

Palestinian National Authority

Building a Palestinian State
Towards peace and prosperity

Paris, December 17th, 2007

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Opening Statement

Salam Fayyad, Prime Minister, Palestinian National Authority

This document sets out a strategy for implementing a vision of the future Palestinian state; a vision that can be implemented if reinforcing steps are quickly taken in the spirit of the understandings reached at Annapolis.

We are committed to good governance, law and order and the delivery of basic public services throughout the Occupied Palestinian Territory. Stabilization and rebuilding of trust are our main priorities in 2008, and we have already embarked on a comprehensive program of civil and security governance reforms. We will also work on a series of social and economic development initiatives, reinforced by a substantial program of infrastructure rehabilitation.

Fiscal sustainability is also a high priority. We aim to progressively reduce the budget deficit and increase expenditure on development. Given the right conditions, I firmly believe in the potential of the Palestinian people and the economy to thrive. In an environment of political and financial stability, I believe private investment will return and contribute to reducing the deficit while creating jobs on a sustainable basis.

Our request for \$5.6 billion in financial assistance over the next three years is an essential investment for a peaceful and prosperous future. We are at a crossroads and it is essential that, together, with our neighbors and with the support of the international community, we take the right path.

I thank our friends in the donor community for their kind consideration.

Executive Summary

This document lays out our vision of an independent Palestinian state. It highlights steps we have already taken to restore good governance and the rule of law to the West Bank - steps we believe demonstrate our commitment to realizing this vision and steps we aspire to replicate in Gaza. Whilst the stalled peace process and the tightening grip of the occupation have played a powerful role in shaping events, we acknowledge we have given insufficient attention to shortcomings in governance, law and order, and basic service delivery. We are now absolutely determined to rebuild the trust of our citizens and our international partners in the Palestinian National Authority by embarking on a challenging reform and development agenda for stabilization and recovery.

We are not complacent about the scale of the task ahead. Progress must be made to upgrade all Palestinian institutions of government. We intend to create a secure and stable internal environment in which social and economic development can take place, and in which the institutional infrastructure of a Palestinian state can develop and thrive. This must go hand in hand with sustained and serious political dialogue, and concrete steps and commitments by all parties towards a lasting peace. We are committed to bringing safety and security to the West Bank and Gaza. Our immediate goal is to return to the *status quo ante* before the escalation of conflict in September 2000 by resuming full security control in Area A. Our ultimate goal is to assume full authority and responsibility for security within and at the borders of the future Palestinian state.

Reform and development in Gaza is an integral part of our plan for bringing stability and prosperity for all Palestinians in the occupied territory. We are committed to restoring the rule of law, good governance and respect for human rights in Gaza. The illegal seizure of Gaza by Hamas has precipitated its almost complete closure. Israeli restrictions on the entry of all-but-humanitarian goods and on the export of goods have led to collapse of the private sector, which represents more than half the job market in Gaza. We are committed to doing everything in our power to end the closure and isolation of Gaza and reversing its suffocating effect on society and the private sector. If the isolation of Gaza continues, we will work to maintain the supply of humanitarian assistance, the continued payment of public sector salaries and social transfers, and the provision of critical basic services - including electricity, water and sanitation, and health and education. We will continue to work closely with UNRWA, other UN agencies and non-governmental organizations providing relief to both refugee and non-refugee Palestinians in Gaza, to ensure that these needs are met.

Throughout the post-Oslo period, the unstable political environment has undermined our capacity to develop and sustain effective government institutions and policies. The embargo on international assistance in 2006 and early 2007 contributed to the reversal of progress that had been made in reforming the PNA. The ensuing fiscal crisis shattered our citizens' and public servants' confidence in the PNA. This document sets out our broad priorities for improving governance in this challenging context. It sets out how we will reform the security sector and re-establish the rule of law, improve access to justice, move toward a more fiscally sustainable position, improve our management of public finances, strengthen the capacity of the public sector, and improve local governance. We acknowledge that we have more work to do in defining and calculating the cost of some of these reforms but this will be tackled in early 2008.

The Palestinian private sector must be the engine of sustainable economic growth. It needs to generate productive employment, produce high value-added goods and services, and to enhance national prosperity. We are committed to creating an enabling environment for private sector growth. However, whilst the private sector has shown resilience in the face of harsh political and economic conditions, its full potential can only be realized by the lifting of restrictions on the movement of Palestinian goods and people, and, more generally, meaningful progress towards peace. Such progress, coupled with substantial donor investment in institutional reforms and rehabilitation of infrastructure, can put the private sector, and the Palestinian economy as a whole, on a path to sustainable growth. We hope that the 'Quick Impact Projects' jointly announced with the Quartet Representative and Israel represent an opportunity to demonstrate the preparedness of Israel and the

international community to act in parallel with us to improve the situation on the ground and to take immediate, tangible steps towards ending the occupation. Each of these projects provides for joint action and cooperation amongst the parties and, as such, represents an opportunity to manage the risks of faltering commitment to the success of our reform and development plan.

We will safeguard the welfare of vulnerable groups while pursuing a private sector-led approach to economic growth. We intend to invest in social development and to continue to build effective mechanisms for social assistance and protection. For example, one third of the resources pledged in the form of budget support will finance teachers' salaries and associated running costs. One fifth of donors' pledges for public investment will be dedicated to education. With the support of the international community we believe we can modernize the education system – including the curriculum – and better prepare our young people for a better future.

We are aware that the PNA's fiscal policy has been problematic in the past and that we must act fast to avert a fiscal crisis. We have embarked on a series of fiscal reforms to put ourselves on a path to financial stability – a path that will create space for increasing capital investment and development expenditure. We anticipate that these reforms will help us reduce the current budget deficit by 11.3% of GDP over the next three years, returning it to the 2005 level. Our macroeconomic and fiscal forecasts assume modest improvements in the political and security environment, yielding a gradual reduction in movement and access restrictions, and a gradual increase in trade and private sector confidence. This is our baseline scenario. If a combination of political progress and an improved security environment accelerates the lifting of the occupation regime beyond current expectations, the level of public investment and private sector activity could increase more significantly. However, if the occupation regime remains unchanged, the economic outlook is extremely poor. It would make it very difficult to increase public investment and to finance a substantive reconstruction effort. Any reluctance on the donor side to finance the budget deficit would lead to a deepening fiscal crisis that would almost certainly take the PNA to the point of financial and institutional collapse. It would also lead to rising unemployment, increasing poverty, declining health and education indicators, and further, perhaps irreversible, degradation of the private sector.

Our forecasts are based on the assumption that donors will provide substantial levels of predictable aid over the next three years to support the recurrent budget and public investment program. In 2008 we need \$1,361 million to finance our recurrent costs and \$427 million to finance development investment. These amounts are large but they are, we believe, the minimum we need to implement our reform and development plan and begin serious preparations for statehood. We appeal to donors to provide this assistance as direct, un-earmarked budget support through the single treasury account. This will give us control over the targeting and timing of disbursements and enable us to execute our reform and development plan more effectively. If this is not possible, we favor the use of an un-earmarked, multi-donor trust fund mechanism. If this too is not possible, in recognition of the constraints under which our international partners operate, we would accept alternative funding mechanisms that meet reasonable standards of efficiency, effectiveness and transparency. Where technical assistance is required we favor the use of sector or sub-sector multi-donor pooled funds.

We are committed to a clear vision: creating a viable, peaceful, and prosperous Palestinian state. The reform and development agenda is ambitious but it is necessarily so. We need the international community to help us make this vision a reality by providing the necessary financial assistance. Also, we can only attain this vision if there is tangible progress towards peace and statehood. Most immediately and most importantly, we need Israel to demonstrate commitment to ending the occupation and to the implementation of the two-state solution. This must include tangible and immediate action on the ground in the spirit of the joint understanding reached at Annapolis – including halting the expansion of settlements, cessation of construction of the Separation Wall, lifting physical and administrative restrictions on movement and access, releasing prisoners and ending military incursions. Without this our plan cannot be implemented in full and the support of the international community will not be as fruitful as we hope. If, however, these steps are taken we can start to turn our vision into a reality.

Foreword

Vision of the Future Palestinian State

Palestine is an independent Arab state with sovereignty over the West Bank and the Gaza Strip on the pre-June 1967 occupation borders and with East Jerusalem as its capital. Palestine is a stable democratic state that respects human rights and guarantees equal rights and duties for all citizens. Its people live in a safe and secure environment under the rule of law and it promotes equality between men and women. It is a state which values highly its social capital, social coherence and solidarity, and identifies itself with Arab Palestinian culture, humanistic values and religious tolerance. It is a progressive state that values cordial relationships with other states and people in the global community. The Palestinian government is open, inclusive, transparent and accountable. It is responsive to citizens' needs, delivers basic services effectively, and creates an enabling environment for a thriving private sector. Palestine's human resources are the driving force for national development. The Palestinian economy is open to other markets around the world and strives to produce high value-added, competitive goods and services, and, over the long term, to be a knowledge-based economy.

The creation of the Palestinian National Authority (PNA) in 1994 offered the Palestinian people the hope of self-determination, sovereignty, and an independent Palestinian state. With generous international support, under the leadership of the late President Arafat, the Palestinians embarked on the task of building democratic institutions to prepare for a better future. By regional standards, these institutions delivered high levels of service, especially in the education and health sectors.

However, as the peace process faltered, and the promise of liberty and prosperity faded, instability and conflict returned to the occupied territory. Since 2000, economic conditions and the quality of life entered a rapid downward spiral marked by sharp declines in socio-economic indicators. Deterioration towards economic collapse and humanitarian crisis was only averted through donor-funded public expenditure and generous aid.

In 2006, already facing deep-seated fiscal problems and well down the path to aid dependency, the PNA was confronted by an unprecedented internal political crisis. This crisis, which brought the PNA to the brink of institutional collapse, deepened with the illegal and violent seizure of control of Gaza by Hamas. The current suffering of the people of Gaza is clear for all to see.

We, in the PNA, do not seek to absolve ourselves of all responsibility for this tragic history. Whilst the stalled peace process and the tightening grip of the occupation have played an overwhelmingly powerful role in shaping events, shortcomings in governance, law and order, and basic service delivery have not received the sustained attention they deserve. We are now absolutely determined to rebuild the trust and faith of our citizens, and our international partners, by embarking on a challenging reform agenda for stabilization and recovery.

In laying out this agenda, we acknowledge:

- our responsibility, within the limits placed on the Palestinian security forces by Israel's occupation, for bringing the rule of law to the occupied territory and combating violence;
- our responsibility to manage internal administrative affairs in a fiscally responsible way, in order to deliver better services to our citizens; and,
- our responsibility to implement institutional reforms that will, along with parallel actions by the international community and Israel to end the occupation, set the Palestinian economy and society on a long-term path towards growth and development.

We assert that:

- Gaza, and the 1.5 million people who live there, are an integral part of the future Palestinian state;
- reform and development in Gaza is an integral part of our plan for bringing stability and prosperity to all Palestinians in the occupied territory;
- we are committed to restoring the rule of law, good governance and respect for human rights in Gaza, from the crossing points all the way through to the very heart of Gaza City;
- we are committed to doing everything in our power to end the closure and isolation of Gaza and reversing its suffocating effect; and,
- until the current closure and isolation is brought to an end, by working closely with UNRWA, other UN agencies and other non-governmental agencies, we are committed to the continued mobilization of humanitarian assistance to Gaza's population and the provision of basic services to which all our citizens, whether in Gaza or the West Bank, are entitled.

This document lays out a vision of an independent Palestinian state. It highlights numerous steps we have already taken to restore good governance and the rule of law, which we believe demonstrate our resolve and serious commitment to realizing this vision. But we cannot realize this vision on our own. A new approach to Palestinian state building is required; an approach based on a realistic assessment of the roles and responsibilities of the Palestinians, Israel and the international community. This approach must recognize the role each party plays in shaping the events and impose upon them binding commitments which, taken together, will create an environment conducive to Palestinian reform and development. This will require an explicit, measurable tripartite action plan, tied to a credible political process, with appropriate arrangements for independent monitoring of each party's performance.

- The PNA must impose law and order, implement key reforms to enable a sustainable economy, and build effective institutions to govern an independent state.
- Israel must remove the obstacles that hinder the proper functioning of government and the economy and hence the creation of a truly viable Palestinian state.
- The international community must continue its support to the Palestinian people and provide consistent and flexible aid to the PNA, as well as a consistent and coordinated approach that builds momentum towards a lasting peace.

We must once again look to the international community to make a significant investment in the future of a Palestinian state that will live in peace and prosperity with its neighbors, including Israel. We also look to Israel to demonstrate commitment to ending the occupation and to the implementation of the two-state solution. This must include tangible and immediate action on the ground – including halting the expansion of settlements, cessation of construction of the Separation Wall, lifting physical and administrative restrictions on movement and access, releasing prisoners and ending military incursions. We are at a crossroads in the history of the region. It is essential that, together with our neighbors, we take the right path – a path towards living together in peace and prosperity and the realization of our vision for the future Palestinian State.

Introduction

This document has been prepared as part of the Palestinian Reform and Development Plan (PRDP) 2008-10 initiative. The PRDP, which will be finalized in January 2008, will be a comprehensive plan and budget for Palestinian reform and development. The PRDP initiative represents a major reform in its own right. Indeed it is one of the most significant institutional reforms ever implemented by the PNA. It is a vitally important step towards building effective policy-making, planning and budgeting grounded in the local context. Most importantly, it reflects the PNA's commitment to Palestinian ownership of, and accountability for, the reform and development agenda. These are necessary conditions for ensuring that the agenda is implemented.

The PRDP is being produced through a bottom-up policy-making, planning and budgeting process. It is designed to build ministry and agency level ownership and accountability. The process is structured on a sector basis to facilitate the prioritization and harmonization of policies, plans and resource allocation, and to encourage fiscal discipline. The process is rooted in the Palestinian National Policy Agenda framework. This provides, for the first time, a guiding framework to ensure that plans and budgets developed by ministries and agencies are clearly linked to national goals and objectives. A diagram illustrating the Palestinian National Policy Agenda framework is attached at Annex 1.

The PRDP initiative is a comprehensive process for estimating the current and future cost of PNA activities and matching these to projections of available resources. The PRDP is in itself a critical element of our effort to work towards greater fiscal stability over the medium term. The initiative will also drive improvements to our public financial management laws, regulations, procedures and systems. These improvements will strengthen transparency and accountability and provide a basis for effective performance management mechanisms.

It is important to note that this document was prepared before the PRDP process was completed. Accordingly, the estimates of program costs are subject to refinement, pending fine-tuning of individual ministries' and agencies' plans and project proposals. Annexes 3 and 4 provide details and cost estimates of the main initiatives and projects underpinning each of the programs.

It should also be noted that the program cost estimates included in this document cover development expenditure only. This is deliberate as the intention is to provide a clear analysis of the breakdown of the public investment program built into the medium-term fiscal framework. Recurrent costs are included separately in the medium-term fiscal framework in the recurrent budget line.

Finally, this document does not include:

- the financing needs of UNRWA, which is responsible for delivery of basic services for a significant proportion of the Palestinian population in the occupied territory; and,
- the financing needs of Palestinian NGOs who continue to provide valuable support to the Palestinian people.

Going forward, with more time available to devote to institutionalizing the PRDP process, we look forward to consulting more extensively and collaborating more closely with UN agencies, Palestinian civil society organizations, NGOs, the private sector, and other development partners.

Context

Palestinian state-building, shaped by the Oslo Accords and Agreements signed during 1993-95, began with the establishment of the PNA in 1994. The Oslo framework set out a five-year, two-phase process for ending the conflict. The initial three-year period was intended to be a confidence-building phase, followed by final status negotiations. In May 1999, the framework expired without resolution of final status issues. As successive peace initiatives have failed, the population of Israeli settlements has increased (by approximately two-thirds), the occupation regime has tightened, and the frustration of the Palestinian people has risen.

Throughout the post-Oslo period the prevailing political and security instability has been deeply inimical to the evolution of well-functioning Palestinian democratic institutions and the development of a robust economy. Even at its high point in 2000, prior to the second *Intifada*, the PNA exercised direct or indirect control over only 40% of the West Bank and has always been dependent on external aid. Whilst the years leading up to 2000 witnessed a period of modest economic growth and declining unemployment, the Palestinian economy was heavily dependent on the supply of cheap labor and low value-added goods to Israel. This growth was largely reversed after 2000 due to the Israeli closure policy that fundamentally altered the structure and prospects of the Palestinian economy. During the period 1999-2007, punctuated by a very modest recovery during 2003-05, GDP per capita has declined by approximately two-thirds.

Years of dependency on the Israeli market, political instability, the continued growth of settlements, and the related tightening of movement and access restrictions have deterred productive investment and stunted the growth of Palestinian industrial and productive capacity. Growth in more stable periods has been largely driven by agriculture, construction and labor in Israel. There has also been little investment in developing high value-added export businesses which could form the basis of a self-sustaining economy. In reality, the growth witnessed in 2003-05 was largely driven by public sector spending and private consumption funded by aid and remittances.

