects.
- The PA is encouraged to continue reforms in the electricity sector to decrease subsidies and ensure greater coverage.

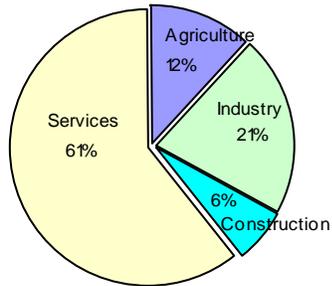
Major efforts at improving water provision are underway, with a target of providing water-related services to 95 percent of communities by 2011.

- In the water sector, the PWA should continue reforms aimed at improving fee collection, minimizing theft, and ensuring adequate maintenance services.

## Annex B: Structural Changes in the Palestinian Economy

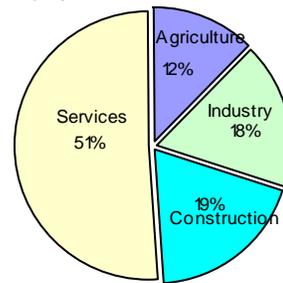
### Sectoral Share of the Economy

1995 Real GDP: \$3193 mil.

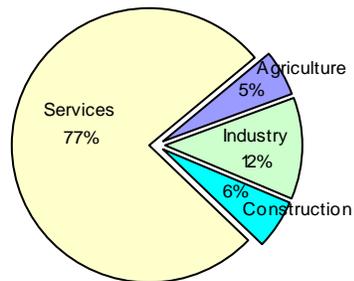


### Sectoral Share of Employment

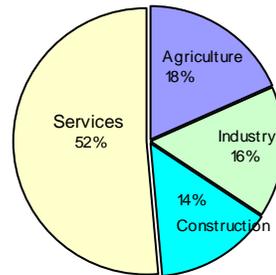
1995 Employment: 417 thous.



2008 Real GDP: \$4820 mil.



2008 Employment: 648 thous.



<sup>1</sup> Security Council Resolution 1860 includes: 1. *Stresses* the urgency of and *calls for* an immediate, durable and fully respected ceasefire, leading to the full withdrawal of Israeli forces from Gaza; 2. *Calls for* the unimpeded provision and distribution throughout Gaza of humanitarian assistance, including of food, fuel and medical treatment; 3. *Welcomes* the initiatives aimed at creating and opening humanitarian corridors and other mechanisms for the sustained delivery of humanitarian aid; 4. *Calls on* Member States to support international efforts to alleviate the humanitarian and economic situation in Gaza, including through urgently needed additional contributions to UNRWA and through the Ad Hoc Liaison Committee; 5. *Condemns* all violence and hostilities directed against civilians and all acts of terrorism; 6. *Calls upon* Member States to intensify efforts to provide arrangements and guarantees in Gaza in order to sustain a durable ceasefire and calm, including to prevent illicit trafficking in arms and ammunition and to ensure the sustained re-opening of the crossing points on the basis of the 2005 Agreement on Movement and Access between the Palestinian Authority and Israel; and in this regard, *welcomes* the Egyptian initiative, and other regional and international efforts that are under way; 7. *Encourages* tangible steps towards intra-Palestinian reconciliation including in support of mediation efforts of Egypt and the League of Arab States as expressed in the 26 November 2008 resolution, and consistent with Security Council resolution 1850 (2008) and other relevant resolutions; 8. *Calls for* renewed and urgent efforts by the parties and the international community to achieve a comprehensive peace based on the vision of a region where two democratic States, Israel and Palestine, live side by side in peace with secure and recognised borders, as envisaged in Security Council resolution 1850 (2008), and recalls also the importance of the Arab Peace Initiative.

<sup>2</sup> Closure refers to all measures controlling the access of people and goods to and from Gaza by land, as well as the maritime blockade.

<sup>3</sup> Much of the difference is attributable to the violent confrontations that took place over a number of days during March 2011 in East Jerusalem.

