

EMERGENCY ASSISTANCE PROGRAM  
FOR THE  
OCCUPIED TERRITORIES



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This volume follows the presentation of a comprehensive ten-year economic plan in September 1993, which is described in the volumes below.

*Developing the Occupied Territories: An Investment in Peace*

- Volume 1: Overview
- Volume 2: The Economy
- Volume 3: Private Sector Development
- Volume 4: Agriculture
- Volume 5: Infrastructure
- Volume 6: Human Resources and Social Policy

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## Foreword

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This report outlines an action program for securing early and concrete improvements in the daily lives of the Palestinian people and for laying the foundations for longer term economic growth in Gaza and the West Bank. It is the latest in a series of studies prepared by the World Bank on the Occupied Territories as a result of its work since 1992 on the economic underpinnings of the Middle East peace process, which has intensified sharply following the signature of the Declaration of Principles by Israel and the Palestinian Liberation Organization. The first of these studies, "Developing the Occupied Territories: An Investment in Peace," was presented in September 1993, immediately before the Israeli-Palestinian accord; the second, "Emergency Assistance to the Occupied Territories," was completed in March 1994. The present report draws on the broad analysis of the former document and summarizes the detailed findings of the latter.

Like its predecessors, the present report has been designed to respond to the priorities of the Palestinian leadership. Its contents reflect the substantial contributions of an able and dedicated team of Palestinian experts. It also reflects the valuable inputs of representatives of multilateral and bilateral donors, and the helpful cooperation of the Israeli authorities. Thus, while it is being presented by the World Bank, the report represents a distillation of the collective wisdom of all parties concerned with respect to priority requirements for supporting the

process of social and economic development in the Occupied Territories—a process that in turn represents an essential building block for achieving a lasting peace in the Middle East. The stakes are high, and the challenges involved in implementing the program are substantial. Success will require not only dedication and professionalism on the part of the new Palestinian administration; it will also require a carefully coordinated and fully committed response from the international donor community.

It is fitting that this report is appearing in the year of the World Bank's 50th Anniversary. It exemplifies the intimate connection between economic development and peace among nations that was one of the inspirations of the founders of the Bretton Woods institutions. And it demonstrates the Bank's determination to continue to ensure that its work is firmly founded on the aspirations and expressed priorities of its clients for better lives for their people. It is my hope that publication of the report will help sustain the momentum for implementing the assistance program it describes, as a step towards the wider goal of promoting peace and prosperity in Gaza and the West Bank, and in the Middle East region as a whole.

Caio Koch-Weser,  
Vice President,  
Middle East and North Africa Region,  
The World Bank.

## ABBREVIATIONS

AHLC	Ad Hoc Liaison Committee
CA	Civil Administration
CBS	Central Bureau of Statistics
CHE	Council for Higher Education
EAP	Emergency Assistance Program
EDI	Economic Development Institute
ERP	Emergency Rehabilitation Project
GDP	Gross Domestic Product
GNP	Gross National Product
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
JEDCO	Jerusalem Electricity Distribution Co.
JWU	Jerusalem Water Undertaking
NGO	Non-Governmental Organization
OT	Occupied Territories (West Bank and Gaza)
PBS	Palestinian Bureau of Statistics
PCA	Palestinian Central Administration
PDI	Palestine Development Institute
PECDAR	Palestinian Economic Council for Development and Reconstruction
PEPA	Palestinian Environmental Protection Authority
PHC	Palestinian Housing Council
PLO	Palestine Liberation Organization
PMO	Project Management and Monitoring Office
RPIU	Road Program Implementation Unit
SIC	Sector Implementation Consultants
TA	Technical Assistance
TATF	Technical Assistance Trust Fund for the Territories
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency
WFP	World Food Programme



## Preface

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Following the historic September 13, 1993, accord between Israel and the PLO, a donors' conference was held in Washington, D.C. on October 1, to mobilize international support for economic and social development in the Occupied Territories. Participants in the conference felt strongly that there was an urgent need to deliver tangible benefits to the Palestinian population to reinforce the momentum towards peace. To that end, participants pledged over US\$2 billion in financial assistance and asked the World Bank to provide the analytical framework and technical underpinning needed to use such assistance effectively.