Since Israel's disengagement in 2005, Gaza has undergone a restrictive closure regime that has undermined the growth of its private sector. The illegal seizure of Gaza by Hamas, and the ensuing Israeli restrictions on the entry of all-but-humanitarian goods and on exports, have led to a collapse of the private sector, which represents more than half of the job market. As a result, unemployment is expected to increase further, making Gazans almost completely dependent on donor assistance.

Following the Palestinian Legislative Council (PLC) elections in early 2006, donors found creative ways to inject aid into the Palestinian economy, mainly in the form of humanitarian and social assistance. Whilst this helped to prop up consumption and avoid a complete humanitarian catastrophe, it did not prevent human and capital flight, particularly from Gaza. Human and capital flight has further degraded the capacity of the private sector. Furthermore, it compromised Palestinian institutions as most aid circumvented established financial management systems and process.

Instability in the political environment has undermined our capacity to develop and sustain effective PNA institutions. The reform effort on which we embarked in mid-2002 came to an abrupt halt after the 2006 election and fiscal crisis ensued. Indeed, reforms were reversed, particularly in the public finance sphere, and it became impossible to manage the public sector effectively. Many public sector employees were unpaid for several months and their confidence in the PNA plummeted. Some of our best people, those with marketable skills, simply left their posts and, in some cases, emigrated. Our institutional capacity has inevitably suffered and we must now start to rebuild it. We must also re-establish the confidence of our people in the PNA.

The redirection of aid following the 2006 election, coupled with the illegal hiring of approximately 31,000 public sector employees (which raised the cost of PNA salaries to in excess of \$ 120 million per month) also contributed to the deepening of the PNA's fiscal crisis. By the end of June 2007, the

recurrent budget deficit (before external assistance) reached an unprecedented level of \$ 722 million for the first six months of the fiscal year. Arrears related to unpaid salaries, pension contributions, and goods and services supplied by the private sector, accumulated to levels exceeding \$ 1.3 billion. Also, the cost of 'net lending' (primarily related to utility subsidies) is projected to increase to \$ 511 million in 2007, primarily due to difficulties in collecting fees due from consumers.

Political instability and steep economic decline since 2000 have had severe social impacts. Unemployment more than doubled between 1999 and 2006, reaching almost 35% in Gaza and almost 20% in the West Bank. Approximately two-thirds of Gazans are living in deep poverty. With access to basic services limited by Israeli closures, health indicators have been declining steadily. Chronic diseases have risen by more than 30% since 2005. Chronic malnutrition amongst children rose by 3% between 2004 and 2006. The number of gastrointestinal infections in children under five increased by 42% during the period 2000-04 as households with access to safe drinking water dropped by more than 8%. Also, the fragmentation of Palestinian territory into a group of isolated cantons, precipitated by the tightening grip of occupation, settlement growth and mobility restrictions, has also had grave impacts on social coherence. Ties of family and friendship have been weakened and opportunities for social and cultural exchange between different areas within the occupied territory have been limited.

The remainder of this document sets out a bold reform and development agenda and a fiscal plan to reverse the trends in the Palestinian political economy that are inimical to achieving the two-state solution. It describes the assertive actions we have already taken to rehabilitate the financial and administrative system, and to establish law and order. It sets out an economic development agenda that balances the need for quick impact projects - projects that generate employment and create immediate export growth - with longer-term initiatives that will build productive capacity. It describes a bold agenda for fiscal reform that will put the PNA's finances on a sustainable footing, and that will create space for public investment and better service delivery. It puts forward a comprehensive security sector reform program designed to bring safety and security – an essential precursor for future peace, growth and Palestinian self-reliance.

Reform and Development Agenda

Governance

Since June 2007, mindful of the need to restore the trust of citizens in its capacity to govern, the PNA has redoubled its efforts to bring safety, security and good governance to the occupied territory. Whilst our ability to govern effectively in Gaza has been compromised by the illegal seizure of control by Hamas, some important progress has been made in restoring law and order and better governance in the West Bank. We are not complacent about the scale of the task ahead. Progress can and must be made to upgrade all Palestinian institutions of government. By delivering on a challenging reform agenda, we intend to create a secure and stable internal environment in which social and economic development can take place and which, ultimately, will create the institutional infrastructure of the Palestinian state. This must go hand in hand with sustained and serious political dialogue, and concrete steps and commitments by all parties, towards a lasting peace.

We have made significant progress in building institutions, including the passage of some of the most progressive laws in the Arab world and the peaceful conduct of free and fair elections. A series of public financial management reforms – including the establishment of the single treasury account, the formation of an internal audit function and the timely publication of public financial information – put the PNA ahead of many countries in the region. However, progress has been frustrated, and sometimes reversed, by insecurity and political and economic instability. The last two years have witnessed an unprecedented political and fiscal crisis that threatened to bring the PNA to the brink of collapse. The public sector strike during 2006 and early 2007 created great social distress, particularly as education and health services almost ground to a halt.

Security and rule of law

Security is a national goal and an essential element of the enabling environment for economic growth and social development. Substantial progress in the short term towards safety and security is critical to facilitating progress towards the other three national goals: good governance, national prosperity and enhanced quality of life. It is also clearly a key underpinning of a free Palestinian state living in peace with its neighbors.

We are committed to bringing safety and security to the West Bank and Gaza Strip. Our immediate goal is to return to the *status quo ante* before the escalation of conflict in September 2000 by resuming full security control in Area A. Our ultimate goal is to assume full authority and responsibility for security within and at the borders of the future Palestinian state.

Significant progress has already been made in the West Bank. This includes the seizure of illegal weapons, the beginning of deployment of Palestinian police in major cities, and implementing procedures to ensure that all members of the security services are identified and reporting for duty. These are important first steps in an ongoing process to establish law and order throughout the occupied territory. The current situation in Gaza hinders the establishment of the rule of ‘one law, one gun’ throughout the occupied territory, but we remain committed to the formation of a united, professional security service that is accountable to the people.

The ‘Security Sector Reform and Transformation’ (SSRT) program is designed to deliver a capable, well-trained and well-equipped security establishment that is professional and loyal in its service of the nation. Substantial progress has already been made towards the creation of a leaner, better organized security service through the retrenchment of about 25,000 staff during the second half of 2007. Starting in 2008, the security establishment will be reorganized into an even leaner, more cost-effective structure. This will consist of three branches that deliver high quality policing, national security and intelligence services. Substantial investments in infrastructure will be made: including eight governorate headquarters – *Moqata’at* – detention facilities, barracks, training facilities, and a

central prisoner rehabilitation facility. There will also be significant investments in equipment, communications systems, vehicles, and training to bring the services up to the required standard. The SSRT program will also provide technical assistance and training to upgrade the capacity of the Ministry of Interior to oversee and manage the security services.

The overall cost of the SSRT program over the next three years is estimated to be \$228 million. This estimate is based on a realistic assessment of the total amount of financing likely to be available with the support of the donor community. It also reflects a pragmatic view of absorptive and implementation capacity. However, we are engaged in ongoing discussions with stakeholders who are interested in scaling-up support to reforming and developing the security services. As these discussions mature, if the necessary additional funding is available, coupled with technical assistance and other measures to enhance absorptive and implementation capacity, the program may be expanded significantly. Annex 2 provides an overview of this expanded program and a brief analysis of what the program would entail.

Justice

The PNA is committed to achieving good governance and the rule of law in the occupied territory. A strengthened civil and criminal justice system is essential to achieving these national goals. We will develop a reform strategy based on a coherent, agreed vision for the future of the Palestinian justice sector. Preserving the integrity, dignity and independence of the judiciary and the public prosecution service will be a cornerstone of this strategy. The strategy will be developed during 2008 and will include a thorough assessment of investment and technical assistance needs.

The development of the strategy will be the first phase in the 'Justice Now' (JN) program. The JN program will foster the integrity, dignity, and financial and administrative independence of justice sector bodies through the provision of institutional capacity-building to the High Judicial Council, the Attorney General and the Ministry of Justice. This will include:

- upgrading civil and criminal justice infrastructure (including court buildings, forensic laboratories and autopsy facilities);
- building the capability of the unit created within the police force tasked with enforcing court decisions and protecting judges and court employees;
- automation of processes and archiving systems (including criminal records and case processing systems); and,
- provision of dedicated facilities in the West Bank and Gaza to provide training and continuous professional development for judges and justice sector employees (including a Judicial Training Institute).

Fiscal reform

Political instability and insecurity has created a state of almost permanent socio-economic distress in the occupied territory. In the periods of greatest instability, public expenditure has played a major role in maintaining consumption in a fragile economy, and averting a complete breakdown in law and order. In the face of a growing population, a rising labor force and a contracting private sector, public sector employment has served as a safety valve to relieve escalating unemployment. Indeed, in the absence of a free and export-oriented private sector, the Palestinian public sector and donors have become the main source of employment and personal income.

Over time, however, rising public expenditure has created structural fiscal problems which are compromising our ability to govern effectively. Rapid growth in the wage bill has crowded out non-salary expenditure and the budget deficit has risen sharply. Consequently, we have become increasingly dependent on international aid to fund development expenditure, and even the operating expenditure required to deliver basic services. Also, a liquidity crisis, precipitated by economic sanctions and mismanagement during 2006, led to the accumulation of a large stock of arrears due to

public sector employees (i.e., unpaid salaries) and to private sector suppliers. The accumulation of these arrears, which reached a peak of \$ 1.3 billion during 2007, has shaken the confidence of the people and markets in our long-term financial viability.

During the second half of 2007 we have launched a series of policy actions to address these fiscal problems:

- i. *Wage bill reduction* – Little more than two years ago, the number of public sector employees stood at just under 137,000 and, during 2007, reached a peak of 189,000. We have implemented a bold plan to reduce this to 150,000. This has been done through the elimination from the payroll of employees who were not legally appointed, leading to an 8% reduction of the wage bill in NIS terms. Going forward, we are committed to a containment policy to ensure that the previous irresponsible hiring practices are not repeated. The containment policy is premised on a baseline employment figure of 150,000, with a modest level of necessary recruitment – particularly in the Education and Health sectors – to meet the basic service needs of a population growing at approximately 4% per year. Additional recruitment will be subject to a firm upper limit of 3,000 per year. Also, in order to constrain real wage bill growth, there will be no general public salary increases over the next three years. As a result, the wage bill is projected to decrease from 27% of GDP to about 22% by 2010, a level similar to 2004.
- ii. *Net lending* - The cost of subsidizing citizens' consumption of energy and utilities represents a significant drain on government financial resources. This is primarily driven by the 'net lending' phenomenon in the electricity sector which arises due to the non-collection (by municipalities and other electricity service providers) of consumers' electricity bills. This forces the central government to fund payments to the Israel Electricity Company (IEC) for bulk purchases of electricity in order to avoid service disruption. The cost of net lending accelerated rapidly in 2006. It is currently accumulating at a rate of approximately \$50 million per month and is expected to reach a total of \$ 511 million for the year 2007. The Ministry of Finance is working with local government officials to implement a plan that will progressively reduce net lending significantly from 10.6% of GDP in 2007 to 7.8% of GDP in 2010 (reaching 9.0% and 8.3% in 2008 and 2009 respectively). This plan, which incorporates enforcement measures such as a requirement for citizens to present a 'certificate of payment' of utility bills in order to receive any municipal services, will progressively bring an end to the non-payment of electricity bills by all consumers. Also, public sector employees will be subject to salary deductions in respect of unpaid utility bills. These regulations will, however, be accompanied by provisions to ensure continued access to utilities services for those suffering extreme poverty. These 'poorest of the poor' will be identified through an objective and transparent process implemented by the Ministry of Social Affairs, whereby a specific 'lifeline' level of electricity will be provided to ensure that poor and vulnerable families are not deprived of access. Beyond this, utility provision will be based on economic principles and will be, within a finite timeline, provided under a full cost-recovery basis. It should be noted that, under the current circumstances, the plan to reduce net lending cannot be implemented in Gaza. Accordingly, whilst implementation of the plan is expected to yield a substantial reduction in net lending for electricity consumption in the West Bank (approximately 70% by 2010), these savings are partially offset by projected increases in net lending related to growth in electricity and water consumption in Gaza, and higher oil prices.
- iii. *Tax administration reforms* – Despite an already strong revenue performance, we will implement administrative reforms directed at further increasing the collection of tax and customs revenues. These will include a variety of administrative and technical measures, including the creation of a 'Large Taxpayer's Office', focused inspections on fast-growing businesses with high cash incomes, strengthened supervision at crossings, automation of administrative procedures, and specialized training.

- iv. *Payment of arrears* – We intend to repay a substantial proportion of the arrears due to the private sector, government pension schemes and government employees by the end of 2010. This will help jump start an economic recovery by injecting approximately \$ 500 million into the economy during the next three years. It will also restore levels of confidence in the PNA and the domestic market place.

During 2008, we will launch a thorough institutional review of the pension system, with a view to establishing appropriate arrangements and plans for reforms that will ensure its fiscal sustainability, whilst maintaining a reasonable level of social protection for pensioners.

Accountability and transparency

Accountability and transparency are core guiding principles informing our approach to strengthening public institutions. Substantial progress has already been made in restoring accountability and transparency to public financial management through reconstituting the single treasury account, preparing budgets for 2007 and 2008, and preparing the Palestinian Reform and Development Plan 2008-10.

With effect from January 2008, an Accountant General will be appointed to supervise treasury, cash and debt management, budget execution, payroll, and accounting and financial reporting.

An upgraded accounting system, including commitments control and cash flow management functionality, will also be implemented in early 2008, initially in the Ministries of Education and Health (the major spending ministries). The system, which will also allow for decentralized budget execution (and hence greater accountability), will be rolled out to the remaining ministries through 2008.

We are committed to building on these achievements in order to deliver more open government and greater accountability to citizens. We are also committed to the principle of separation of powers and strengthened oversight of the executive branch by the legislature and the judiciary. In relation to the former, we look forward to moving beyond the current political deadlock and the resumption of normal functioning of the Palestinian Legislative Council. Whilst the current situation clearly constrains our ability to pass primary legislation, we believe that this should not prevent us from developing new legislation.

The ‘Open and Accountable Government’ (OAG) program will consist of three sub-programs:

- *System and process re-engineering* - including capacity-building in implementing integrated policy-making, planning, budgeting and accounting processes (from the Prime Minister’s Office through to line ministries and agencies), capacity-building for the office of the Accountant General, implementation of a government-wide accounting and financial management information system, and strengthening of internal financial control functions;
- *Building effective oversight institutions* - including capacity-building for independent audit functions and the Palestinian Legislative Council secretariat; and,
- *Monitoring and evaluation of government performance* – including capacity-building for a dedicated function at the center of government to monitor, evaluate and report on the efficiency and effectiveness of government performance and service delivery.

Administrative and civil service reform

We are committed to enhancing the efficiency and effectiveness of government by modernizing public administration and civil service management. Public sector institutional and organizational

reforms that enhance the professionalism and independence of the bureaucracy, whilst reinforcing the principle of the separation of powers, are at the heart of the reform strategy.

The ‘Efficient and Effective Government’ (EEG) program will consist of three sub-programs:

- *Reform of the public sector legislative framework* – drafting and upgrading laws and regulations that govern the mandates, structures and internal procedures of government bodies;
- *Organizational and institutional development* – including detailed functional and strategic capacity building reviews of all ministries and agencies, organizational restructuring and streamlining of the public sector, the introduction of e-government, assistance to ensure that the Central Elections Commission is properly prepared to conduct forthcoming elections, and upgrading of the post office system; and,
- *Civil service management* – including implementation of modernized human resources management systems and procedures, including merit-based appointments processes, employee performance evaluation mechanisms, reform of pay and grading structures, and leadership training.

Local government reform

Palestinian government is one of the most decentralized in the region. We are committed to bringing government closer to the people by ensuring that local government is both empowered and accountable. The ‘Accountable Local Government’ (ALG) program will: introduce new legislation to clarify and regulate the relationship between central and local government; establish a policy framework which promotes fiscal autonomy and discipline at the local level; and build the operational, administrative and financial management capacity of local government bodies.

The Municipal Development and Lending Fund (MDLF) is expected to be the primary source of development-linked assistance to municipalities, and to support essential administrative and financial management reforms. Several donors have already programmed significant assistance to the MDLF, and are likely to increase their assistance over the three-year period. The MDLF is the PNA’s preferred mechanism for channeling reform and development assistance to local government and disbursements must be coordinated with the Ministry of Finance.

Social Development

Whilst we are committed to pursuing a private sector-led approach to securing economic growth and social development for all our citizens, we are mindful of the danger of unleashing the forces of competition in a society that includes many vulnerable groups. It is essential that these groups are not left behind as the economy grows and, as such, we intend to invest heavily in social development and to continue to build and maintain effective mechanisms for social assistance and protection.