<sup>4</sup> OCHA recorded 104 settler attacks against Palestinians resulting in either Palestinian injuries (29 incidents) or property damage (75 incidents) to homes and agricultural land, compared with 83 such incidents in the previous four months. Included in these figures, are an arson attack on a mosque on 4 May and the desecration of another mosque. Lack of adequate law enforcement by the Israeli authorities on violent Israeli settlers continues to be of concern.

<sup>5</sup> Over 50 Palestinians and Israeli and international peace activists were injured during the reporting period, while dozens were arrested or suffered from tear gas inhalation.

<sup>6</sup> In the last year, 88,000 court orders were carried out by the police; and police stations have been established in every major urban centre and in some municipal centres.

<sup>7</sup> Since the end of the Israeli Military Operation (2008/2009), at least 40 percent of the Palestinians fatalities and at least 83 percent of the injuries in Gaza were unarmed civilians.

<sup>8</sup> The UN's Medium Term Response Plan (MTRP), articulates the collective commitment to support the PA's state-building agenda in the following areas: Governance and Rule of Law; Human Rights; Education; Health; Social Protection; Infrastructure; Livelihoods and Employment; and Food Security. Through the MTRP, the UN is increasing its support to the Aid Effectiveness agenda, through a greater commitment to capacity building, enhanced transparency, and increased use of national systems. Implementation of MTRP objectives is undertaken by individual agencies, with an increasing focus on coordinated and joint programming.<sup>8</sup> This allows the UN to use the combined resources and expertise of the United Nations system to address complex and cross-cutting challenges, in close cooperation with the PA.

<sup>9</sup> IMF Report to the AHLC, September 2010 and World Bank report to the AHLC, September 2010.

<sup>10</sup> PCBS, Labour Force Survey.

<sup>11</sup> The refugee labour force participation rate dropped more rapidly than for the rest of the population.

<sup>12</sup> As reflected in the *Homestretch to Freedom* document.

<sup>13</sup> Looking towards funding for 2011-2013, the Chair and co-Chairs of the International Donors' Conference for the Palestinian State noted on 1 July that a new donors' conference for the Palestinian State could be organized in Paris in the framework of clear political prospects for ending the occupation and establishing the Palestinian State.

<sup>14</sup> See: [http://www.ochaopt.org/documents/ocha\\_opt\\_consolidated\\_appeal\\_process\\_2010\\_english.pdf](http://www.ochaopt.org/documents/ocha_opt_consolidated_appeal_process_2010_english.pdf)

<sup>15</sup> Underdevelopment of the Palestinian economy is driven by multiple factors that have undermined the competitiveness of Palestinian producers in local and external markets. These factors include the erosion and destruction of Palestinian physical capital, infrastructure and the productive base; lack of access to exploit natural and economic resources, especially land, water and development of economies of scale; and the high transaction cost as a result of the Israeli closure policy. UNCTAD, July 2010.

<sup>16</sup> Territorial fragmentation and lack of economic and institutional contiguity within and between Gaza, West Bank (including East Jerusalem) further constrains Palestinian development causing, inter alia, regional economic disparities. For example, in 2009 the West Bank GDP growth was 8.5 percent as compared to 1 percent in Gaza.

<sup>17</sup> Between 1995 and 2008 (see graph in Annex A), the share of agriculture in GDP declined from 12 percent to 5 percent while the share of industry fell to 12 percent. At the same time, the combined share of the non-tradable goods sector, services and construction, rose from 67 percent to 83 percent, with services accounting for all the increase. This structural deformation, together with the erosion of the productive base, resulted in a sharp decline in agricultural and industrial productivity: the share of employment in the two sectors rose while their relative contribution to total output declined. Palestinian Central Bureau of Statistic data indicates that the structural trend of the economy continued in 2009: agricultural accounted for 4.8 percent of GDP; construction accounted for 7.4 percent. UNCTAD, July 2010.

<sup>18</sup> This represents Approximately 13 percent of the employment that would have been generated had the closure been lifted and closures been relaxed. The model utilized did not factor in the 21 June Israeli policy on Gaza; the economic impact of this policy could adjust this figure. UNCTAD (2010)

<sup>19</sup> UNCTAD (2010). Report on UNCTAD assistance to the Palestinian people. TD/B/57/2. Geneva. 13 July.