Responding to the sense of urgency expressed by the donors, a World Bank mission visited the Occupied Territories from October 11 to November 22, 1993, following a visit to Tunisia to confirm the mission's objectives with the Palestinian leadership. In Tunisia, it was agreed that the mission would seek to:

- prepare an initial investment program for donor financing to help meet the immediate needs of the Occupied Territories;
- identify priority technical assistance requirements for building Palestinian capacity to design and manage economic development programs; and
- lay the groundwork for effective use of donor assistance over the longer term by identifying technical studies related to high priority policies, programs and projects.

Representatives from Denmark, the European Union, the European Investment Bank, Japan, Norway, Switzerland, and the United States Agency for International Development participated in the mission. United Nations (UN) agencies—in particular the United Nations Relief and Works Agency (UNRWA), the United Nations Development Programme (UNDP), and the United Nations Children's Fund (UNICEF)—were also actively involved in mission work. UNDP and UNRWA seconded experienced staff from their local offices to the mission. Representatives of other donors were also consulted regularly and were kept abreast of develop-

ments. Extensive contacts were maintained with local and international nongovernmental organizations (NGOs) active in the Occupied Territories. The mission also worked closely with a number of visiting delegations, including those from the UN, UNRWA, World Food Programme (WFP), International Monetary Fund (IMF), International Labor Organization (ILO), United Kingdom and Sweden.

The mission received excellent cooperation from the Palestinian and Israeli authorities. The Palestinians set up a highly professional and dedicated Counterpart Team to work with the mission. Mission members travelled extensively in both Gaza and the West Bank, meeting a broad spectrum of Palestinians concerned with issues of transition and socioeconomic development. On the Israeli side, the mission had extensive contacts with the Bank of Israel, the Civil Administration in charge of the Occupied Territories, and the Israeli Ministries of Finance, Foreign Affairs, Environment, Transport, Energy and Communications.

The mission's findings were compiled into a two-volume document, "Emergency Assistance to the Occupied Territories." The document described the main issues affecting the various sectors of the Palestinian economy, and presented proposals for investments and complementary technical assistance needed to address those issues. It also described the external financing requirements of the public sector, including the start-up and transitional expenditures of the new Palestinian administration.

A draft of the document was discussed with the Palestinian and Israeli authorities during a follow-up mission in December, 1993, and at the first meeting of the Consultative Group for the Occupied Territories, also in December. The final document was issued in March 1994.

This report distills the main findings and recommendations of the two-volume document to make it more accessible to Palestinians and donor policymakers, and to others in the Middle East and elsewhere interested in the prospects for peace and prosperity in the Occupied Territories. The two-volume document is available from the World Bank, Office of the Vice President, Middle East and North Africa Region, on request.

### The Occupied Territories—A Brief Profile

The Occupied Territories (OT) consist of the West Bank and the Gaza Strip. Together with what are now Israel and Jordan, the OT were among the areas ruled by the Ottoman Empire prior to 1917. Towards the end of World War I, Britain gained control of Palestine, and in 1922, the areas were entrusted to Britain by a mandate of the League of Nations.

Escalating strife and unsuccessful British attempts to mediate between Jewish and Palestinian nationalisms caused Britain to return its mandate to the UN in 1947. The UN suggested Palestinian and Jewish independence on a partition basis. The Palestinians and Arabs rejected the suggestion, and the State of Israel was proclaimed in 1948. In the aftermath of the ensuing military conflict, the Gaza Strip came under Egyptian control and the West Bank, under Jordanian control. During the 1967 Arab-Israeli war, the West Bank and Gaza were occupied by Israel. Since then, Israel has administered the areas as the occupying power, except that Eastern Jerusalem has been formally annexed by Israel and is considered part of Israel by the Israeli authorities. Israel's annexation of East Jerusalem has not been recognized by the United Nations.

The West Bank and Gaza have a combined area of about 6,000 sq kms; a 1991 population of about 1.7 million; a GNP of about US\$2.9 billion; and a GNP per capita of US\$1,715. The population of East Jerusalem is about 300,000, including about 150,000 Jews, mostly settled there since 1967. In addition, there are about 135,000 Israeli settlers residing in some 150 settlements that have been built in the OT over the past 25 years.

It is estimated that currently about 3.5 million Palestinians live outside of the OT. Some have maintained residency rights in the OT and are, in principle, free to return, while the return of others will be subject to negotiation between Israel and the Palestinians. How many Palestinians might actually return would also depend upon their perceptions of future economic opportunities in the OT.