With the population growing at approximately 4% per year, and with unemployment and poverty rising, the Palestinian social sector is under increasing stress. The education and health systems are hard-pressed to maintain adequate standards; this has distracted attention from the pursuit of more strategic development goals. Social safety net arrangements are becoming increasingly large (in terms of expenditure), poorly targeted, and difficult to manage.

Given the need to deliver a wide variety of social services and the diversity of social groups using these services, a combination of public, private and nongovernmental organizations is required to provide such services. We recognize the importance of partnership and better coordination with private sector service providers and NGOs. Over the medium term, we aim to set explicit quality and service standards and monitor all service providers, both governmental and non-governmental.

We will continue to work closely with UNRWA, which faces similar challenges in the delivery of basic services to refugees, with a view to fostering comprehensive approaches to Palestinian development across different sectors and maximizing aid effectiveness, including in refugee camps.

Social protection

Government spending on social protection has increased significantly in recent years. It doubled to approximately 6.5% of GDP in 2005 - the last year for which reliable figures are currently available. Given the increasing hardship and economic recession of 2006 and 2007, this figure will have risen sharply. Social assistance is provided through a complex web of PNA organizations, NGOs and other external agencies implementing a series of uncoordinated social protection initiatives. This has inevitably led to wastage of resources and poor targeting of assistance. Without coherent reform of the social safety net, its efficiency and effectiveness will continue to decline, and Palestinian and international resources will be wasted.

We are committed to taking responsibility for ensuring that the poorest and most vulnerable in society receive the assistance they need. We are in the process of developing a Social Protection Strategy to guide our 'Social Protection Reform and Integration' (SPRI) program. This is aimed at improving the equity, efficiency and effectiveness of social protection. We have resumed implementation of a targeting database to support more transparent and objective identification of beneficiaries. The Social Safety Net Reform Project, with backing from the World Bank, is already supporting the implementation of new operational procedures for the identification, verification and targeting of the truly poor in order to ensure efficient use of resources. During 2008, the Social Safety Net Reform Project is expected to be scaled up considerably to provide a single, reliable and comprehensive database to support the provision of social safety nets for the truly needy. We will share this information in order to improve the impact of social safety net projects being implemented by non-PNA organizations. This will include continuing close liaison with UNRWA, particularly in the context of the ongoing reform of the Agency's Special Hardship Case program for refugees.

We also acknowledge that, while cash transfers are an important element of social protection, they should be seen as only a part of an overall package of services. Cash transfers will be complemented by additional services designed to enable cash assistance recipients to become more self-reliant.

Education

Education is a basic human right. It is also a vital tool for socio-economic development, and for instilling moral values and civic responsibility. We seek to guarantee citizens' access to a comprehensive education system consisting of: pre-school, basic and secondary education; formal and non-formal education; technical and vocational education; and higher education. Our commitment to the education sector is illustrated by the fact that education accounts for more than 30% of proposed budget support for recurrent expenditures and approximately 20% of donor support requested for the public investment program. With the necessary levels of support from donors, we believe we can implement much-needed modernization of the education system and therefore better prepare our citizens, particularly the youth, for the future. This will include modernization of the curriculum in line with our vision of a future Palestinian state – a state with a knowledge-based economy, connected to the global community that embraces humanistic values and is tolerant.

The Ministry of Education and Higher Education has achieved its major strategic objectives over the last five years: enrolment in basic education is universal and the gross enrolment rate for secondary education is above 80%. Access to basic and secondary education is equitable with respect to gender, location (rural and urban), refugee status and household income. Given the rapidly escalating number of children and young adults in the education system (due to population growth), the PNA is compelled to continue to make substantial investments in infrastructure and equipment in order to meet demand. The 'Access to Education' (ATE) program will maintain an enabling physical

environment for all students at all levels by providing adequate classroom space, facilities and text books. We will also resume financial support to the public universities and ensure that a well-targeted student loan facility is in place to improve access to tertiary education.

We will build on our achievements in securing high levels of access to education by implementing policies and programs that focus on further improving the quality of education. In order to deliver quick impact to those children and families in most need, and to field-test innovative approaches, the initial focus will be on delivering pre-service and in-service teacher training, upgrading mechanisms to evaluate and improve teacher performance, curriculum development, better (and cost effective) facilities, and modern equipment in the 600 lowest performing schools across Gaza and the West Bank. Once field-tested, this 'Quality Education For All' (QEFA) program will be rolled out to several hundred more schools. We are engaged in ongoing discussions with stakeholders interested in expanding and accelerating support to developing the education sector. This could lead to the establishment of dedicated funding and technical assistance over and above the investment indicated in Annex 3. The primary aim of this support would be to develop and implement innovative approaches to addressing the structural challenges faced in delivering quality education services to a growing population.

We will also launch the 'Education Performance & Efficiency' (EPE) program aimed at systemic reform of management and decision-making systems and processes. These reforms will focus on investing in more cost-effective infrastructure and facilities, provision of public financial management capacity building, and other measures that progressively increase the sustainability of sector spending.

The 'Vocational Training Initiative' (VTI) program will focus on the provision of vocational and technical training at the secondary and tertiary levels, to better prepare young Palestinians for the job market.

Health

Until recently, our citizens enjoyed a quality of health care favorable in comparison to most middle income countries. Prior to 2000, the health care system recorded high levels of immunization, prenatal care and effective basic health services. However, strains on the system are reflected in declining health indicators in, for example, waterborne communicable diseases, access to vital services and substantial increases in malnutrition rates and conflict-related trauma. There is no doubt that the system faces a unique set of challenges related to occupation including, but not limited to, elevated levels of insecurity and restrictions on mobility. However, notwithstanding these critical problems, in addition to continuing its efforts to meet increasing demand for access to health care, the PNA will also focus on building strategic management capacity and reforming health financing in order to increase the quality and affordability of public health care.

The 'Health Quality Improvement' (HQI) program will invest in the quality of individuals, organizations and physical facilities. The HQI program will cover a wide range of infrastructure, equipment, training and other capacity-building needs, but only insofar as they are sustainable and cost-effective. For example, investment in tertiary health care facilities will progressively reduce the need for expensive medical referrals to private hospitals locally and overseas. There will also be an emphasis on preventative care and primary health care to improve the general health of the population and reduce the cost of treatment. The PNA will also give greater attention to building its capacity to fulfill its role as regulator of the sector.

The 'Health Care Affordability' (HCA) program will be directed at achieving a better allocation of resources to improve health service delivery to citizens. The HCA program will focus on developing effective policies, systems and processes for ensuring more cost-effective procurement of drugs and medical equipment. It will also strengthen accountability for the allocation of resources through, for example, upgrading internal financial management systems and providing training on public financial management.

Empowerment

We are dedicated to the empowerment of all our citizens through the establishment of an open, transparent and democratic society under the rule of law. However, there is an urgent need to implement proactive programs to empower youth and women in our society. There is also an urgent need to empower the unemployed, whilst also alleviating poverty, through employment generation initiatives.

The ‘Women’s Empowerment’ (WE) program will support the economic empowerment of women through the provision of special assistance and training to increase female participation in the job market and to enhance the role of women in the private sector. The program will also promote the role of women in the public sector and in the democratic process.

The ‘Youth Empowerment’ (YE) program will focus on assisting young Palestinians to make the transition into the work place through internship programs, developing entrepreneurial skills, and providing seed capital for business start-ups.

The ‘Employment Generation Initiative’ (EGI) will provide productive, paid employment and micro-financing programs (such as the ongoing DEEP program) to unemployed and vulnerable people across the West Bank and Gaza. The initiative will focus on small and medium-sized labor-intensive infrastructure projects which make meaningful contributions towards the achievement of our national goals of enhancing quality of life and increasing prosperity.

Economic and Private Sector Development

The Palestinian economic vision is to have a diversified and thriving free market economy led by a pioneering private sector that is in harmony with the Arab world, is open to regional and global markets, and that provides the economic basis for a free, democratic and equitable society.

The Palestinian economy has enormous potential for future growth, and a revival from its current condition is urgently needed. However, continued political uncertainty, combined with deteriorating conditions on the ground due to continued settlement expansion, restrictions on movement and trade, and restrictions on access to resources, have led to a dwindling of investment and have stripped the economy of the bulk of its productive capacity. This has, in turn, resulted in increases in poverty levels and made the Palestinian economy more aid dependent, triggering relief-based provision of aid that perpetuates the cycle of de-development and dependency that could ultimately exacerbate the humanitarian crisis.

Going forward, the Palestinian private sector must be the engine of sustainable economic growth. The private sector must be empowered to put Palestine on the path to sustainable development. It needs to generate productive employment, produce high value-added goods and services, and enhance national prosperity. In the near term quick-impact initiatives can jumpstart an economic recovery and create jobs. However, a developmental approach is also required; one that encourages the productivity and growth of the industrial and tourism sectors and allows the Palestinian economy to develop a diversified export portfolio.

This balanced approach requires a fundamental change in the movement and access regime, and in the investment climate. It also requires the establishment of a territorial link between the West Bank and Gaza. We cannot implement these steps alone. Parallel concrete, comprehensive and immediate steps must be taken by Israel to unshackle the movement of goods and people within the occupied territory, between the West Bank and Gaza, and out into Israel and other countries. Reversal of the current policies within the occupied territory, and at the various crossing points, is required immediately. Without serious actions by Israel to remove the matrix of physical and administrative restrictions, PNA reforms and donor investments will not have a sustainable positive impact on the economy.

Therefore, as one part of a broad medium-term agenda for developing the economy and private sector, we will work with the Quartet Representative to implement a series of Quick-Impact Projects (QIPs). These are designed to provide near-term stimulus but, more importantly, to illustrate the positive impact of parallel actions by the PNA, Israel and donors to create the proper environment for Palestinian businesses to flourish. Accordingly, the QIPs incorporated into the medium-term agenda set out below are selected based on the following criteria: (a) their ability to create economic stimulus, create jobs, and revitalize the labor market (through greater youth, women, and micro-enterprise participation); (b) their ability to build export-oriented businesses and supply chain linkages that can be replicated throughout the occupied territory; and, (c) their reliance on genuine commitment from Israel to remove existing restrictions and create a suitable environment for the re-emergence of investment and private sector growth.

Trade and Investment Promotion and Enterprise Development

We are committed to implementing institutional reforms to create an enabling environment for private sector investment, trade and growth. We will also work with private sector business associations and donors to establish mechanisms for enterprise capacity development and investment risk mitigation.

We are already planning a conference with private sector investors in April 2008 in Bethlehem. Our intention is to invite business men and women from the local and global community to present and discuss investment opportunities and generate real enthusiasm for investment in Palestine.

We are upgrading our capacity to manage borders and crossings. We have made significant progress towards rehabilitating the General Administration for Crossings and Borders (GACB). The Cabinet has passed a new legal framework and plan for restructuring the GACB. This will, *inter alia*, lead to the formation of a management board, chaired by a minister, and consisting of representatives from key ministries and the private sector. This body will be accountable directly to the Cabinet and will drive the restructuring and development plan.

Over the medium-term, our efforts to promote trade, investment and growth will be delivered through three programs of activities aimed at institutional reform, enterprise development and trade facilitation. We believe that such reforms, coupled with parallel tangible progress towards peace and liberated from the stranglehold of the occupation, our economy could rapidly become a hub for regional trade and an attractive destination for foreign direct investment.

The ‘Institutional Reform for Enterprise’ (IRE) program will focus on creating a comprehensive and coherent legal framework, including Company Law, Competition Law, and Land Law, and on improving law enforcement and regulation. It will also provide support to private sector business and trade associations that play an important role in advocacy, policy development and building the capacity of their member organizations.

The ‘Enterprise Investment and Development’ (EID) program will focus on creating mechanisms to improve SMEs’ access to credit and investment finance. The program will have a particular focus on businesses producing and exporting high value-added goods and services. Program initiatives will include provision of demand-driven enterprise learning opportunities, and the provision of direct investment, investment guarantees and financial services.

The ‘Trade Infrastructure and Facilitation’ (TIF) program will:

- establish appropriate arrangements to manage and facilitate trade through crossing points;
- provide adequate infrastructure to facilitate Palestinian trade through crossing points;
- provide support to the marketing and promotion of Palestinian goods and services in regional and global markets, including but not limited to organizing trade missions and fairs;

- promote implementation of existing preferential trade agreements and arrangements with Arab, European, and North American countries and work towards establishing new preferential trade agreements with other key markets; and,
- promote restoration of trade with Israel, focusing on the implementation of the Paris Protocol and establishing appropriate arbitration mechanisms.

Agriculture

The agricultural sector is a critical productive sector. It has the potential to stimulate immediate economic recovery by rebuilding and expanding established business models. Development of the agriculture sector also carries the benefit of positive impact on food security. The ‘Agribusiness Development’ (AD) program will promote the cultivation of high value-added cash crops, the creation of post-harvest and marketing services, the promotion of exports to regional and global markets, and will improve trade infrastructure. However, fragmented local production, highly competitive and demanding global markets, and susceptibility to closures and delays in movement of goods, make achieving growth in this sector particularly challenging. Accordingly, alleviation of movement and access restrictions are critical to the success of the AD program.

Construction of agro-industrial business parks will be a significant component of the AD program. This initiative, which is intended to have a quick impact, will be an opportunity to demonstrate the commercial viability of Palestinian agriculture once movement and access restrictions are lifted. However, while a significant project, its impact is necessarily limited and does not preclude the need for immediate removal of movement restrictions in other parts of the occupied territory.

The AD program will also focus on developing commercial ventures that deliver post-harvest services (including processing, packaging, distribution, marketing and export promotion) and on providing assistance to farmers to improve productivity and enhance productive use of scarce resources.

Industry and Services

Notwithstanding the vital role the agriculture sector will play in revitalizing the economy in the near-term, its long-term growth potential is limited. The industrial and services sectors need to produce more competitive, higher value-added products and services, and to reach new markets. Over the medium-term, priority will be given to developing the services sector and the knowledge-based economy, particularly in the ICT sector and outsourcing services.

The ‘Industrial and Services Capacity Development’ (ISCD) program will be aimed at rehabilitating and replacing industrial assets, reintegrating domestic supply chains, promoting exports to existing and new markets, and providing demand-driven technical assistance to SMEs. Developing agricultural, industrial and service assets such as bulk storage facilities, industrial zones, and trade facilities will help improve productive capacity in the medium term. We are currently reviewing options for the construction of one or more industrial parks. In the near-term, these construction projects will be an important source of employment, but their commercial viability will depend on the alleviation of movement and access restrictions. The location of the industrial parks will be carefully selected based on commercial viability and equitable geographic distribution.

Tourism

Historically, during more stable periods, tourism has played an important role in the Palestinian economy. Tourism clearly represents a major source of income for the future Palestinian state but is also a way to build bridges with people from other countries and cultures. In addition to the obvious benefits of our land’s unique place in history, we firmly believe that the value our culture places on hospitality and kindness represents a unique asset to the future development of a burgeoning tourist industry.

We will give high priority to rehabilitating existing tourism assets, including restoration and preservation of archaeological sites, so the tourism sector can take full advantage of future improvements in the political and security environment. The ‘Tourism Industry Development’ (TID) program will include initiatives aimed at rehabilitating infrastructure, rebuilding the capacity of sector SMEs (including business associations), and marketing and international public relations activities. These are regarded as high priorities to prepare the ground for growth in the sector. However, the main prerequisite for the development of a vibrant Palestinian tourism sector will be the ability of Palestinian tourist agencies, hotels and the services sector to access international tourists and to provide a contiguous supply chain of tourism services. This, again, is directly linked to the lifting of restrictions on the movement of Palestinian firms and individuals. Previous experience, notably in the run up to Millennium celebrations, has shown that, in the absence of these necessary conditions, investments will not yield significant, lasting benefits.

Housing

Housing is a highly valued economic and social asset, and its construction provides a major source of employment. Housing construction is not keeping pace with household growth and overcrowding is rising. The PNA is committed to increasing access to affordable quality housing for low and middle income families. Housing construction, through the ‘Affordable Housing’ (AH) program, will be implemented primarily by the private sector – developers and contractors will be identified through a rigorous and transparent tendering process. Local government will play a substantial role in housing site selection and issuing licenses and the Municipal Development Lending Fund (MDLF) will be an important source of support to the municipalities in securing funds for connecting new housing developments to public infrastructure networks.

The AH program will include capacity-building for leading government agencies (including municipalities, the Ministry of Public Works and Housing, and the Land Authority), and technical assistance to implement the legal and administrative reforms that are needed to ensure a fully-functional and sustainable housing market. Our work on developing a clear land administration policy is at an advanced stage – a land policy cabinet sub-committee has been established to supervise the Land Authority’s work in registering properties in three pilot locations. Work has also begun on revising the tenancy law which currently inhibits the growth of the rental accommodation market. Also, with financial support and technical support from the international community, we will work to develop a mature mortgage market which allows Palestinians to use land as collateral and benefit from affordable mortgages from private banks in Palestine.