<sup>20</sup> The model utilized did not factor in the 21 June Israeli policy on Gaza; the economic impact of this policy could adjust this figure.

<sup>21</sup> The total number of closure obstacles was around 500 as at 17 August – 64 checkpoints; 25 partial checkpoints; 161 earth mounds; 112 road gates; 63 roadblocks; 20 earth walls; 10 trenches; and 45 road barriers. On 26 February, there were approximately 550 closure obstacles. Closures continue to control access to land and resources. The impact of the

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closures on restricting movement between Palestinian urban centres has been reduced due to the expansion of the alternative 'fabric of life' road network, which is a parallel system; therefore, the impact of reducing the number of closures is limited.

<sup>22</sup> Measures include the opening of a key route east of Jerusalem for Palestinian traffic, the removal of 60 roadblocks and further easing of the access of Israeli citizens of Arab descent through all West Bank checkpoints. Only the last measure was fully implemented.

<sup>23</sup> Enabling access to Adh Dahariya town from Road 60 was a significant development, which will shorten the route of an average of 8,500 vehicles per day travelling between the southern villages and Hebron, according to USAID's Trade Facilitation Project. However, the full benefits of this opening are undermined by the continued closure of the southern entrance to Hebron by the Beit Haggay roadblock which causes Palestinians to travel an additional 6.5 kilometres to reach the city, affecting an estimated 16,000 Palestinians each day, according to USAID's Trade Facilitation Project.

<sup>24</sup> For example, one of the frequent justifications given by the Israeli military for maintaining the closure of key roads into Palestinian towns and villages is that, if opened, these roads may serve as rapid "escape routes" for perpetrators of attacks against nearby settlements, or against Israelis travelling along the adjacent roads (e.g. eastern access to Ramallah, southern access to Hebron). These restrictions have reduced or eliminated Palestinian traffic along certain routes, which, as a result, have been transformed into rapid "corridors" easing the commute of Israeli citizens between the settlements and Israel, and, in some cases, between various areas within Israel via the West Bank.

<sup>25</sup> USAID's Trade Facilitation Project concluded that the number of vehicles of Israelis of Arab descent increased 45 percent due to this opening.

<sup>26</sup> Limited access to foreign and local markets undermines the competitiveness of Palestinian producers, and therefore reduces the potential economic benefits of trade. The result for Palestinian producers is reduced profits, loss of competitiveness, inability to maintain normal business relationships, and ultimately loss of customers. Furthermore, foreign and national investment continue to be limited as existing closure obstacles, and the potential for new closure obstacles to be established, discourage investment.

<sup>27</sup> The trade deficit has been increasing: it was US\$3.0 billion in 2007; US\$3.5 billion in 2008 and preliminary estimates suggest that it was around US\$3.9 billion in 2009. UNCTAD (2010). Report on UNCTAD Assistance to the Palestinian People. TD/B/57/4. Geneva. 13 July.

<sup>28</sup> For a description of the constraints see UN's Report to the AHLC, 12 April 2010.

<sup>29</sup> Approximately 1,500 pending demolition orders in East Jerusalem affect some 9,000 families.

<sup>30</sup> The Israeli Ministry of Justice asserts that, "all demolitions are conducted in accordance with due process guarantees and following a fair hearing, which is subject to judicial review and the right to appeal, and all demolitions are decided upon without distinction on the basis of race or ethnic origin." Ministry of Justice, 7 September 2010. The Ministry of Foreign Affairs asserts that legal proceedings are often a result of 'private legal disputes over ownership of assets.' Ministry of Foreign Affairs, 7 September, 2010.

<sup>31</sup> The actual figures may be slightly higher; the incidents listed are those that OCHA or UNRWA staff could conclusively verify.

<sup>32</sup> In mid-June, the Jerusalem Local Planning Committee approved a development plan submitted by the Mayor of Jerusalem for the Al Bustan Area of Silwan neighbourhood that will displace between 22-40 residences. According to the Israeli authorities, the plan would require the demolition of 22 Palestinian buildings; the urban planner assisting the residents maintains that the plan would require the demolitions of 40 residences, partial demolition of 13 others, displacing 500 residents. A Technical Planning Task Force, chaired by UN-HABITAT, coordinates the work of partners engaged in planning activities in East Jerusalem.