The economy of the OT is mainly service-oriented

with agriculture accounting for about 30 percent of GDP in 1991, industry about 8 percent, construction about 12 percent and services the remaining 50 percent. Private sector activity dominates the economy of the OT, accounting for about 85 percent of GDP. A striking feature of the OT economy is its heavy dependence on the Israeli economy. Until the recent border closure with Israel, about one third of the OT labor force worked in Israel (mostly on a daily commute basis), and earnings from these workers accounted for more than one quarter of the GNP of the OT. Over 90 percent of OT trade is also with Israel. Remittances from Palestinians working in the Gulf countries have been another important component of OT disposable income.

All powers of government concerning the OT are currently vested in the Coordinator of Government Activities appointed by the Israeli authorities. The Civil Administration (CA), working on behalf of the Coordinator, is responsible for administering all economic matters including, *inter alia*, granting licenses and permits, regulating trade, collecting taxes, organizing public infrastructure and services and supervising the operations of local governments. Currently, the CA has about 22,000 employees, of which approximately 95 percent are Palestinians. Most policy-making and senior administrative positions in the CA are, however, staffed by the Israelis. According to the Declaration of Principles, signed by Israel and the PLO, the CA is to be dissolved following the inauguration of the Palestinian Governing Council.

Local-level governments in the OT consist of 29 municipalities and 96 village councils. In addition, there are 27 refugee camps run by the United Nations Relief and Works Agency (UNRWA). Generally, local governments are responsible for operating power, water, solid waste and local road services within their jurisdictions; the CA, on the other hand, has direct responsibility for delivering education, health and inter-city road services. The provision of services in the refugee camps is mostly the responsibility of UNRWA.

# I. Overview

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## Introduction

The economy of the Occupied Territories (OT) is under severe strain. Income levels have stagnated over the past decade; unemployment and underemployment levels are unacceptably high; public infrastructure and social services are grossly overstretched; the fragile natural resource base is threatened with serious damage; and many local bodies and institutions are in financial difficulties. The origins of the present crisis lie mainly in structural imbalances in past patterns of development, which have seriously distorted the economy of the Occupied Territories. These imbalances are manifest in heavy dependence on outside sources of employment, an unusually low degree of industrialization, a trade pattern heavily dominated by trade with Israel, a large trade deficit, and serious inadequacies in the provision of public infrastructure and services.

Notwithstanding current stresses and strains, the OT economy appears capable of sustained growth provided there is peace and stability in the region, and provided the economy is soundly managed with a mix of prudent macroeconomic policies, expanded public services, a supportive environment for private sector development and an expansion of trade to the region and the rest of the world. The high and rising level of unemployment and related poverty issues are likely to be the most daunting economic problems facing the Palestinian authorities in the immediate future. Stimulating growth in the productive sectors, and especially in services, will be essential for meeting these challenges. As the OT economy tries to reduce its future dependence on labor flows to Israel, it also needs to improve its trade position by promoting exports, developing efficient import substitution and diversifying its trading relations. Significant improvements in public infrastructure and services are needed not only to improve living conditions directly, but also to support private business activities and to reverse environmental degradation.

The September 1993 Agreement on the Declaration of Principles and the prospect of substantial development assistance from the international community provide a window of opportunity for addressing the structural ills of the OT economy. The advent of self-rule by the Palestinians should open

up the prospects for creating a more hospitable environment for stimulating economic development. External capital flows can help rebuild dilapidated infrastructure and augment the production base for private sector activities. Nevertheless, the OT economy faces a number of constraints which leave policymakers with little room for maneuver. These constraints include a limited natural resource base, weak institutional capacity, a high degree of vulnerability to external shocks, and the fragility of the political situation following years of conflict. Management of the economy during the next few years will therefore be a delicate and difficult undertaking.

This report outlines an Emergency Assistance Program of priority investments and technical assistance to the OT over the three years 1994–1996. The Program is intended to provide a framework for channeling donor assistance to help meet the immediate needs of the Palestinian people and launch the OT economy on a path of sustainable growth.

## Program Objective, Approach and Focus

**Program Objective.** The overarching objective of the Emergency Assistance Program (EAP) is to provide tangible benefits to the Palestinian population quickly, equitably, and efficiently, while laying the foundation for sustainable development over the long term.