Public Infrastructure Development

Due to the ravages of years of conflict and under-development, Palestinian public infrastructure networks and systems offer limited coverage, are poor in quality and are unaffordable for some vulnerable groups. Whilst household connection rates to utilities are high compared to the regional average, actual consumption rates are low due to a combination of supply shortages and inefficient distribution systems. Accordingly, substantial investment in public infrastructure is required. This will require substantial public investment. Over the long-term, we will work towards ensuring that public infrastructure and utilities are managed on a commercially-oriented and financially viable basis and, over time, increase the level of private sector investment and participation in infrastructure and utilities.

Transport

Almost half of the road network is in poor, very poor or failed condition, and beyond economic repair. Use of unpaved roads has increased dramatically as drivers use alternative routes due to mobility restrictions and the construction of ‘Israeli only’ routes. This has increased travel costs and time, and increased wear and tear on vehicles. Within urban areas taxis and unlicensed vehicles have proliferated, and pollution, congestion, and road accidents and fatalities have escalated.

The 'Road Improvement' (RI) program will focus on the rehabilitation of the road network and will include capacity building for sector ministries and agencies to ensure more effective planning and coordination of construction and maintenance. A large portion of the road network lies within the PNA's jurisdiction. Therefore, whilst planning and implementation may be constrained by lack of access to parts of the network in Area C, many of the road rehabilitation projects will not be conditional on Israeli approval of individual projects. The RI program will focus initially on access roads between urban centers and their surrounding areas and also roads that connect to commercial crossing points. Over the longer-term, subject to availability of the substantial funding required, work will begin on major roads such as the Nablus-Jenin road, the Gaza coastal road, and the Wadi Al Nar road.

The 'Road Safety' (RS) program will complement the RI program by strengthening planning, regulatory and enforcement capacity, and rehabilitating and upgrading public transport.

Neither of the airports, in Gaza and Jerusalem, is operational and there is no seaport. Poor internal transportation networks and lack of access to other countries and markets represent a major constraint of economic and social activity and development.

The 'Air and Sea' (AAS) program will focus on rehabilitation and development of the Gaza airport and seaport. It will also include a feasibility study for the development of an airport in the West Bank.

Electricity

The electricity network features a multiplicity of isolated distribution systems and high dependence on Israel. A substantial portion of Gaza's electricity is supplied from Israel, with the remainder provided by the Palestine Electric Company (PEC) and, more recently, through imports from Egypt. There is no generation or transmission capacity in the West Bank. All lines are supplied by the Israeli Electric Company (IEC). Several utility companies distribute electricity in the West Bank, but many communities are served directly by the IEC. Poor service levels and system losses result in consumption rates around half the regional average. Moreover, the retail cost is high relative to household expenditures.

We are committed to improving services to citizens, whilst reducing the costs of government subsidies, and to creating opportunities to enter more cost effective long-term supply agreements with a range of neighboring countries. The 'Electricity Sector Investment' (ESI) program will deliver major infrastructure upgrades in both Gaza and the West Bank, including the development of a unified distribution system (West Bank only), rehabilitation and expansion of the networks, construction of control centers, and installation of pre-paid meters. It will provide technical assistance and capacity building aimed at consolidation and better regulation of utility companies. It will also include a component aimed at exploring alternative energy sources (e.g., solar power).

Water and wastewater

Almost 10% of households have no access to running water. Those that are connected to running water receive low volumes, resulting in consumption rates of around 60 liters per capita per day (l/c/d). For some, water consumption may be as low as 10 l/c/d, which is far below the WHO recommendation of 100 l/c/d. It is also, according to WHO standards, often unsuitable for human consumption. The problem is particularly acute in Gaza where salination due to over-pumping is a serious problem. Sewage infrastructure is the least developed of the public infrastructure networks. Only half the population is connected and rapid migration from rural to urban areas has increased pressure on existing networks. Many communities rely on cesspits or open sewers running through streets, leaving untreated sewage to collect in pools. Most treatment plants are not functioning or are highly inefficient. Approximately 60% of untreated waste water is pumped into the sea off Gaza, and approximately one third of waste water from Israeli settlements is discharged untreated in the West Bank. Public health is directly at risk from this poor infrastructure and there is the potential for a

repeat of the humanitarian disaster in 2006 in Beit Lahia, Gaza, when the collapse of a sewage collection pool killed and injured dozens.

The ‘Water and Wastewater Management’ (WWM) program includes an immediate response to reduce the level of the Beit Lahia sewage lake and to construct a new treatment plant. The program also includes projects that will: rehabilitate damaged networks; build wells and new networks (including a national water carrier in Gaza); repair and build more sewage treatment plants; and, over the longer term, operationalize a desalination plant in Gaza. The WWM program will also include a component to improve policy, coordination, regulatory and engineering capacity. It will also include study and implementation of approaches to water conservation and wastewater re-use schemes.

Solid waste

Lack of appropriate dumping sites and waste management equipment is leading to the proliferation of random pits in residential and agricultural areas. These pits receive domestic, construction, and even medical waste, and are scarring the Palestinian landscape and polluting the environment, with grave consequences for public health, agricultural development, and quality of life in general.

The ‘Solid Waste Management’ (SWM) program will build on the successful development of affordable and sustainable regional waste management facilities in the northern West Bank. Similar facilities will be extended to the rest of the West Bank and to Gaza, and potential recovery and recycling efforts will be explored.

Public recreation and cultural facilities

The provision of public recreational and cultural facilities will make a major contribution to improving the daily lives of citizens. The ‘Public Recreation and Culture’ (PRC) program will provide local government with funding and capacity to develop local sports, recreation and cultural facilities in accordance with local needs.

Macroeconomic and Fiscal Framework

Macroeconomic Framework

Baseline scenario

The macroeconomic framework, summarized in Table 1 below, is premised on a baseline scenario that assumes modest improvements in the political and security environment – which should allow for a gradual reduction in movement and access restrictions. This lifting of restrictions and increased stability is expected to result in a gradual increase in trade and private sector confidence.

The framework is also based on the implementation of a series of fiscal reforms which will result in a tightening of recurrent expenditures from 53.8% to 42.8% of GDP over the period to 2010. These reforms are described in detail in the previous section, but will mainly involve retrenchment of the public sector wage bill and measures to reduce the growth of net lending. Following retrenchment in 2007, future growth of the wage bill is expected to be restricted to 2% per year, allowing for modest levels of recruitment in the education and health sectors. Reductions in net lending will be achieved by implementing a set of measures agreed between the Ministry of Finance and municipalities to improve the rate of collection of utility bills. However, the full effects of these measures will only be realized once the PNA resumes full authority in Gaza.

The framework also shows a reduction of recurrent spending in low priority areas in favor of targeting funding to help poor households cover their utility costs. Other operating expenditures (i.e. excluding salaries) are expected to remain constant in real terms, and capital expenditures are projected to grow based on donors' anticipated willingness to fund the reconstruction of damaged infrastructure.

In essence, this macroeconomic framework is based on a prudent fiscal stance leading to a steady reduction in the budget deficit over the medium term.

Table 1: Summary Macroeconomic Framework

	2005	2006	2007	2008	2009	2010
	Act.	Est.	Proj.	Proj.	Proj.	Proj.
Public Finance						
			<i>(in % of GDP)</i>			
Revenue	27.5	26.1	24.6	24.9	25.3	25.8
Expenditure and net lending	44.5	52.6	53.0	48.7	45.8	42.8
Wage expenditure	22.4	27.1	26.9	24.8	23.4	21.8
Non-wage expenditure (incl. minor capex)	14.5	17.0	15.5	14.9	14.1	13.2
Net lending	7.7	8.6	10.6	9.0	8.3	7.8
Recurrent balance - before external support	-17.0	-26.4	-28.4	-23.8	-20.5	-17.1
Externally financed development expenditure	6.4	3.9	6.3	9.3	9.8	10.9
Overall Balance – before external support	-23.4	-30.4	-34.7	-32.1	-30.3	-28.0
External support for recurrent budget	7.8	16.8	18.5	26.3	23.7	20.4
Investment						
			<i>(in % of GDP)</i>			
Public capital formation (gross)	7.4	4.2	6.5	9.0	11.1	12.6
Private capital formation (gross)	16.7	15.1	16.0	16.4	17.0	17.6
Output and Prices						
			<i>(Annual % change)</i>			
Real GDP	6.0	-8.0	0.0	3.5	5.0	6.0
CPI inflation rate (end of period)	2.3	3.3	3.9	2.9	2.4	2.6

As a result of the fiscal policies described above, the projected recurrent budget deficit should decline from almost 28.4% of GDP to just over 17.1%. This significant reduction would bring the deficit back to its 2005 level. In real terms, the external budget support requirement would initially increase but would return to under 20.4% in 2010, close to the 2007 level. However, to ensure long-term economic growth, external support for public investment would need to increase from 6.3% of GDP to 10.9% in 2010. Consequently, the overall budget deficit would decline more modestly from 34.7% of GDP to 28.0%.

Assuming improvements in political and security conditions, and hence a more favorable trade environment and fiscal policy, coupled with substantial donor support, growth in private investment would accelerate rapidly from 2009. Real GDP growth is projected to rise from 3.5% in 2008 to 6% by 2010 as public and private investments gradually offset the contraction effects of fiscal retrenchment. However, against the backdrop of an expanding population, this growth is expected to yield only a slight rise in income per capita and, due to the expanding labor force, unemployment is not expected to decline significantly.

Other potential scenarios

A combination of political progress and an improved security environment could accelerate the lifting of movement and access restrictions. The level of foreign-financed public investment and private sector activity would increase substantially. The return of private sector confidence would boost private investment, employment, economic growth and social development. This would allow space for additional resources to be reoriented toward domestically-funded public investment and social safety nets. Under such a scenario public investment could increase by a further 50% and GDP growth could rise above 10% by 2010.

However, if there is no change in movement and access restrictions, the economic outlook is extremely poor. It would make material increases in public investment and a substantive reconstruction effort virtually impossible. Any related reluctance on the donor side to finance the budget deficit would lead to further accumulation of arrears. If sustained, such a scenario would almost certainly take the PNA to the point of financial and institutional collapse (as was so nearly the case in the second half of 2006) and further dissipate support for the PNA amongst its constituents. It would also lead to rising unemployment, increasing poverty, declining health and education services, and further, perhaps irreversible, degradation of the private sector.

Medium Term Fiscal Framework

Table 2 below sets out the PNA's medium-term fiscal framework (MTFF) based on the baseline scenario macroeconomic framework.

This MTFF is built on the assumption that Israel is willing to take steps to remove administrative and physical barriers to the movement and access of Palestinian people and goods. It assumes that donors will provide substantial levels of predictable aid to support the PNA's recurrent budget and public investment program. It also clearly reflects commitments by the PNA to enforce the rule of law, and carry out fiscal and other reforms outlined in this document.

Reforms aimed at fiscal consolidation and the freeing-up of resources for public investment are already being implemented. The current budget deficit is projected to decline by 11.3% of GDP over the next three years, returning to its 2005 level.

Averaging approximately 26% of GDP, Palestinian revenue is one of the highest in the region and compares favorably with countries of similar *per capita* income levels. Revenue performance, which has been strong for many years, will only improve modestly but, through the projected economic growth, clearance and tax revenues are expected to increase by 9% and 13% per year respectively. Expenditures, however, will be contained and, over time, will decline relative to GDP.

Table 2: Medium Term Fiscal Framework

	2006	2007	2007	2008	2009	2010
<i>(millions of U.S. Dollars)</i>	<i>Act.</i>	<i>Bud.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>
Revenue	1,149	991	1,186	1,289	1,418	1,578
Gross domestic	378	294	336	363	399	447
Gross clearance revenue	771	697	850	926	1,018	1,130
Expenditure and net lending	2,310	2,566	2,553	2,521	2,567	2,624
Wage expenditure	1,189	1,368	1,295	1,285	1,311	1,337
Non-wage expenditure	745	698	747	770	789	810
Net lending	376	500	512	466	467	477
Balance (commitment basis)	-1,161	-1,575	-1,367	-1,232	-1,149	-1,046
Add: Expenditure arrears	884	239	30	-125	-175	-200
Ded: Net clearance revenue withheld	427	-336	-430	-	-	-
Balance (cash basis)	-704	-1,000	-907	-1,357	-1,324	-1,246
Add: external budget support	738	1,000	892	1,361	1,328	1,250
Balance after budget support	34	-	-14	4	4	4
Ded: Externally financed capital exp.	173	175	306	427	550	667
Overall balance	-139	-175	-291	-427	-550	-667
Financing	139	175	291	423	546	663
Advances & other payments by PIF	146	70	70	-	-	-
Net domestic bank financing	-171	-70	-13	-	-	-
External financing for capital exp.	173	175	306	427	550	667
Net external debt	-	-	-	-4	-4	-4
Residual	-8	-	-43	-	-	-

This positive trajectory in the PNA's fiscal position will still require significant external financial support to cover the current deficit and repay accumulated arrears. However, external support will decline steadily as a proportion of GDP and will cover a significant and rising public investment program.

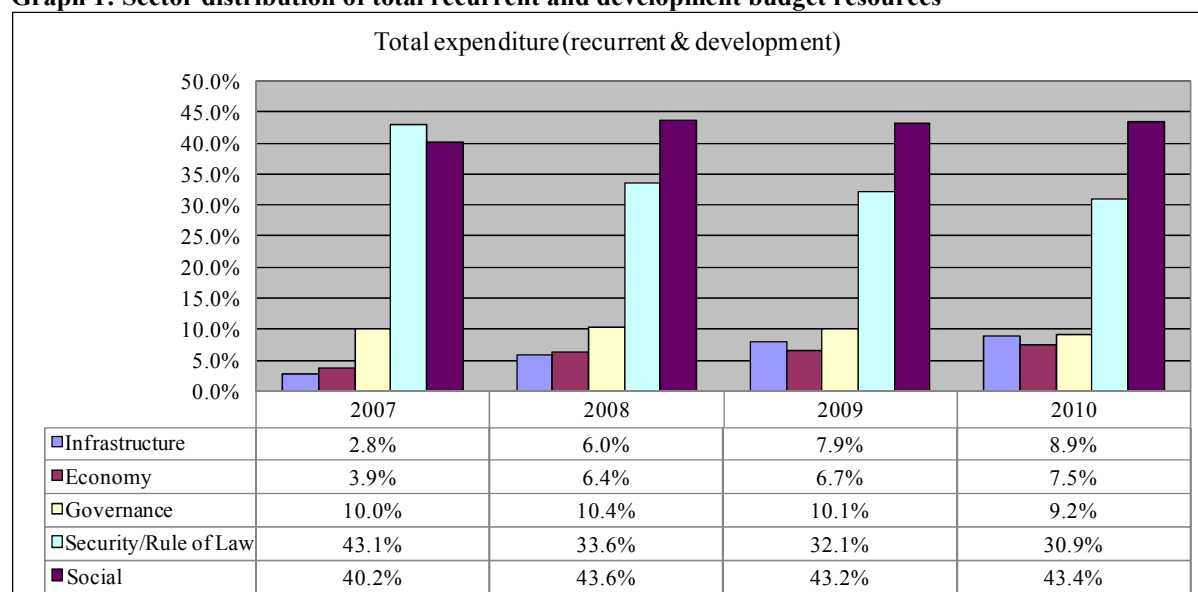
Table 3: External financing

	2006	2007	2007	2008	2009	2010
<i>(millions of U.S. Dollars)</i>	<i>Act.</i>	<i>Bud.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>	<i>Proj.</i>
Budget support	738	1,000	892	1,361	1,328	1,250
Public investment	173	175	306	427	550	667
Total external financing	911	1,175	1,198	1,788	1,878	1,917

Note: Budget support in 2006 does not include informal assistance not channeled through the banking system

Graph 1 below illustrates forecast trends in the allocation of total resources to each sector over the medium-term to both recurrent and development spending. Whilst spending on the security and rule of law sector will remain substantial at more than 30% of total expenditure by 2010, retrenchment of staff during 2007, coupled with a moratorium on salary increases, will release substantial resources from the recurrent budget to fund spending in other areas. These additional resources will be used primarily to fund recruitment of teachers and healthcare workers, and for operating expenditures in the social sector.

Graph 1: Sector distribution of total recurrent and development budget resources



Annex 3 provides a summary of how public investment (development expenditure) will be distributed across the various programs within the Palestinian reform and development agenda over the next three years. Annex 4 provides a more detailed view of the planned initiative and projects in each sector and program. It includes performance indicators, targets and development expenditure estimates for each major initiative and project.