<sup>33</sup> Assessments, as reflected in reports and statements by the International Peace and Cooperation Center, the Civil Coalition for Defending Palestinians' Rights in Jerusalem, BIMKOM, Iramim and others, suggest that the current draft of the Jerusalem Masterplan does not reflect Palestinian needs. The Israeli Ministry of Justice asserts that the plan includes the expansion of some neighbourhoods in East Jerusalem, and grants additional construction rights to the local population.

<sup>34</sup> Currently, the CPA requires regular searches of UN vehicles unless the driver is an international staff member holding a Ministry of Foreign Affairs identification card; national UN staff are subject to body searches and required to walk through the crossings the CPA currently operates. Such searches are contrary to the UN Privileges and Immunities, "Convention on the Privileges and Immunities of the United Nations," Adopted by the General Assembly in 1946.

<sup>35</sup> The specialized hospitals in East Jerusalem should be accessible to all Palestinians from the West Bank and the Gaza Strip. Medical needs should be a priority in the allocation of permits to Palestinians to enter East Jerusalem and checkpoints into East Jerusalem should offer facilitated passage for patients and a speedy transfer of patients in ambulances. West Bank employees from East Jerusalem hospitals should be allowed to use all Barrier checkpoints. Access to specialized training in East Jerusalem hospitals should be ensured for medical students.

<sup>36</sup> A high level of food insecurity revealed by an interagency food security and nutrition assessment of 510 herder families in Area C, completed in February 2010, is an indicator that a range of basic and essential humanitarian needs are currently unmet. According to this joint assessment, 79 percent of the Palestinian herding population in Area C is food insecure, (as compared to an average of 25 percent for the general population in the West Bank and 61 percent in Gaza) Additionally, 5.9 percent of surveyed children aged between six months and five years suffer from acute malnutrition and 28 percent have stunted growth as a result of nutritional deficiencies. The erosion of herding livelihoods due to lack of access to land and water scarcity is a key factor behind the high levels of food insecurity. Moreover, the reduced access to traditional sources of meat and dairy products is directly impacting on the quality of nutrition.

<sup>37</sup> According to OCHA's records, at least 185 Palestinian structures have been demolished or dismantled in Area C of the West Bank in over 40 separate incidents during the reporting period (10 April – 10 August). Targeted structures, included homes, residential tents, animal shelters, barracks, water cisterns, sanitation units, shops and other commercial enterprises. As a result, more than 670 Palestinians have been displaced (160) or otherwise affected (510). In one incident on 19 July, nearly an entire Palestinian village, Al Fariysiye, was erased and its inhabitants forcibly displaced in the span of a few hours. Ten days later 22 emergency tents delivered by the ICRC to the people displaced were also dismantled.

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During the previous four months, 62 structures were demolished, and 470 people were displaced (122) or otherwise affected (350).

<sup>38</sup> According to NGOs that provide legal aid to those affected, requests for legal assistance quadrupled in June and July. Information provided by the Israeli Ministry of Defense in 2007 indicates that there were over 3,000 outstanding demolition orders for Area C structures; hundreds of new demolition orders have been issued since then.

<sup>39</sup> The ICA is subordinate to the Coordinator of Government Activities in the Territories (COGAT) unit in the Israeli Ministry of Defense.

<sup>40</sup> See 'Civil Administration Told to Crack Down on Illegal Arab Structures' *Ha'aretz*, 19 July 2010.