**Program Approach.** The approach used in designing the EAP has been heavily influenced by four considerations. First, the OT are inheriting very weak and fragmented institutions with little capacity for preparing and implementing development programs. Currently, most policy-making and senior administrative positions in the Civil Administration (CA)—the main administrative body within the OT—are in Israeli hands. Reconstituting the current CA into an effective Palestinian administration will be slow and complicated. Moreover, the Palestinian Economic Council for Development and Reconstruction (PECDAR), recently created by the PLO to coordinate aid and manage development activities, will require time to develop effective systems and procedures. Municipal institutions also have limited capacity to plan, implement and manage major investment programs. UNRWA, UNDP and the NGOs have

supplemented the limited implementation capacity of public institutions in the OT in the past; the future role and mandate of these organizations is still to be decided by the Palestinian authorities.

Second, there are unusually large uncertainties about a number of issues critical to economic development in the OT. These uncertainties include: (a) the modalities and the timetables for the transfer of authority to the Palestinians; (b) future economic relations with Israel, particularly in areas concerning labor flows, trade and tariffs, and financial sector development; and (c) the speed with which appropriate institutions can be created in the OT.

Third, there is a need to strike a balance between the imperatives of showing tangible results in the short-term and laying the foundation for sustainable growth in the longer-term. Thus, investments in public infrastructure and support for private sector development are essential for enhancing human well-being and promoting longer-term growth, but it will take time for their full impact to be felt in terms of improvements in employment levels and living conditions. This points to the need for up-front poverty alleviation and employment creation programs which could be phased out as economic activity picks up.

Lastly, after years of occupation, there is an understandable desire among the Palestinians to manage their own affairs and a reluctance to rely heavily on foreign inputs. Current institutional weaknesses and shortages of certain technical skills can be addressed by either concentrated inputs of foreign expertise or more time-consuming training to build local capacity. The EAP needs to address the practical imperatives of two competing objectives: to maximize Palestinian inputs and build local implementation capacity on the one hand, and to promote speedy implementation and early tangible results on the other.

The above considerations, combined with the objectives of rapid and widely dispersed benefits as well as the lessons of relevant experience from other parts of the world (Box 1.1), suggest a number of implications which have influenced the design and implementation of the proposed EAP. Specifically, the Program is designed to:

- emphasize short-gestation, rehabilitation and maintenance activities that make better use of existing infrastructure;
- support a temporary "works program" to help alleviate immediate poverty and unemployment pressures;
- concentrate efforts on areas where living standards are especially low (as in Gaza);
- support investments that will help correct ex-

isting imbalances in access to services, particularly in rural areas;

- maximize the use of local inputs, particularly skilled labor. Where necessary, however, outside expertise should be tapped selectively to supplement local capacity;
- make use of all locally available capacity for program implementation, including the UN system, NGOs, universities, and research institutes;
- emphasize training and institution-building, particularly for the management of development programs;
- initiate feasibility studies and technical analyses to provide the basis for longer-term investments;
- postpone investments for which optimal designs depend on the outcome of ongoing bilateral negotiations;
- institute mechanisms for efficient and transparent procurement, accounting, monitoring, and reporting, to ensure effective use of funds; and
- ensure sufficient flexibility to permit ready incorporation of changes dictated by the unfolding peace negotiations, actual experience with

#### Box 1.1 Lessons of Experience

The World Bank has had long experience with emergency lending. Between 1970 and 1990 the Bank financed about 100 emergency operations, targeted at reconstruction after disasters including earthquakes, hurricanes, volcanic eruptions, and civil wars.

No two emergencies are the same. Moreover, the situation in the OT is unique in that there is a virtual absence of central governmental institutions and the emergency is largely political and institutional. Closest to the proposed assistance to the OT were operations financed by the Bank in Chad, Mozambique, Nicaragua, Sudan and Uganda, in the aftermath of prolonged civil wars and disturbances. Experience with implementation of these operations suggests some valuable lessons of which the most relevant to the OT are the following:

- The program design should be simple, and the simpler the better;
- Program objectives and approach must be strongly supported by the beneficiaries;
- An appropriate institutional framework for planning and implementation should be established;
- Existing institutions and procedures should be utilized to the fullest extent; and
- Procurement and disbursement procedures should be simplified and standardized.

implementation, and the results of the various feasibility studies and technical analyses.

The EAP preparation process was designed to establish priorities, develop strategies and build broad Palestinian ownership of the Program. First, the Bank mission and their Palestinian counterparts collaboratively established broad sector strategies using the Palestinian National Plan and the Bank's six-volume report, "Developing the Occupied Territories: An Investment in Peace," as starting points. Second, investment and technical assistance (TA) proposals were solicited from a broad range of institutions active in the OT. Third, a core Program was determined using agreed general and sector specific screening criteria. Finally, consultations were held at various levels with the Palestinian authorities to refine Program composition and size.