It is important to note that Annexes 3 and 4 reflect an estimate of aid disbursements over the next three years, not the total cost of completing all identified projects – many of which will, of course, span more than three years and will not commence until 2009 or later. The estimates take into account a realistic assessment of the availability of external financing for development expenditure over the next three years, and of the PNA’s absorptive capacity for public investment based on the resource ceilings set out in the medium term fiscal framework. This is very different from the approach taken in preparing the PNA’s medium-term development plan (MTDP) in previous years. The last published MTDP (2005-07) included 420 projects at a total cost of \$ 5.6 billion – an amount that clearly did not reflect fiscal realities or absorptive capacity. This ‘shopping list’ approach undermined the credibility of the MTDP as a mechanism for driving aid allocation decisions. The costing of the public investment program for 2008 to 2010 at \$1.6 billion is based on a thorough prioritization process through which the majority of proposed projects (in both quantity and value terms) have been eliminated from the program.

Nevertheless, Annex 4 provides an indication of the relative priority of projects in the event that there is insufficient funding for development expenditure. If this is the case, it is essential that both the PNA and its international partners recognize that much additional work will need to be done in 2008, in collaboration with Palestinian civil society and the private sector, to ensure that the projects implemented on the ground will, taken together, have a material impact on the economy and quality of life at the community level.

Implementation of the Palestinian Reform and Development Plan

The purpose of this section is to lay out the main technical processes related to the implementation of the PNA's reform and development agenda.

PNA processes

To begin with, it is worth noting that in previous years there has been an almost complete disconnect between policy-making (as expressed in a series of reform action plans and sector strategic plans), planning (as reflected in medium-term development plans), and budgeting (as reflected in the PNA's annual recurrent budget). This lack of linkage between policy, planning and spending played a major role in undermining the PNA's ability to manage effectively the implementation of its reform agenda, and its policies and plans to deliver better development and service delivery outcomes for its citizens.

Previous PNA reform and development plans and budgets have also lacked a structured framework of performance indicators and targets linked to resources allocated. As such, there has been very little focus on monitoring and evaluating institutional performance to ensure that expenditure is delivering results and value for money.

The absence of an integrated expenditure framework and performance management mechanisms has also frustrated efforts to harmonize and increase the effectiveness of donor aid and assistance. With more than 40 active donors, humanitarian aid and development assistance flows are extremely high but fragmented. The majority has been delivered through bilateral, uncoordinated arrangements between donors and beneficiaries with insufficient attention paid to performance and outcomes. This has allowed a 'shopping list' approach through which donors and beneficiaries devised projects that were not always aligned with national priorities and the impact of which have not always been thoroughly assessed.

The PRDP initiative addresses these long-standing issues to produce for the first time a domestically-owned, comprehensive and integrated expenditure framework. The PRDP is being produced through a bottom-up process that has built ministry and agency level ownership and accountability for implementation. The PRDP sets out specific reform and development goals, linked to planned expenditure, and associated objectives and performance targets. It will set out responsibilities and performance targets throughout the PNA hierarchy, from the Council of Ministers to ministries and agencies. Accordingly, the PRDP will provide a solid basis for performance management subject to the implementation of appropriate mechanisms for tracking budget execution, and a monitoring and evaluation system.

Implementation of these mechanisms is an integral part of the governance component of the overall development and reform agenda, in order to ensure that the full benefits of the medium term expenditure framework approach are realized over the next three years. The Ministries of Planning and Finance have already taken steps to establish expenditure tracking and performance management mechanisms overseen by a Ministerial Steering Committee, chaired by the Prime Minister.

The Ministry of Planning is already working to establish effective institutional arrangements to monitor and evaluate the implementation of the PRDP, and is developing an automated monitoring and evaluation database to begin tracking progress against performance targets. During 2008 the Ministry of Planning, working with the Ministry of Finance, the Palestinian Central Bureau of Statistics, line ministries and agencies, will implement regular reporting of progress against priority objectives, activities and targets set out in the PRDP. This will enhance ministries' and agencies' accountability for internal and external resources allocated to them. In preparing these regular progress reports, the Ministry of Planning will coordinate closely with the World Bank and the aid coordination strategy groups.

The Ministry of Finance will continue to work with the IMF to produce quarterly financial reports that will enable it to monitor progress towards implementing fiscal and other financial management reforms.

Over the long-term, these monitoring and evaluation mechanisms will be strengthened through the implementation of a new government-wide, integrated financial management information system and a performance monitoring and evaluation system.

Beginning in the first quarter of 2008, we will launch the process for preparing the PRDP 2009 - 2011. This decision has been taken in recognition of the fact that we need to extend our policy-making, planning and budget cycle to allow for, *inter alia*, more in-depth policy analysis and consultation, more detailed and participatory planning, and comprehensive staff training. This approach will ensure that better policy-making, planning and budgeting processes become embedded and yield tangible improvements to successive PRDPs.

Donor processes

Recognizing the low level of aid effectiveness we and the donor community have pursued various initiatives to address the problem. These include the establishment of multilateral budget support mechanisms and restructuring aid coordination bodies. Prior to 2006, these were successful in providing the PNA with valuable financing, support and incentives to implement important governance reforms.

Going forward, channelling of multilateral assistance through appropriately designed budget support mechanisms and technical assistance trust funds will play an important role in facilitating the implementation of the PRDP. In the absence of such mechanisms, we will lack sufficient control of the targeting and timing of disbursements to execute our reform and development plan. The ideal approach would be direct budget support through the single treasury account but, if this is not possible, we favor an un-earmarked multi-donor trust fund mechanism. However, we do recognize the constraints within which our international partners operate and, as such, we welcome any funding mechanism which meets reasonable standards of efficiency, effectiveness and transparency.

The aid coordination strategy groups also have an important role to play in tracking the conversion of pledges into commitments, disbursements and project implementation within their sectors. This information will need to be included in the PNA's regular PRDP progress reports in order to give a full picture of the relationship between outcomes and resource inputs. On a monthly basis the Ministries of Finance and Planning, in coordination with the Local Development Forum (LDF) co-chairs (and 'friends of the co-chairs'), will review and report commitments and disbursements versus pledges to the chairs and co-chairs of the Paris Conference 2007.

We and the donors also need to work together, through the LDF and its associated aid coordination strategy groups, to progressively reduce the level of direct bi-lateral, project-based assistance to individual ministries and agencies. The PRDP initiative provides a good opportunity to re-evaluate the effectiveness, composition and terms of reference of the strategy groups and their underlying sector working groups and for more clearly defining Palestinian and donor participation in order to further enhance their relevance and performance. It would also be extremely helpful if the donor community collectively and explicitly commits to applying the principles of the Paris Declaration on Aid Effectiveness to their activities in Palestine.

Implementation Risks

Successful implementation of the PRDP, and hence delivery against the Palestinian reform and development agenda laid out in this document, will depend partially on the concerted efforts of the PNA and the donors to meet the technical requirements set out in the previous section.

Domestically, we will, of course, need to follow through on our commitments to bring fiscal stability, and to impose law and order. While the actions of Hamas in Gaza have had an impact on our ability to implement our reform and development agenda there, the PRDP is prepared on the assumption that this is a temporary constraint. Gaza is fully incorporated into the PRDP, both in terms of recurrent and development expenditures.

If the isolation of Gaza continues, we will continue to mobilize the supply of humanitarian assistance and the provision of critical basic services - including electricity, water and sanitation, and health and education. We will continue to work closely with UNRWA, other UN agencies and other non-governmental organizations that provide relief to both refugee and non-refugee Palestinians in Gaza to ensure that these needs are addressed. However, under the current conditions, implementation of the PRDP will be incomplete and the consequences for the 1.5 million people of Gaza will be dire.

On the international community side, rapid and substantial financial investment in the future Palestinian state will be needed. Lack of sufficient funding for budget support and the public investment plan will clearly have grave consequences for the implementation of the PRDP.

However, PNA and donor investment in the PRDP will not yield sustainable improvements without significant and early reinforcing actions by Israel. Tangible progress towards ending the occupation through immediate action on the ground – including halting the expansion of settlements, cessation of construction of the Separation Wall, lifting physical and administrative restrictions on movement and access, releasing prisoners and ending military incursions – are also critical if the PRDP is even to start being translated into reality.

It is hoped that the ‘Quick Impact Projects’, jointly announced by the PNA, the Quartet Representative, and the Government of Israel, which are reflected in the PRDP, will be an opportunity to demonstrate the preparedness of Israel and the international community to act in parallel with the PNA’s reforms. Each of these projects provides for joint action and cooperation amongst the parties and, as such, represents an opportunity to manage the risks of faltering commitment to the success of the PRDP. Accordingly, careful monitoring of the progress of these projects will provide an early insight into the ongoing viability of the PRDP.

Even if substantial progress is made towards implementing the PRDP, we recognize the need to attract private sector investment from both domestic and international sources to complement the generous financial support provided by donors. As a follow-up to what we hope will be a successful conference with donors in Paris, we are arranging a private sector investment conference in April 2008 in Bethlehem. As mentioned above, our intention is to invite business men and women from the local and global community to present and discuss investment opportunities, and to generate real enthusiasm for long-term investment in Palestine.

Conclusion

The PNA has formed twelve governments during the thirteen years of its existence. Each of these governments experienced instability in the political, economic, social, and security environment. This discontinuity of leadership and lack of stability left little space for effective Palestinian institutions to take root and mature. However, despite the uniquely challenging context, we have recorded some remarkable achievements. These include significant public financial management reforms – such as the establishment of the single treasury account, the formation of an internal audit function and the timely publication of public financial information – that have yet to be implemented by many other countries in the region. These achievements are testament to the capacity of Palestinians to build democratic institutions with international support. However, there is a risk that the cumulative effects of many set-backs in Palestinian governance will result in disillusionment with the state-building effort.

This document has laid out a comprehensive Palestinian agenda for reform and development. We consider these reforms critical to creating the conditions for economic growth and development and for rebuilding citizens' trust in Palestinian government. We are determined to bring an end to internal chaos and poverty – and the occupation that continues to aggravate this situation. We are determined to reverse the impact of decades of conflict and de-development. We have already taken important and successful steps towards establishing law and order. We have also embarked on a series of fiscal reforms to put ourselves on a path to financial stability, creating space for increasing capital investment and development expenditure. We will establish mechanisms to monitor the implementation of our fiscal reforms to ensure that we remain firmly on the path to self-sufficiency.

Over the coming years, we will pursue a private sector-led economic growth strategy. However, at the same time, we will ensure that adequate social protection mechanisms and basic social services are in place to ensure that no Palestinian citizen gets left behind. The private sector has shown resilience in the face of harsh political and economic conditions, de-development and physical destruction. However, its full potential can only be realized by a lifting of restrictions on the movement of Palestinian goods and people, and, more generally, meaningful progress on the peace process. Such progress, coupled with substantial donor investment in institutional reforms and the rehabilitation of infrastructure, can put the private sector, and the Palestinian economy as a whole, on a path to sustainable growth and prosperity.

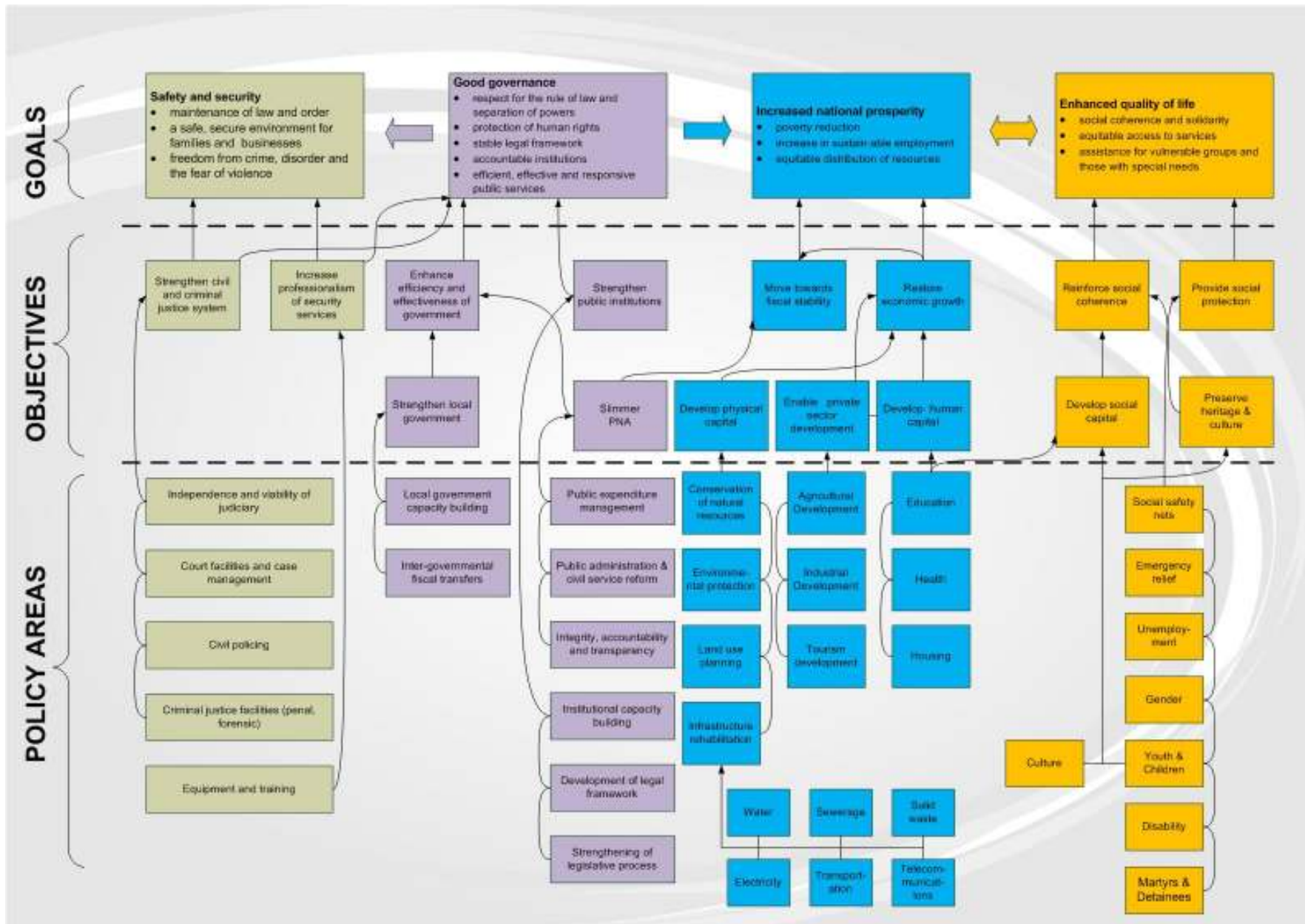
Assuming that all parties involved take the constructive steps outlined above on a sustained basis, the current fiscal deficit is expected to decline significantly from 28.4% of GDP to 17.1% of GDP over the next three years, public investment and, as confidence increases, private sector investment rising. Real GDP growth is projected to reach 6% by 2010, though, due to the large number of new entrants to the labor market, unemployment is not expected to decrease significantly. Should a combination of political progress and an improved security environment accelerate the lifting of the occupation regime beyond current expectations, the level of foreign-financed public investment and private sector activity could increase more significantly. The resultant boost to private investment, employment, economic growth and social development would create space for releasing more resources for domestically-funded public investment. Under such a scenario public investment could increase by a further 50% and GDP growth could rise above 10% by 2010.

However, if the occupation regime remains at the *status quo*, the economic outlook is extremely poor. It would make material increases in public investment and a substantive reconstruction effort very difficult. Any related reluctance on the donor side to finance the budget deficit would lead to further accumulation of arrears and net lending. Such a scenario would almost certainly take the PNA to the point of financial and institutional collapse and further dissipate support for, and trust in, the PNA. It would also lead to rising unemployment, increasing poverty, declining health and education services, and further, perhaps irreversible, degradation of the private sector.

The Way Forward

We cannot realize this vision of an independent state alone. A new approach to Palestinian state building is required; an approach based on a realistic assessment of the roles and responsibilities of the Palestinians, Israel and the international community; and an approach which recognizes the role each party plays in shaping the events and imposes upon them binding commitments which, taken together, will create an environment conducive to Palestinian reform and development. This will require a specific measurable tripartite action plan, tied to a credible peace process, with appropriate arrangements for monitoring of each party's performance.

Annex 1: Palestinian National Policy Agenda Framework



Annex 2: Security Sector Reform and Transformation (SSRT) Program: Expanded Version

If sufficient funding is available, coupled with the needed technical assistance to bolster absorptive and implementation capacity, it is possible to expand the SSRT program significantly. This three year program was developed based on a ‘requirements-based’ methodology, and not an ‘available funds-based’ methodology.

Objective (desired end-state)

The PNA has the security capability and capacity to establish law and order throughout the future Palestinian state, ensuring a safe and secure environment that facilitates flourishing of all domestic, governmental, civic and economic activities.