<sup>41</sup> Demolitions lead to a significant deterioration in living conditions, increased poverty and long-term instability while impacting access to basic services, such as education health care and water and sanitation. The impact on children can be particularly devastating, including, for example, post-traumatic stress disorders, depression, anxiety and reduced academic achievement. Many families in the 271 Area C communities mapped by OCHA (more than 50% of the built up area in Area C) live in tent, cave or corrugated tin shack dwellings. Increased poverty resulting from the erosion of herding livelihoods, compounded by the threat of demolitions has made it increasingly difficult for families to maintain their dwellings and keep them weatherproof. In many cases, large extended families live together in a cave or one-roomed shack. Many live in caves which are poorly ventilated and often have mould on the walls and ceilings. Such conditions lack even a semblance of dignity, with a profound psychological impact upon young married women and teenage girls. Families are exposed to rain and frost in winter and to very high temperatures in summer posing serious health concerns, particularly for the most vulnerable, children and the elderly.

<sup>42</sup> In Area C, more than 70 percent of the land, is currently allocated to Israeli settlements or the Israeli military, while severe restrictions apply to their use of additional 29 percent. Only one percent of the land in Area C is thus available for Palestinian construction and development.

<sup>43</sup> According to the Israeli Ministry of Justice, "the laws in the West Bank stipulate the obligation to receive a building permit based on an approved plan prior to the commencement of construction, and the criminal and administrative enforcement measures against 'illegal' construction...the demolition of buildings constructed illegally is carried out lawfully, mainly by the Civil Administration and in order to enforce the planning and building laws." 7 September 2010.

<sup>44</sup> Such planning would provide a framework for the regularisation of Palestinian construction and should enable fast tracking of permits for new developments. During the reporting period no new Plans have been approved for Palestinian communities in Area C.

<sup>45</sup> The water, sanitation and hygiene component of the plan consists of a package of 14 projects to serve an approximate population of 52,000 that have been identified as the most vulnerable and in need of urgent assistance to access water, because they pay more than 20 NIS per cubic meter and/or have a consumption average of less than 60 liters per person. Twenty six schools have been assessed by humanitarian organizations as sub-standard and in need of a swift humanitarian response. Inadequacies include unsafe or unhygienic schools, which require minor repairs; schools facing the threat of demolition; violence perpetrated against students attending or en route to school, and restrictions on access to and from school. Such conditions have been assessed by education aid agencies as resulting in a high drop-out rate, particularly among girls, as well as posing significant health and safety risks for the students that continue to attend. Weatherproofing of non-permanent shelters, such as tents and shacks, is urgently required to provide protection from the extremes of cold and heat. Each family requires an independent living area and those living in extreme overcrowding, especially in caves, need to expand their living space. Individual householders will repair their existing dwellings or replace them with tents.

<sup>46</sup> PWA priority projects include: eight wells and a desalinization plant in the Jordan Valley; five wells in the north-eastern Aquifer; Obeidiya Wastewater treatment plant which has been approved by the JWC and ICA; and Hebron Wastewater treatment plant, which requires funding.

<sup>47</sup> For example, UNDP has planned development projects in transportation, education and water; during the reporting period there was no progress in these projects due to outstanding permit requirements from the Israeli Civil Administration. Projects include four kilometres of road in Hebron district, new classrooms in Itwana, Hebron and a water network in Jiflek, Jericho. Furthermore classrooms recently built in Jaba, Bethlehem are subject to a COGAT demolition order.

<sup>48</sup> Approximately ten percent of the West Bank, and 15 percent of Area C, mostly in the Jordan Valley, is also designated as 'nature reserves' in which any Palestinian land use, including for herding, is prohibited. Nature Reserve Areas include land in the Bethlehem governorate that was intended to be handed over to the PA, under the Wye River Memorandum of 1998. Accounting for overlaps between the closed military areas and nature reserves, access is restricted to some 26 percent of West Bank land. Palestinians who are not recognized as residents of these closed areas by the ISF are restricted from entry; exact boundaries of the closed areas are not consistently demarcated on the ground.

<sup>49</sup> With the exception of around 56,000 people who are registered in their IDs as residents of the Jordan Valley (including Jericho). Moreover, those who obtain the necessary permits are required to have the vehicles licensed in their names before being able to drive them through the checkpoints, further constraining the ability to move.