Altogether, some 2,600 investment and technical assistance proposals with an estimated total cost of US\$2.8 billion were reviewed and compiled into a project data base. In addition to considerations of regional and sectoral balance, the following general criteria were used to prioritize proposals:

- consistency with agreed sector strategies;
- likely technical, economic and financial feasibility;
- priority in the eyes of the beneficiary community;
- maximum use of local inputs; and
- positive environmental impact.

Because the proposals varied in their degree of preparation, readiness for implementation, and adequacy of supporting documentation, a core set of activities that satisfied the above-mentioned criteria and were sufficiently ready for implementation was identified. Activities with clear priority that were ready for immediate implementation were included in the first year of the Program, while others were scheduled for the second and third years. Of the large group of proposals not selected, many required additional preparatory work or presented questions of appropriate timing. The fact that a proposal was not included in the core plan does not necessarily mean that it should be excluded from financing at some later time.

Most proposals came from agencies with some experience in designing and implementing investment programs, such as the larger municipalities, long-established NGOs, UNRWA, and the Civil Administration. While every effort was made to ensure that proposals were received from all interested organizations, smaller municipalities and villages and some groups of NGOs appeared to be under-repre-

sented in the initial submissions. Therefore, the Program includes umbrella projects in a number of sectors (power, water and wastewater, agriculture, solid waste, transport, urban planning) in order to help correct regional and sectoral imbalances. These projects would be prepared during the early stages of the Program and implemented towards its end.

PECDAR staff is currently in the process of expanding and refining the project data base to make it into an effective instrument for programming public investments and for coordinating donor assistance. This includes *inter alia* actively soliciting additional project proposals from underrepresented regions and communities as well as completing documentation for projects in the data base to enable meaningful screening and prioritization of the proposals. Periodic updating of the data base will be essential if it is to retain its relevance and usefulness for investment programming.

**Program Focus.** The EAP comprises a set of priority expenditures for the next three years. The primary focus will be on quickly removing the most critical infrastructural bottlenecks by rehabilitating and upgrading public facilities and services in key sectors of the OT economy, including transport; water supply and wastewater; solid waste management; power; municipal roads and facilities; housing; telecommunications; and agriculture. To avoid stifling private initiative, EAP assistance to these sectors will be limited to areas where private investors are unlikely to play a major role for some time to come. Annex I summarizes the sector strategies and key activities supported by the EAP.

The Program's initial focus on maintenance and repair reflects the broad impact of such investments on both service availability and prospects for employment growth. It also recognizes, however, that future economic growth and well-being in the Occupied Territories depends significantly on the development of its human resources. It therefore includes a human resources development component designed to maintain essential services while initiating institutional, policy, and structural reform. In the area of health, for example, where present services are generally adequate, emphasis is placed on preserving existing infrastructure while fundamental policy choices are being evaluated and chosen. In education, on the other hand, the key issue is quality, which is to be addressed immediately, even as options for institutional change are being analyzed.

Other areas for support under the EAP include: (i) promotion of private sector investment; (ii) start-up and transitional expenditures for creating and maintaining administrative capacity; and (iii) technical assistance to prepare and implement investment activities and develop policies and institutions. With

respect to *private sector investment*, the EAP will help create a legal and regulatory environment supportive of private initiative. It will also stimulate private investment in sectors such as industry, tourism, housing, telecommunications and agriculture by channeling long-term finance to local entrepreneurs.

The *start-up expenditure* component would provide temporary assistance for creating the Palestinian Central Administration. Temporary financing would also be provided for a public sector social "safety net" and for maintenance of essential services provided by NGOs, many of whom have lost traditional sources of support in recent years. The NGO activities supported would focus on women and children, education and health care.

*Technical assistance* forms an integral part of the EAP and includes about 100 priority activities (Annex II). Besides immediate help with implementation of in-

vestments under the EAP, the TA program would include training and institutional development to enhance the Palestinians' capacity for self-government and for planning, coordination, and implementation of development programs; policy studies and technical analysis for priority macro and sectoral issues confronting the OT; and feasibility studies for priority investments. Because of the limited administrative and financial resources available, the initial focus is on a priority subset of TA activities needed to facilitate the transition to self-government and to help launch the EAP. This subset consists of some 35 activities, with an estimated cost of about US\$20 million.