Assumptions

- The PNA will pay salaries of all security services employees from its recurrent budget.
- The PNA will pay all operations and other sustainment costs from its recurrent budget.
- Additional funds will be available to finance up-scaled activities in the areas described below.

Description of Activities

Program Areas	Description
Ministry of Interior	Enhance the capability of the Ministry of Interior to fulfill its functions under a clear legislative framework and establish national-level security oversight/policy organizations
Civil Police	Training support, infrastructure, building and equipping Police Training Center, procurement of vehicles and equipment, uniforms, patrol equipment, weapons and other equipment, and funding for establishing a complete prison system (including a central prison facility)
National Security (NSF) & Presidential Guard (PG)	Upgrade NSF and other training facilities. Establish the new Palestinian-International Training Center (PITC). Build 5 permanent camps for the five WB NSF 700 battalions. Complete the PG training center to support training of PG and to support joint training. Bring training centers to FOC. Establish a multipurpose range to support the full range of weapons training. Provide barracks and unit compounds in each major city and governorate. Build an academy to train cadets for service as officers. Build an academy to train NCOs for service.
Preventive Security	Develop, train and equip the Preventive Security Organization
Civil Defense	Develop, train and equip the Civil Defense Service
Facilities Protection	Develop, train and equip the Facilities Protection Service
Diplomatic Protection	Develop, train and equip the Diplomatic Protection Service
Border Crossings & Maritime Service	Develop, train and equip the Border, Crossing and Maritime Service
Communications	Communications upgrades to maintain analog system until replaced. Establish a new communications architecture and system to replace the outmoded and outdated analog system with a new digital communications system, including a service-wide IT system.
Pension needs	To address excess security personnel and ease their entry into civilian life.

Annex 3: Reform and Development Programs - Summary

Note 1: This document was prepared before the PRDP process was completed. Estimates of program costs are subject to revision and refinement, pending finalization of individual ministries' and agencies' plans and proposals.

Note 2: The cost estimates reflect estimated disbursements over the next three years, not the total cost of completion of projects under each program.

Note 3: Existing budget support instruments, such as the Emergency Services Support Project (ESSP) and the Social Safety Net Reform Project (SSNRP) are embedded in the recurrent budget support. They are not part of the public investment program and are not included here.

Note 4: Rows and columns do not always add due to rounding differences in the underlying data set.

Program Title	Primary linkages to PNPA	2008 (\$m)	2009 (\$m)	2010 (\$m)	Total (\$m)
Grand Total		427	550	667	1,644
Governance Sector		108	137	147	392
Security Sector Reform & Transformation (SSRT)	Goals: Safety & security, good governance Objectives: Increase professionalism of the security services, strengthen criminal justice system, fiscal stability	55	76	97	228
Justice Now (JN)	Goals: Safety & security, good governance Objectives: Strengthen criminal justice system	12	10	4	26
Open and Accountable Government (OAG)	Goals: Good governance Objectives: Strengthen public institutions, enhance efficiency & effectiveness of government	17	20	5	42
Efficient and Effective Government (EEG)	Goals: Good governance Objectives: Enhance efficiency & effectiveness of government, slimmer PNA, fiscal stability	13	18	28	59
Accountable Local Government (ALG)	Goals: Good governance Objectives: Strengthen local government, enhance efficiency & effectiveness of government, move towards fiscal stability	11	13	13	37
Social Sector		141	164	201	506
Social Protection Reform and Integration (SPRI) <i>Note: Includes development component only. Social assistance element is included in budget support.</i>	Goals: Enhanced quality of life Objectives: Provide social protection	4	4	2	10
Access To Education (ATE)	Goals: Increased national prosperity, enhanced quality of life Objectives: Develop social capital, develop human capital, restore economic growth	30	40	65	135
Quality Education For All (QEFA)	Goals: Increased national prosperity, enhanced quality of life Objectives: Develop social capital, develop human capital, restore economic growth	40	45	45	130
Education Performance & Efficiency (EPE)	Goals: Increased national prosperity, enhanced quality of life Objectives: Develop human capital, restore economic growth, fiscal stability	2	2	1	5

Annex 3: Reform and Development Programs - Summary

Program Title	Primary linkages to PNPA	2008 (\$m)	2009 (\$m)	2010 (\$m)	Total (\$m)
Vocational Training Initiative (VTI)	Goals: Increased national prosperity, enhanced quality of life Objectives: Develop human capital, restore economic growth	5	7	13	25
Health Quality Improvement (HQI)	Goals: Enhanced quality of life Objectives: Develop human capital, develop social capital, provide social protection	25	30	45	100
Health Care Affordability (HCA)	Goals: Increased national prosperity, enhanced quality of life Objectives: Develop human capital, fiscal stability	7	9	4	20
Women's Empowerment (WE)	Goals: Increased national prosperity, enhanced quality of life Objectives: Develop human capital, restore economic growth, develop social capital, reinforce social coherence	7	6	7	20
Youth Empowerment (YE)	Goals: Increased national prosperity, enhanced quality of life Objectives: Develop human capital, restore economic growth, develop social capital, reinforce social coherence	4	4	3	11
Employment Generation Initiative (EGI)	Goals: Increased national prosperity, enhanced quality of life Objectives: Develop human capital, restore economic growth, develop social capital, reinforce social coherence	17	17	16	50
Economy Sector		93	109	141	343
Institutional Reform for Enterprise (IRE)	Goals: Increased national prosperity, good governance Objectives: Restore economic growth, enable private sector development	9	9	9	27
Trade Infrastructure & Facilitation (TIF)	Goals: Increased national prosperity Objectives: Restore economic growth, develop physical capital, enable private sector development	9	9	9	27
Enterprise Investment and Development (EID)	Goals: Increased national prosperity Objectives: Restore economic growth, develop physical capital, enable private sector development, develop human capital	15	15	13	43
Agribusiness Development (AD)	Goals: Increased national prosperity, enhanced quality of life Objectives: Restore economic growth, develop physical capital, enable private sector development	16	19	19	54
Industrial Capacity Development (ICD)	Goals: Increased national prosperity Objectives: Restore economic growth, develop physical capital, enable private sector development	12	17	31	60

Annex 3: Reform and Development Programs - Summary

Program Title	Primary linkages to PNPA	2008 (\$m)	2009 (\$m)	2010 (\$m)	Total (\$m)
Tourism Industry Development (TID)	Goals: Increased national prosperity Objectives: Restore economic growth, develop physical capital, enable private sector development	12	10	10	32
Affordable Housing (AH)	Goals: Increased national prosperity, enhanced quality of life Objectives: Restore economic growth, develop physical capital, develop social capital	20	30	50	100
Infrastructure Sector		85	140	178	403
Road Improvement (RI)	Goals: Increased national prosperity, enhanced quality of life Objectives: Restore economic growth, enable private sector development, develop physical capital	28	35	52	115
Road Safety (RS)	Goals: Increased national prosperity, enhanced quality of life, good governance Objectives: Restore economic growth, develop social capital	4	6	10	20
Air & Sea (AS)	Goals: Increased national prosperity, enhanced quality of life Objectives: Restore economic growth, enable private sector development, develop physical capital	3	11	16	30
Electricity Sector Investment (ESI)	Goals: Increased national prosperity, enhanced quality of life Objectives: Restore economic growth, develop physical capital, enable private sector development, fiscal stability	16	21	22	59
Water & Wastewater Management (WWM)	Goals: Increased national prosperity, enhanced quality of life Objectives: Restore economic growth, develop physical capital, enable private sector development	27	48	47	122
Solid Waste Management (SWM)	Goals: Enhanced quality of life Objectives: Restore economic growth, develop physical capital, enable private sector development, develop social capital	4	12	16	32
Public Recreation and Culture (PRC)	Goals: Enhanced quality of life Objectives: Develop physical capital, develop social capital, reinforce social coherence, preserve heritage and culture	3	7	15	25

Annex 4: Reform and Development Programs - Detail

Explanatory Note

This annex reflects an estimate of aid disbursements to finance development expenditure over the next three years, not the total cost of completing all identified initiatives and projects – many of which will span more than three years and some of which will not commence until 2009 or later.

The estimates take into account a realistic assessment of the availability of external financing for development expenditure over the next three years based on prior experience. If commitments for larger amounts of funding are received in relation to a particular initiative or project, it may be possible to up-scale activities in certain areas. This will be considered on a case by case basis as commitments are received.

The estimates also take into account the PNA's absorptive capacity for public investment based on the resource ceilings set out in the medium term fiscal framework. This is very different from the approach taken in preparing the PNA's medium-term development plan (MTDP) in previous years. The last published MTDP (2005-07) included 420 projects at a total cost of \$ 5.6 billion – an amount that clearly did not reflect fiscal realities or absorptive capacity.

Indicators and targets have been specified for the majority of objectives. Unless otherwise indicated, the targets are specified for the end of the three year period. In a few cases, work is ongoing to ensure the feasibility of measuring certain indicators and, as such, the target is denoted with an 'X'.

Annex 4: Reform and Development Programs - Detail

SECTOR: SECURITY

Program: Security Sector Reform and Transformation			Lead organizations: Interior, NSF, PG			
PNPA Goal: Safety and security			Primary objective: Increase professionalism of security services			
Planned outcomes: Upgraded capacity and capability of security organizations				Development Costs		
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Improved capability of civil police to deliver on law and order. The Palestinian civil police have efficient and effective capacities and capabilities to ensure internal order	Crime rate	Reduce crime rate by 10% in 2008 and by 5% in 2009/2010	1. Training; special protection arrangements for banks, prisons & security services sites 2. Traffic management: provision of special uniforms for police, procurement of vehicles and motorcycles 3. Prison system: establish 7 telecoms stations; establish central computer; rehabilitate 12 police sites	\$6m	\$8m	\$10m
	Number of traffic violations	Traffic violations are reduced by 5% per year		\$2m	\$3m	\$5m
	Number of executed court decisions	Increased by 10% per year		\$3m	\$5m	\$7m
Preventive security is capable of providing on time quality information to support law and order	Quantity and quality of intelligence information to prevent crime and disorder	Number of intelligence reports prepared on time increased by 20% annually	1. Intelligence training; rehabilitation of headquarters, establish admin and security information systems; special intelligence devices and systems	\$3m	\$5m	\$5m
The civil defense system is well equipped and developed to ensure safety and protection of citizens, properties and institutions	Response rate to incidents (fire, manmade catastrophes and natural disasters)	Average response time decreases by 10% annually	1. Training, equipment for the operations room; establish new centers to maximize outreach (20); procurement of vehicles and machines; establish and equip monitoring offices (9) and first aid centers in all locations; procurement of ambulances (10)	\$3m	\$5m	\$6m
	Number of establishments committed to safety regulations	Incidents decreases by 10% annually				
National security forces is capable of supporting the civil police and other security forces to ensure law and order internally & at borders	Execution of military orders	Execution of military orders increases by 10% per year	1. Training; rehabilitation of training centers; procure 400 civil and security vehicles; procure telecoms network; establish a military hospital and clinics	\$12m	\$17m	\$21m
	Infiltration by disloyal personnel	Reduced by 20% per year				
The Presidential Guard is capable of protecting the President and international missions	Number of incidents	Zero defects	1. Capacity building: training, accommodation, equipment and vehicles	\$6m	\$8m	\$8m
Central infrastructure and command & control facilities for security organizations at the district level	Number of district level facilities	8 Moqata'at constructed	1. Moqata'at construction – incl. HQ, detention centers, comms systems, operations rooms, maintenance facilities, storage, small-scale training facilities	\$20m	\$25m	\$35m
				\$55m	\$76m	\$97m

Annex 4: Reform and Development Programs - Detail

SECTOR: GOVERNANCE

SUB SECTOR: JUSTICE

Program: Justice Now				Lead Ministry: Justice, Attorney General, High Judicial Council		
PNPA Goal: Safety & security, Good governance			Primary objective: Strengthen civil and criminal justice system			
Planned outcomes: An effective justice sector with clear division of responsibilities and separation of powers					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Clear and appropriate division of responsibilities and powers of justice sector bodies	Effective sector-wide policy coordination planning mechanisms	Justice sector reform and development strategy developed	1. Develop and implement strategic plan for justice sector – in consultant civil society	\$1m	-	-
			2. Review of justice sector legal framework and regulations	\$1m	-	-
A stable and clearly defined legal framework	Systems and processes for effective review and development of legal framework	Legal information system implemented	1. Legal information system	\$2m	-	-
Safeguard citizens' rights and basic freedoms	- Legal framework for protecting human rights - Public complaints systems - Coordination with human rights organizations - Prison inspections	- Complete a full review of relevant legislation - Establish complaints system - Establish coordination arrangements - Review and upgrade prison inspections processes	1. Rights and freedoms review	\$1m	-	-
Effective criminal justice facilities	Improved facilities and resources	Establish criminal and forensics labs Establish a criminal records system	1. Criminal-forensics lab	\$1m	\$2m	-
			2. Criminal records system	\$1m	\$1m	-
Ensure fair trials in accordance with the time limits and processes defined in law	Reduction in the number of cases outstanding	Reduce judicial overload by 20% per year	1. Roll-out of MIZAN system 2. Upgrading court infrastructure and equipment	\$1m	\$1m	-
	Effective computerized system at Palestinian courts	Computerize and network 100% of Palestinian courts		\$2m	\$4m	\$4m
	Suitable buildings available for legal proceedings	Build 2 courts, develop Bethlehem court, rent additional court space				
Judges and other sector staff have the skills, knowledge, and expertise to provide services with integrity, effectiveness, and impartiality	Effective training and technical support arrangements for judges and justice sector staff	Establish effective training and technical support arrangements for judges and other sector staff	1. Develop capacity of Judicial Institute	\$1m	\$1m	-
			2. Technical support unit and training for Attorney General staff	\$1m	\$1m	-
				\$12m	\$10m	\$4m

Annex 4: Reform and Development Programs - Detail

SECTOR: GOVERNANCE

SUB SECTOR: ACCOUNTABILITY & TRANSPARENCY

Program: Open and Accountable Government – systems and process re-engineering				Lead Ministry: Finance, Planning		
PNPA Goal: Good governance			Primary objective: Enhance efficiency and effectiveness of government			
Planned outcomes: Effective and comprehensive policy-making, planning and accounting systems and processes					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Effective, coherent and participatory policy-making and planning	Effective PNA-wide policy analysis and planning systems	Full development and implementation of the PRDP approach	1. PRDP support	\$2m	\$1m	-
Public expenditure is guided by a comprehensive, policy led medium term expenditure framework and effective budget execution mechanisms	MTEF methodology implementation Legislative scrutiny of budget	- MTEF approach institutionalized in law and practice in 2008 - Complete set of financial regulations and associated procedures in place - Resource allocation clearly reflects policy priorities in budget and beyond - Draft Budget Law comprehensively scrutinized and approved by the PLC	1. Budget process reform	\$1m	\$1m	-
Public expenditure management supported by efficient & effective financial management, accounting & reporting systems	- Financial accounting/reporting complies with best practice - Comprehensive reports on progress in relation to planned results	- GFS-compliant chart of accounts in use by end 2008 - Monthly revenue and expenditure statements published - End of year performance reports	1. Accounting and reporting reform – including IFMIS	\$1m	\$1m	\$1m
Effective financial control and internal audit procedures	Comprehensive set of system-based internal controls in place An efficient and effective internal audit function	- Effective internal control procedures and systems in place by end 2008 - Reductions in the number of internal control failures in each year - Comprehensive, regular internal audit plans/reports being produced by end 2008	1. Internal control and internal audit capacity building (incl. support to the Accountant General)	\$2m	\$2m	-
				\$6m	\$5m	\$1m

Annex 4: Reform and Development Programs - Detail

SECTOR: GOVERNANCE

SUB SECTOR: ACCOUNTABILITY & TRANSPARENCY

Program: Open and Accountable Government – Building effective oversight institutions				Lead Ministry: Finance, PLC, FACB		
PNPA Goal: Good governance			Primary objective: Strengthen public institutions, Efficiency/effectiveness of government			
Planned outcomes: Effective and efficient oversight bodies to monitor the performance of government					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Comprehensive legal framework for public financial management which meets international standards	All necessary PFM institutions, committees, roles and responsibilities are established in accordance with the public finance legislation and operating effectively	- Revised Public Finance Law (2008) - Legal mandate and organization structure of the MoF reflect international best practice (2008) - PLC Accounts Committee established	1. PFM legislative reform	\$1m	-	-
Public expenditure is guided by a comprehensive, policy led medium term expenditure framework and effective budget execution mechanisms	- Legislative scrutiny of budget - Budget Book provides comprehensive information about policies, resource allocation plans & performance	-Budget Law comprehensively scrutinized and approved by the PLC - Publish a comprehensive guide to the Budget at the beginning of financial year - All in-year budget reallocations approved by the PLC	1. Public budget transparency	\$1m	\$1m	-
Independent auditing and reporting on compliance with financial and administrative procedures and regulations, and complaints from the public	- Modern external audit law adopted and implemented - FACB applies best practice external audit methodology - % of audited institutions - Respond to all public complaints efficiently, effectively and transparently	- Revised Public Audit Law (2008) - Develop audit principles, methods, standards and procedures - Inspect and report on 20% of institutions - 100 complaints processed in 2008	1. FACB capacity building	\$1m	\$2m	-
Effective PLC scrutiny and monitoring of the executive branch	- Clear legislative agenda - Timely review of laws - MPs' capacity to question - Compliance with Budget process and timetable	- Legislative agenda in place for full term - Reduced backlog of laws - Increase questions by 100% per annum - Budget law reviewed and passed promptly after rigorous review/discussion	1. PLC capacity building	\$1m	\$1m	\$1m
Ensuring democratic oversight of the executive branch	Free and fair national elections	Elections completed – favorable reports from local international observers	1. Conduct free and fair national elections – legislature and presidential	\$2m	\$8m	\$1m
				\$6m	\$12m	\$2m