<sup>50</sup> Road 90 is used mostly by Israeli settlers commuting to Israel, as well as other Israelis travelling between the area of Jerusalem and northern Israel, as an alternative to Highway 6 inside Israel, which is a toll road

<sup>51</sup> Farmers incur losses and higher transport costs to market their agricultural produce in the rest of the West Bank. They also face long detours and there are a limited number of authorized transporters. In addition, the quality and price of fresh produce is often reduced when marketed after long delays at the checkpoints. Strict enforcement of restrictions also limits access for Bedouin who reside in the Jordan Valley but have another address on their ID cards.

<sup>52</sup> For Israeli High Court of Justice rulings on the Barreir see: <http://elyon1.court.gov.il/verdictssearch/englishverdictssearch.aspx>

<sup>53</sup> The majority of these West Bank ID-holding Palestinian residents will be in the Bethlehem governorate, where nine rural communities with approximately 22,000 Palestinian residents will be cut off from the urban centre by the route of the Barrier around the Gush Etzion settlement bloc. Limited opening times of the Barrier gates, limitations on the entry of

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medical professionals and ambulances, and restrictions on vehicles entering the 'Seam Zone' results in high health risks for those who reside in the 'Seam Zone' or enter the area to work on their land

<sup>54</sup> The majority of gates open for brief periods, two to three times daily. Most services and livelihoods are located on the 'Palestinian' side of the Barrier, and the gates are locked and unstaffed by soldiers between these short opening times.

<sup>55</sup> During the reporting period, to deliver food assistance and medical care UNRWA has had to apply for permits for staff to access the Barta'a enclave (on four occasions) and Jinba (on two occasions) through the Israeli Civil Administration. Prior coordination has also been required for mobile health teams to reach the communities of Arab Ar-Ramadin Al-Janubi, Khirbet Jubarah, and An-Nu'man. Despite prior coordination, in one week in July relief workers faced four incidents that involved long delays to accessing beneficiaries near Qalqilya and An Nu'aman. A mobile health team that previously visited the communities in the Barta'a enclave - passing the checkpoint with prior coordination - had been unable to enter since September 2007, when UNRWA staff and vehicles became subject to search policies at the checkpoint.

<sup>56</sup> The Israeli Ministry of Justice stresses the advisory character of the ICJ opinion. Israeli Ministry of Justice, 7 September 2010.

<sup>57</sup> Access restrictions on the movement of people to and from Gaza had been in place since the late 1980's; the closure of Karni in June 2007 was the most significant change that affected the movement of goods into Gaza.

<sup>58</sup> There is some difference in what constitutes a truckload between 2007 and the current period, for some materials. This difference is due in part to previous restrictions by the Gol on the maximum height that pallets could be stacked (1.6 metres); this restriction was lifted so the quantity of some items that are shipped in pallets has increased, per truckload.

<sup>59</sup> Current infrastructure at Tarquimya crossing from the West Bank to Israel limits the number of truckloads that can reach Kerem Shalom before the closing time.

<sup>60</sup> UNDP, One Year After, 2010. There are 383 Government schools with 240,953 students; 221 UNRWA schools with 198,612 students; and 33 private schools with 12,139 students.

<sup>61</sup> Each new school costs US\$ 2m and requires approximately six months to complete.

<sup>62</sup> UNRWA Gaza has provided a summer remedial education programme to 40,000 children who would otherwise likely drop out of school; 250,000 children participated in the UNRWA Summer Games recreational programme in which Gaza is set to become the Guinness world champion in two events – basketball dribbling and kite flying; and UNRWA has contributed to a new generation of human rights leaders via human rights trips abroad to South Africa and Norway for students to learn from concrete historical global experiences.

<sup>63</sup> See <http://www.undp.ps/en/focusareas/crisis/gazamaterials/indexpub.html> for all materials that require approval for entry for UNDP projects.

<sup>64</sup> Ministry of Agriculture and UNICEF, 2009.

<sup>65</sup> The Palestinian Water and Wastewater Sectors – Basic Needs and development, Ongoing and Proposed Projects by Governorate, Palestinian Water Authority. October 2009.