Annex 4: Reform and Development Programs - Detail

SECTOR: GOVERNANCE
SUB SECTOR: ACCOUNTABILITY AND TRANSPARENCY

Program: Open and Accountable Government – Monitoring and evaluation of government performance				Lead Ministry: PM’s Office, Finance, Planning, PCBS, PLC		
PNPA Goal: Good governance		Primary objective: Strengthen public institutions, Efficiency/effectiveness of government				
Planned outcomes: The performance of government is systematically and comprehensively monitored and reported upon				Development Costs		
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Regular, high quality, monitoring and government performance assessment	- Effective M&E units - Regular M&E reporting (to public and PLC)	- Central M&E unit established - M&E units established in 50% entities - 2008 M&E report published	1. M&E capacity building	\$1m	\$1m	\$1m
Public expenditure management supported by efficient & effective financial management, accounting & reporting systems	- Financial accounting/reporting complies with best practice - Comprehensive reports on progress in relation to planned results	Published: - Monthly revenue/expenditure reports - Complete financial statements within 6 months of the end of the financial year - End of year performance reports	N/A – covered by “Accounting and reporting reform” (in “Open and Accountable Government – systems and process re-engineering” sub-program)	-	-	-
Effectively manage and share knowledge for planning purposes	- Regular, timely and accurate reports on key planning info - Plans based on high quality research - High quality, timely public information regarding govt plans	- Knowledge management strategy developed and implemented - Research strategy and associated protocols developed and implemented - Communications strategy developed and implemented	N/A – covered by “PRDP support” initiative (in “Open and Accountable Government – systems and process re-engineering”)	-	-	-
Sound macroeconomic policy, development planning and reporting	- Macroeconomic forecasting and planning unit capacity - Macroeconomic policies based on sound assumptions	- Sustainable macroeconomic forecasting and management unit by end 2008 - Medium term budget preparation is based on credible macroeconomic forecasts by end 2008	1. Macroeconomic forecasting capacity building	\$1m	-	-
An integrated statistical system (demographic, social, economic and geographic) using standards and specifications that meet national requirements in line with international standards	Timely publication of all reports in the statistical calendar on statistical and economic indicators	Publish annual statistical data on macro economic data, social and population trends, and national accounts	1. PCBS support	\$3m	\$2m	\$1m
				\$5m	\$3m	\$2m

Annex 4: Reform and Development Programs - Detail

SECTOR: GOVERNANCE

SUB SECTOR: ADMINISTRATIVE & CIVIL SERVICE REFORM

Program: Efficient and effective government – Reform of the public sector legislative framework			Lead Ministry: Prime Minister’s Office, GPC, Finance			
PNPA Goal: Good governance			Primary objective: Efficiency/effectiveness of government, slimmer PNA, fiscal stability			
Planned outcomes: Modern and comprehensive legal framework for efficient and effective government performance and accountability			Development Costs			
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Comprehensive set of modern legislation to support an effective public service	Modern, public administration legislation in all areas	Prepare new legislation: - Public Finance Law - Public Audit Law - Civil Service Law - Executive regulations for MoF - Executive regulations for GPC	N/A (a) PFM & audit covered in “Open & Accountable Govt – building effective oversight institutions” (b) HRM covered in “Efficient & Effective Govt – Civil service management”	-	-	-

SECTOR: GOVERNANCE

SUB SECTOR: ADMINISTRATIVE & CIVIL SERVICE REFORM

Program: Efficient and effective government – Organization and institutional development			Lead Ministry: Planning, Finance, GPC, Telecoms/IT, Public Works			
PNPA Goal: Good governance			Primary objective: Efficiency/effectiveness of government, slimmer PNA, fiscal stability			
Planned outcomes: Public sector organizations have clearly/appropriately defined roles, mandates and structures & standardized support systems			Development Costs			
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Effective and appropriate institutional arrangements and distribution of resources across the public sector	Role, structure & mandates of PNA entities meet the requirements of modern public service management & can deliver against PRDP	Functional reviews of 50% of PNA ministries and agencies completed	1. Functional review program	\$3m	\$4m	\$5m
Upgrade basic infrastructure and equipment used by public sector organizations	Fit for purpose, cost-effective buildings and equipment for public sector organizations	- Build a building complex for central government bodies (initially for 8 orgs) - Meet other pressing accommodation needs (e.g., Attorney General’s office) - Public sector buildings master plan	1. Public sector organization facilities upgrade <i>(N.B. excludes security facilities – included in ‘Security Sector Reform & Transformation’)</i>	\$2m	\$5m	\$15m
Improve the efficiency and effectiveness of government ICT systems	Efficient and standardized ICT facilities across public sector entities	Implement standard ICT facilities in 50% of public sector organizations	1. e-Government program	\$2m	\$3m	\$5m
Improve the efficiency and quality of postal services	- Number of Post Offices - Services provided by Post Offices	- Increase to 78 - Increase in range of services provided (based on needs assessment)	1. Post Office improvement	\$1m	\$3m	\$3m
				\$8m	\$15m	\$28m

SECTOR: GOVERNANCE

SUB SECTOR: ADMINISTRATIVE & CIVIL SERVICE REFORM

Annex 4: Reform and Development Programs - Detail

Program: Efficient and effective government – Civil service management			Lead Ministry: GPC, Finance, Planning, Prime Minister's Office			
PNPA Goal: Good governance			Primary objective: Efficiency/effectiveness of government, slimmer PNA, fiscal stability			
Planned outcomes: The PNA is efficiently and effectively managed to maximise the performance and outcomes of government					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Effective human resource management (HRM) and human resource development (HRD)	<ul style="list-style-type: none"> - A comprehensive legal framework for HRM & HRD - Modern policies and procedures for HRM & HRD - Merit-based appointments, promotions, appeals processes - Public sector employee performance management - Employees adhere to public service employment regulations - Appropriate pay, benefits & grading in the civil service 	<ul style="list-style-type: none"> - Amended Civil Service Law and related executive regulations - Implement modern policies and procedures in HRM & HRD - Establish capable, independent appointments, promotions and appeals functions - Establish effective performance evaluation procedures and systems - Establish and enforce appropriate disciplinary procedures - Full review and classification exercise 	1. HRM & HRD legal and procedural reform	\$1m	-	-
			2. Capacity building for government HRM & HRD functions	\$1m	\$1m	-
			3. Pay, grading and job classification review	\$1m	\$1m	-
			4. Review of pensions arrangements (incl. security services)	\$1m	-	-
Effective and appropriate training	- Set up national training policy and strategy for civil servants	Training policy and strategy in place and being implemented	1. Civil service training – including leadership training	\$1m	\$1m	-
				\$5m	\$3m	-

SECTOR: GOVERNANCE

SUB SECTOR: LOCAL GOVERNMENT

Program: Accountable Local Government			Lead Ministry: Local Government, CEC			
PNPA Goal: Good governance			Primary objective: Strengthen local government			
Planned outcomes: An empowered and accountable local government delivering cost effective services					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Improve the efficiency and effectiveness of local government	Service delivery by local government	<i>Performance targets to be defined through vision/strategy process</i>	1. Develop vision and strategy for local government	\$2m	-	-
			2. Capacity building for local government units	\$3m	\$6m	\$8m
	3. Conduct free and fair local elections		\$3m	\$2m	-	
	4. Special program to address issues in wall-affected areas		\$3m	\$5m	\$5m	
	Revenue collection rates	Reduce net lending in line with medium-term fiscal framework				
				\$11m	\$13m	\$13m

Annex 4: Reform and Development Programs - Detail

SECTOR: SOCIAL

SUB SECTOR: SOCIAL PROTECTION

Program: Social Protection Reform and Integration (SPRI)				Lead Ministry: Social Affairs		
PNPA Goal: Enhanced quality of life			Primary objective: Provide social protection			
Planned outcomes: To maximize the equity, efficiency and effectiveness of PNA social protection activities and services					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Provide basic social security and safety nets	Number of impoverished marginalized household in the Palestinian territories	Provide aid to 60,000 poor households	1. Social safety net reform & capacity building – incl. development of Social Protection Strategy, targeting database, framework for cooperation with NGOs, policy formulation & coordination capacity building (N.B. excludes budget support for cash transfers)	\$4m	\$4m	\$2m
				\$4m	\$4m	\$2m

SECTOR: SOCIAL

SUB SECTOR: EDUCATION

Program: Access to Education				Lead Ministry: Education and Higher Education		
PNPA Goal: Increased national prosperity, enhanced quality of life			Primary objective: Develop social & human capital, restore economic growth			
Planned outcomes: To provide access to education at all levels					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Access to education for those all children of primary and secondary school age	- % availability of primary and secondary school places for all, including those with special needs -School premises and facilities meet minimum acceptable standards - All pupils are provided with essential text books	- 99% enrolment at primary level - 98% enrolment at secondary level - 50% of pupils with special needs joining mainstream education 30% reduction in number of unacceptable rented facilities No children without text books	1. Build, extend furnish and equip schools and other education facilities	\$15m	\$25m	\$50m
			2. Provision of text books	\$8m	\$8m	\$8m
Access to higher education	Percentage of students completing higher education	Increase percentage by X%	1. Establish targeted higher education student loan scheme	\$3m	\$4m	\$5m
			2. Enlarge/equip universities	\$4m	\$3m	\$2m
				\$30m	\$40m	\$65m

Annex 4: Reform and Development Programs - Detail

SECTOR: SOCIAL

SUB SECTOR: EDUCATION

Program: Quality Education for All				Lead Ministry: Education and Higher Education		
PNPA Goal: Increased national prosperity, enhanced quality of life			Primary objective: Develop social & human capital, restore economic growth			
Planned outcomes: To further improve the quality of education outcomes					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Improve the quality of primary and secondary education	Improved and better equipped learning environments in low performing schools	600 schools provided with high quality learning environments	1. Education quality improvement initiative – targeting 600 lowest performing schools (holistic approach including funds for infrastructure, equipment, training, text books, etc.) 2. Curriculum development 3. Develop and implement training strategy 4. Develop and implement single system for quality monitoring and quality assurance 5. Computer labs, ICT equipment & ADSL 6. Libraries 7. Laboratories 8. Facilities for special needs and counseling 9. School health and nutrition programs 10. Sports & extra-curricular activities facilities	\$5m	\$10m	\$10m
	Modernized curriculum	Modern curriculum developed				
	Integrated teacher training strategy	Integrated training strategy implemented		\$4m	\$3m	\$3m
	Standards and measurement tools being consistently applied for all pupils	Standards and measurement tools implemented		\$5m	\$4m	\$4m
	% of schools with adequate ICT tools, laboratories and libraries	Increase by 10%		\$3m	\$3m	\$3m
	% of schools with special needs facilities	Increase by 5%		\$5m	\$4m	\$3m
	% of students benefiting from medical inspection programs	100%		\$4m	\$3m	\$3m
				\$3m	\$3m	\$3m
				\$5m	\$5m	\$5m
				\$2m	\$2m	\$2m
Improve the quality of tertiary education	Fund for improving quality of higher education	Quality development fund implemented	1. Quality development fund for higher education	-	\$5m	\$6m
				\$40m	\$45m	\$45m

Annex 4: Reform and Development Programs - Detail

SECTOR: SOCIAL

SUB SECTOR: EDUCATION

Program: Education Performance and Efficiency				Lead Ministry: Education and Higher Education		
PNPA Goal: Increased national prosperity, enhanced quality of life				Primary objective: Develop human capital, restore economic growth, fiscal stability		
Planned outcomes:				Development Costs		
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Efficient and effective policy making, planning and administrative resources to support improved education service delivery	<ul style="list-style-type: none"> - Management of education decentralized - Effective planning systems at all levels - Effective financial planning and management systems in place - Effective and efficient use of human resources - Effective quality control and supervision of teachers - Effective coordination with other stakeholders 	<ul style="list-style-type: none"> - Comprehensive education strategic plan being effectively implemented - Planning and monitoring capacity improved - Key staff have appropriate financial management skills - Human resource management and assessment plans developed - Senior staff trained in supervision - Effective coordination with ministries, development partners and UN agencies 	1. Broad-based capacity building program for MoEHE and Council for Higher Education	\$2m	\$2m	\$1m
				\$2m	\$2m	\$1m

SECTOR: SOCIAL

SUB SECTOR: EDUCATION

Program: Vocational Training Initiative				Lead Ministry: Education and Higher Education		
PNPA Goal: Increased national prosperity, enhanced quality of life				Primary objective: Develop human capital, restore economic growth		
Planned outcomes:				Development Costs		
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Access to technical and vocational education and training	<ul style="list-style-type: none"> - % of secondary school leavers with access to TVET - Numbers of girls in TVET 	<ul style="list-style-type: none"> Increase by X% Increase by X% 	1. Construct and expand TVET schools and colleges	\$3m	\$5m	\$12m
Improved quality of technical & vocational education & training	Modernized curriculum	Modern curriculum developed	1. Update and develop TVET curriculum – linked to job market needs	\$2m	\$2m	\$1m
				\$5m	\$7m	\$13m

Annex 4: Reform and Development Programs - Detail

SECTOR: SOCIAL

SUB SECTOR: HEALTH

Program: Health Quality Improvement				Lead Ministry: Health, Local Government		
PNPA Goal: Enhanced quality of life, Increased national prosperity			Primary objective: Develop human capital, restore economic growth			
Planned outcomes: Improve the coverage and quality of health care facilities				Development Costs		
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Better health care outcomes through provision of better support services, equipment and training	% of children immunized	97% of children	1. Child immunization	\$2m	\$1m	-
	Preparation and implementation of guidelines: - for diagnosis and treatment of prevalent diseased - for secondary and tertiary care referrals - introduction of triage system	Adoption of guidelines in all PHC and SHC facilities as applicable	2. Avian flu control	\$3m	-	-
			3. Community mental health program	\$2m	\$2m	-
			4. Non-communicable disease control program	\$1m	-	-
	Quality Improvement Programme institutionalised	60% of health professionals trained in quality issues	5. Upgrading guidelines and procedures at all HC facilities	\$2m	\$1m	-
			6. Rehabilitate delivery rooms	\$1m	-	-
			7. Construct central stores in WB & G	\$1m	\$3m	-
	Improved standards of health training and education	Continuing Education Pro gram	8. Construct blood bank and laboratories	\$1m	\$2m	\$3m
			9. Equipment upgrade program	\$2m	\$2m	-
			10. Training hospital	\$3m	\$7m	-
			11. Nursing college	\$1m	\$3m	-
			12. Health Quality Improvement Program - develop systems & materials	\$1m	\$1m	\$25m
			13. Continuing Education Program - develop systems & materials	\$1m	\$1m	-
Access to efficient and effective primary and secondary health care services	Number of PHC facilities	Construction of 30 clinics	1. PHC facility construction	\$2m	\$3m	\$4m
	% of population with access to PHC	100% of population	2. SHC facility construction	\$2m	\$4m	\$13m
	Upgrade SHC facilities	Complete upgrade projects in 7 hospitals				
				\$25m	\$30m	\$45m

Annex 4: Reform and Development Programs - Detail

SECTOR: SOCIAL

SUB SECTOR: HEALTH

Program: Health Care Affordability				Lead Ministry: Health		
PNPA Goal: Increased national prosperity, Enhanced quality of life			Primary objective: Develop human capital, fiscal stability			
Planned outcomes: Achieving a better allocation of resources to improve health service delivery to citizens.					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Increasing revenue to recover costs of health care	Increased revenue from health insurance system	Increase revenue by 20%	1. Review of health insurance system	\$2m	\$1m	-
Controlling expenditure	Rationalized health expenditure through implementation of : - improved procurement procedures - guidelines on referral system	Expenditure rationalization criteria and guidelines implemented	2. Review and development of procurements and referral procedures and guidelines	\$1m	\$1m	-
		Increase % of drugs purchased through bidding process by 60%	3. Build capacity of health policy and planning unit	\$1m	\$2m	\$1m
Improved policy, coordination and managerial capacity	- Effective policy making, planning and budgeting - Strengthened coordination and integration between the different health care providers	- Prepare financial budgets consistent with objectives and plans - Increase the number of joint programs by 70%	4. Training for HR professionals	\$1m	\$1m	\$1m
			5. Develop health management information systems	\$1m	\$2m	-
			6. Conduct efficiency studies and reviews	\$1m	\$2m	\$2m
				\$7m	\$9m	\$4m