<sup>66</sup> The list is comprised of immediately needed projects, which are planned and already funded; and projects for which negotiations are ongoing. There are an additional 39 projects which are financed but no materials are required to enter at this stage; or which are planned but not yet funded (predominately from the 2010 Consolidated Appeal)

<sup>67</sup> Over 2/3 of WASH items that still remain in the warehouse are listed as 'non-controlled items' in need of special permits; only a quarter of those have entered Gaza since 20 June. 1/5 of the items in the warehouse would be considered as 'dual use' while clear guidance/information is needed for five percent of the materials.

<sup>68</sup> Entry was facilitated by close coordination between the Coastal Municipalities Water Utility, Palestinian Water Authority, WASH Cluster and OCHA and COGAT.

<sup>69</sup> Japan has contributed US\$14.83 million to the project but a further US\$40.8m is required.

<sup>70</sup> With funding from the Government of Italy.

<sup>71</sup> With funding from the Austrian Development cooperation.

<sup>72</sup> Funded by the World Bank & France and Germany/ KFW, respectively.

<sup>73</sup> The control of the import of construction materials has prevented the necessary reconstruction and expansion of health facilities. Since the 21 June policy decision of the Israeli government on Gaza, Israel has approved the construction of two clinics to be implemented by UNRWA. Israel has also facilitated the entry of medical supplies and equipment, but there have been significant delays for the entry of some equipment. Increased numbers of medical personnel have been facilitated to leave Gaza for necessary training during the reporting period, however, the number falls far short than those that are requested and the approval process remains unpredictable with frequent denials of permit requests. Training of maintenance engineers for health equipment has also been obstructed. The only major rehabilitation of health infrastructure that is proceeding is the Palestinian Red Crescent Society hospital, which began prior to the new policy, and which sustained significant damage in the Israeli military operation (2008-2009).

<sup>74</sup> Between January through March, an average of 371 patients were approved to exit via Rafah on average per month, with no approvals in February and April. Between April through July, an average of 788 patients were approved for exit on a monthly basis, with no approvals for exit in April.

<sup>75</sup> The import of glass and aluminium has helped to enable minor repairs to houses damaged in the Israeli military operation 2008/2009.

<sup>76</sup> 113,000 people are affected by the land restrictions; 65,000 people are affected by the sea restrictions. OCHA and WFP, 'Between the Fence and a Hard Place: The Humanitarian Impact of Israeli-Imposed Restrictions on Access to Land and Sea in the Gaza Strip. August 2010.

<sup>77</sup> Yearly losses of approximately 75,000 metric tons of potential produce (market value of US\$ 50.2m per year) are lost. In the fishing sector, the potential fishing catch lost is estimated at approximately 7,000 metric tones, with a related income loss of approximately US\$26.5m per year. Land leveling and demolition of buildings has led to estimated losses of US\$308mn (replacement loss) in agricultural and property destruction over the past five years. Agricultural-related assets include fruit trees, greenhouses, chicken and sheep farms and water wells, accounting for 90 percent of the calculated cost.

<sup>78</sup> By mid 2008 the formal private sector of Gaza had effectively collapsed. The lack of access to agricultural land, fishing resources, imported inputs and export markets resulted in severe capacity underutilization, de-development, de-

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formalization and de-institutionalization. The Israeli military operation in Gaza in December 2008-January 2009, further compromised the already fragile civilian and public infrastructure, which was already seriously impaired by 18 months of closure.

<sup>79</sup> The number of working industries was 3,900, employing 35,000 in 2007; this was reduced to 117 industries employing 2,000 people in 2008 during the closure. Since the easing of the closure in June, there are now 1,365 industries employing 6,000 workers, working far below previously capacity. In the construction sector, there had been 125 firms employing 50,000 people in 2007, which was reduced to eight firms employing 100 people in 2008. There are now 50 firms employing 1,500 people. PALTRADE, August 2010.

<sup>80</sup> PA, Ministry of finance, Fiscal Developments, Second Quarter and Midyear 2010 Report. 7 August, 2010.

<sup>81</sup> Cash shortages impede the execution of transactions in these currencies, increase the risks banks face and undermine profitability.