SECTOR: SOCIAL

SUB SECTOR: WOMEN

Program: Women's Empowerment				Lead Ministry: Women's Affairs		
PNPA Goal: Increased national prosperity, enhanced quality of life			Primary objective: Develop human capital, restore economic growth, develop social capital, reinforce social coherence			
Planned outcomes: Empower women by increasing their participation in economic activities					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
To provide women entrepreneurs with technical skills in business	Number of women with sustainable incomes from micro enterprises	1,000 women have sustainable incomes from micro enterprises	1. Women's Economic Empowerment Program 2. Establish loan schemes program for rural and marginalized women	\$2m	\$4m	\$6m
To provide internships and work experience for unemployed female graduates	Number of young female graduates receiving work experience	1,000 young female graduates receive relevant work experience to enable future paid employment		\$2m	-	-
To support rural women's economic activities	Number of rural women with sustainable income from economic activities	1,000 rural women have sustainable income from economic activities				

Annex 4: Reform and Development Programs - Detail

Provide support for achieving an enabling environment for increased participation of women in the labour market and public life	Reduction in number of discriminatory policies and laws Training for women working in the public sector	Remove gender discrimination from PNA policies & laws (incl. civil service, social insurance, personal status, and labor laws) Training program implemented	1. Legal framework audit 2. Comprehensive training and education strategy and program for women's engagement in public life & democratic process	\$1m \$2m	- \$2m	- \$1m
				\$7m	\$6m	\$7m

SECTOR: SOCIAL

SUB SECTOR: YOUTH

Program: Youth Empowerment			Lead Ministry: Ministry of Youth and Sports			
PNPA Goal: Increased national prosperity, enhanced quality of life			Primary objective: Develop human capital, restore economic growth, develop social capital, reinforce social coherence			
Planned outcomes:			Development Costs			
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
To empower the economic activities of youth by providing opportunities for them to generate income and develop their own skills	- Number of young people with relevant work experience - Number of young people receiving micro credit - Number of young people with sustainable income from micro and small enterprises	Total of 10,000 female and male youths between the ages of 18 to 29 receive support	1. Palestinian Youth Empowerment Program	\$3m	\$4m	\$3m
Conducive legal environment for developing the youth	Needs and rights of young people protected by law	Implement Palestinian Youth Law & establish ongoing monitoring	1. Legal environment to protect and develop the youth	\$1m	-	-
				\$4m	\$4m	\$3m

SECTOR: SOCIAL

SUB SECTOR: EMPLOYMENT GENERATION

Program: Employment Generation			Lead Ministry: Labor			
PNPA Goal: Increased national prosperity, enhanced quality of life			Primary objective: Develop human capital, restore economic growth, develop social capital, reinforce social coherence			
Planned outcomes: Reduce unemployment and provide economic stimulus			Development Costs			
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Direct and effective intervention in the labor market	Reduce unemployment	Unemployment reduced by X%	1. Various employment generation programs	\$17m	\$17m	\$16m
				\$17m	\$17m	\$16m

Annex 4: Reform and Development Programs - Detail

SECTOR: ECONOMY

SUB SECTOR: TRADE/INVESTMENT PROMOTION/ENTERPRISE DEVELOPMENT

Program: Institutional Reform for Enterprise				Lead Ministry: National Economy, Telecoms & IT, Land Authority		
PNPA Goal: Increased national prosperity			Primary objective: Restore economic growth			
Planned outcomes: Implement institutional reforms to support economic and social development					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Coherent and comprehensive legal and regulatory framework for private sector	Telecoms cost as % of household expenditure	Reduce by 40%	1. Telecoms regulation 2. Company law and competition law drafting and regulatory capacity-building	\$2m	\$1m	\$1m
	Drafting of legislation and regulation	Company law, competition law and telecoms regulations drafted		\$3m	\$2m	\$2m
Land management reform	Percentage of land registered with the Land Authority	Increase the percentage of West Bank land registered with the Land Authority to 60%	1. Develop and implement effective land administration policy and legislation	\$4m	\$6m	\$6m
				\$9m	\$9m	\$9m

Program: Trade Infrastructure and Facilitation				Lead Ministry: GACB, National Economy		
PNPA Goal: Increased national prosperity			Primary objective: Restore economic growth			
Planned outcomes: Facilitate an efficient and competitive export sector					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Predictable, timely and efficient movement of goods at crossing points	Total exports	Increase total exports by 15%	1. Improved institutional arrangements at border crossings – incl. GACB capacity building 2. Improved infrastructure at border crossings	\$5m	\$5m	\$5m
	Non-Israel exports	Increase non-Israel exports by 30%		\$2m	\$2m	\$2m
Promoting economic and trade relations with other countries			1. (a) Supporting marketing and export promotion; (b) Implementation of trade agreements; (c) Implementation of Paris Protocol	\$2m	\$2m	\$2m
				\$9m	\$9m	\$9m

Annex 4: Reform and Development Programs - Detail

SECTOR: ECONOMY

SUB SECTOR: TRADE/INVESTMENT PROMOTION/ENTERPRISE DEVELOPMENT

Program: Enterprise Investment and Development				Lead Ministry: National Economy		
PNPA Goal: Increased national prosperity				Primary objective: Restore economic growth		
Planned outcomes: Increased private sector investment				Development Costs		
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Increased access to credit, investment finance and capacity-building for MSMEs	MSMEs contribution to GDP	Increase contribution of MSMEs to GDP to XX%	1. Enterprise learning fund – focus on export-oriented SMEs 2. Micro-finance and micro-credit services for rural and urban entrepreneurs 3. Finance & credit services to encourage establishment of businesses in ‘strategic’ sectors – e.g., trade services & logistics	\$5m	\$6m	\$8m
	MSME employment	Increase by XX%		\$3m	\$3m	\$3m
Average SME establishment size	Increase by XX%	\$5m		\$5m	\$5m	
Better regulation of credit, investment and financial services provided to MSMEs			1. Build PNA capacity to oversee the provision, financial investment and credit services	\$2m	\$1m	-
				\$15m	\$15m	\$13m

SECTOR: ECONOMY

SUB SECTOR: AGRICULTURE

Program: Agribusiness Development				Lead Ministry: Agriculture, Standards Institute		
PNPA Goal: Increased national prosperity				Primary objective: Restore economic growth		
Planned outcomes: Increased contribution of the agriculture business to national income				Development Costs		
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Develop agricultural services sector	Agricultural output	Increase by 15%	1. Agro-industrial park (Jericho) 2. Development of post-harvest services sector – processing, packaging, distribution, marketing, export promotion	\$5m	\$7m	\$8m
	Agriculture sector employment	Increase by 10%		\$4m	\$3m	\$2m
Agricultural exports	Increase by 25%	\$2m		\$2m	\$2m	
Increased efficiency of use of land and other natural resources			1. Rehabilitate farms, orchards and other damaged infrastructure	\$2m	\$2m	\$2m
			2. Natural resources conservation and reclamation – land and water	\$3m	\$3m	\$3m

Annex 4: Reform and Development Programs - Detail

Improved sector policy development and regulation			1. Capacity building for Ministry of Agriculture and Standards Institute	\$2m	\$4m	\$4m
				\$16m	\$19m	\$19m

SECTOR: ECONOMY

SUB SECTOR: INDUSTRY & SERVICES

Program: Industrial Capacity Development			Lead Ministry: National Economy, Standards Institute			
PNPA Goal: Increased national prosperity			Primary objective: Restore economic growth			
Planned outcomes: Increased contribution of the industrial sector to national income			Development Costs			
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Supporting industrial development and modernization	Industrial output	Increase by 15%	1. Build municipal industrial parks – Tulkarem & Hebron	\$3m	\$5m	\$10m
	Industry and services sector employment	Increase by 15%	2. Build border industrial parks – Jenin & Tarqumiya	\$5m	\$8m	\$17m
			3. Capacity building for SME industrial establishments – productive & managerial capacity, quality standards	\$4m	\$4m	\$4m
				\$12m	\$17m	\$31m

SECTOR: ECONOMY

SUB SECTOR: TOURISM

Program: Tourism Industry Development			Lead Ministry: Tourism and Antiquities			
PNPA Goal: Increased national prosperity			Primary objective: Restore economic growth			
Planned outcomes: Increased contribution of the tourism industry to national income			Development Costs			
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Develop an internationally competitive tourism sector	Tourism sector value added	Increase by 100%	1. Restoration and preservation of tourism sites	\$3m	\$4m	\$4m
	Tourism sector employment	Increase by 100%	2. Marketing of Palestine as a tourism destination	\$3m	\$2m	\$2m
3. Research & development – database, identify target areas			\$2m	\$1m	\$1m	
4. Improving industry regulation			\$2m	\$1m	\$1m	
5. Private sector training & capacity building			\$2m	\$2m	\$2m	
				\$12m	\$10m	\$10m

Annex 4: Reform and Development Programs - Detail

SECTOR: ECONOMY

SUB SECTOR: HOUSING

Program: Affordable Housing				Lead Ministry: Public Works & Housing, Local Government		
PNPA Goal: Increased national prosperity, Enhanced quality of life			Primary objective: Restore economic growth, Develop social capital			
Planned outcomes: Increase the stock of affordable housing; promote employment and investment					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Meet increasing demand for affordable housing	Housing density Number of housing units built for low and middle income families	Housing density remains unchanged (despite 4% population growth) 20,000 units	1. Provide public infrastructure to support a major private-sector led program of housing construction (incl. social housing)	\$15m	\$25m	\$40m
Rehabilitate damaged housing stock	Number of houses rehabilitated	X houses per year	Repair conflict-damaged houses in West Bank & Gaza	\$5m	\$5m	\$10m
				\$20m	\$30m	\$50m

SECTOR: INFRASTRUCTURE

SUB SECTOR: TRANSPORT

Program: Road Improvement				Lead Ministry: Public Works & Housing, Local Govt, Transport		
PNPA Goal: Increased National Prosperity			Primary objective: Restore Economic Growth			
Planned outcomes: Rehabilitation of road network					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
A cost-effective and safe road network to support economic and social development	Length of constructed or rehabilitated roads	- Regional, main & access – 200km - Municipal – 325km	1. Construction/rehabilitation of regional, main & access road network	\$10m	\$10m	\$20m
	Master planning	Master plan developed	2. Construction/rehabilitation of municipal road network	\$15m	\$20m	\$30m
			3. Develop Road Master Plan - including capacity-building (incl. maintenance capacity) and feasibility/design work for main roads (Nablus-Jenin, Gaza Coastal, Wadi Al Nar)	\$3m	\$5m	\$2m
				\$28m	\$35m	\$52m

Annex 4: Reform and Development Programs - Detail

SECTOR: INFRASTRUCTURE

SUB SECTOR: TRANSPORT

Program: Road Safety				Lead Ministry: Transport		
PNPA Goal: Increased National Prosperity			Primary objective: Restore Economic Growth			
Planned outcomes: Improved road safety				Development Costs		
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
A cost-effective and safe road network to support economic and social development	Road traffic accidents and fatalities	Reduce the number of road accidents by 10%	1. Strengthening regulation – upgrading vehicle licensing system, establish road traffic accident database, develop public transport and HGV regulations 2. Road safety infra. - markings, side protections, signage	\$3m	\$4m	\$5m
		Reduce the number of road accident fatalities by 10%		\$1m	\$2m	\$5m
				\$4m	\$6m	\$10m

Program: Air & Sea				Lead Ministry: Transport		
PNPA Goal: Increased National Prosperity			Primary objective: Restore Economic Growth			
Planned outcomes: Open international gateways				Development Costs		
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Transport infrastructure to enable international movement of goods and people	Air and sea access for people and goods	Functional fish port in Gaza	1. Regulation/safety - meteorological database 2. Rehabilitate Gaza fish port 3. Design/feasibility studies 4. Airport rehabilitation	-	\$1m	-
		Functional airport in Gaza		\$1m	\$4m	-
				\$2m	\$1m	\$3m
				-	\$5m	\$13m
				\$3m	\$11m	\$16m

Annex 4: Reform and Development Programs - Detail

SECTOR: INFRASTRUCTURE
SUB SECTOR: ELECTRICITY

Program: Electricity Sector Investment				Lead Ministry: Energy Authority, Local Government		
PNPA Goal: Increased National Prosperity			Primary objective: Restore Economic Growth			
Planned outcomes: Improved, cost-effective electricity service delivery					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
A well functioning, cost-effective electricity supply network in the West Bank and Gaza that meets the required and increasing demand	Localities without access to electricity	Zero localities without access	1. Unified distrib system in WB	\$4m	\$8m	\$6m
	Number of households using prepaid meters	300,000 prepaid meters installed	2. Control centers to manage distribution networks in WBG	\$2m	\$4m	\$3m
Well regulated, cost effective delivery of electricity services	- Improved regulation and efficiency - Reduced cost of service	- Establish competent regulatory body - Build capacity of electric distrib. Co.s - Reduce cost by X% household income	3. Install prepaid meters	\$2m	\$3m	\$7m
			4. Rehabilitation and expansion of electricity network in WBG	\$4m	\$4m	\$4m
			1. Capacity building support to PNA and to electricity distribution companies in WBG	\$4m	\$2m	\$2m
				\$16m	\$21m	\$22m

SECTOR: INFRASTRUCTURE
SUB SECTOR: WATER/WASTEWATER

Program: Water & Wastewater Management				Lead Ministry: Water Authority, Local Government		
PNPA Goal: Increased National Prosperity, Enhanced Quality of Life			Primary objective: Restore Economic Growth, Reinforce Social Coherence			
Planned outcomes: Improved, cost-effective water and wastewater service delivery					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Equitable and efficient management and distribution of water resources	Number of households connected to drinking water	Increase households with access to piped drinking water to 95%	1. Construction of water supply facilities – main pipeline, water network, Tammoun well	\$5m	\$9m	\$8m
	Reduced water losses	Reduce water losses to 10%	2. Rehabilitation of networks	\$2m	\$4m	\$4m
	Increase consumption rates water quality	Increase volume & quality of water consumed to WHO recommended levels	3. Drilling/equipping 6 wells	\$4m	\$8m	\$8m
Efficient and effective wastewater collection and management	- Percentage of wastewater processed - Number of households connected to sewerage networks	- Increase percentage of wastewater processed to XX% - Increase percentage of households connected to network to XX%	4. Feasibility/design – Gaza water carrier/desalination plant	-	\$1m	\$1m
			1. Beit Lahia treatment plant	\$10m	\$15m	\$10m
Regulated, cost effective delivery of water/wastewater	Improved regulation and efficiency	- Establish competent regulatory body - Build capacity of water utilities	2. Two treatment plants and sewerage networks	\$5m	\$10m	\$15m
			1. Institutional capacity building support to PNA – central /local	\$1m	\$1m	\$1m
				\$27m	\$48m	\$47m

Annex 4: Reform and Development Programs - Detail

SECTOR: INFRASTRUCTURE
SUB SECTOR: SOLID WASTE

Program: Solid Waste Management				Lead Ministry: Local Government, Environmental Quality Auth.		
PNPA Goal: Enhanced Quality of Life			Primary objective: Reinforce Social Coherence, Preserve Heritage & Culture			
Planned outcomes: Affordable and environmentally sustainable management of solid waste					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Equitable, efficient and environmentally friendly management of solid waste	Volume of solid waste safely disposed	500 tons per day	1. Garbage collection eqpt 2. Construct sanitary landfills – central & southern WB & Gaza 3. Institutional capacity building support to EQA	\$2m \$1m \$1m	\$1m \$10m \$1m	\$1m \$15m -
				\$4m	\$12m	\$16m

SECTOR: INFRASTRUCTURE
SUB SECTOR: RECREATION/CULTURE

Program: Public Recreation and Culture				Lead Ministry: Local Government, Youth and Sport		
PNPA Goal: Enhanced Quality of Life			Primary objective: Reinforce Social Coherence, Preserve Heritage & Culture			
Planned outcomes: Improve public recreational and cultural facilities					Development Costs	
Objectives	Indicators	Targets	Projects/Initiatives	2008	2009	2010
Create opportunities for positive social and cultural interaction	Number of public recreational and cultural facilities constructed	Increase the number of facilities to [XX]	1. Public recreational and cultural facilities – parks, sports facilities, cultural centers	\$3m	\$7m	\$15m
				\$3m	\$7m	\$15m