### Program Costs and Financing

The cost of the proposed Emergency Assistance Program, summarized in Table 1.1, is estimated at

**Table 1.1 Emergency Assistance Program Cost Summary**

	Year			Area		Total
	1994	1995	1996	GAZA	WB	
	<i>US\$ million</i>					
<i>Public Investments</i>						
Transportation	19	28	26	27	46	73
Water and wastewater	22	39	50	44	67	111
Solid waste	13	18	26	25	32	57
Power	33	38	37	32	76	108
Municipalities	17	31	36	32	52	84
Housing	10	10	10	25	5	30
Telecommunications <sup>a</sup>	13	—	—	5	8	13
Education	27	25	28	35	45	80
Health	8	7	3	6	12	18
Agriculture	5	10	11	3	23	26
Subtotal	167	206	227	234	366	600
<i>Private Sector Support</i>						
Telecommunications	15	35	50	50	50	100
Housing	10	25	45	30	50	80
Agriculture	1	7	12	5	15	20
Industry	24	33	43	40	60	100
Subtotal	50	100	150	125	175	300
<i>Start-Up Expenditure Support</i>						
Central Administration Start-up	108	—	—	50	58	108
Incremental Support to NGOs	50	40	27	50	67	117
Subtotal	158	40	27	100	125	225
<i>Technical Assistance</i>						
Institution Building & Training	8	12	7	11	16	27
Policy Studies	2	6	3	5	6	11
Project Prep. and Implementation	7	12	11	14	15	29
Feasibility Studies	1	3	4	3	5	8
Subtotal	18	33	25	33	42	75
<b>TOTAL</b>	<b>393</b>	<b>379</b>	<b>428</b>	<b>492</b>	<b>708</b>	<b>1200</b>

<sup>a</sup>Assumes most investment in the telecommunications sector will be financed by the private sector.

**Table 1.2 Additional Donor Pledges to the Occupied Territories***US\$ million*

<i>Donor</i>	<i>1994</i>	<i>1995</i>	<i>1994-1998</i>
Algeria	4	3	10
Arab Fund	30	—	30
Australia	8	1	10
Austria	2	2	12
Denmark	34	6	40
European Union	90	60	300
European Inv. Bank	—	60	300
France	14	—	14
Germany	12	3	17
Greece	3	3	15
IFC	15	30	120
Israel	15	15	75
Italy	16	16	80
Japan	100	100	200
Jordan	13	—	13
Kuwait	25	—	25
Norway	35	30	150
Saudi Arabia	100	—	100
Spain	12	—	12
Sweden	7	7	40
Switzerland	15	5	40
Turkey	2	25	52
United Arab Emirates	5	5	25
United States	100	100	500
World Bank	30	20	50
Others <sup>a</sup>	33	9	49
<b>TOTAL</b>	<b>720</b>	<b>500</b>	<b>2279</b>

<sup>a</sup>Includes Belgium, Canada, Egypt, Finland, Iceland, India, Indonesia, Ireland, Netherlands, UNDP and UK.

Source: AHLIC Secretariat

US\$1,200 million, of which about 41 percent would be spent in Gaza. Public investment support would constitute 50 percent of total costs; support to the private sector, 25 percent; incremental and start-up expenditure support, 19 percent; and support for technical assistance, 6 percent.

The overall size of the EAP reflects the availability of external financial resources during the three-year program period, and likely overall implementation capacity. Although assessment of these factors is essentially a matter of judgement at this point, a size in excess of the proposed Program could create considerable administrative bottlenecks, especially as many projects would be financed in parallel by a multitude of donors. Since much investment is dependent on engineering studies, designs and preparatory work to be carried out through technical assistance, timely completion of such studies may be another constraint.

Given the fragility of the public finances of the

new Palestinian administration during the transition period, the donor community will need to finance the proposed Emergency Program entirely with external resources. Also, because the OT's debt service capacity will remain limited for some time to come, external financing of public sector expenditures will need to be on highly concessional terms. Finally, the unique circumstances of the OT and the inexperience of the newly created Palestinian institutions imply that donors will need to keep their procedural requirements simple and to administer their aid programs with more than usual flexibility.

A Consultative Group (CG) meeting for the Occupied Territories was held in Paris on 16 December 1993. During the meeting, financial pledges were given or confirmed for a total of US\$2.3 billion for the five-year transition period ending in 1998. This assistance was to finance free-standing investment projects or sector programs, technical assistance (Box 1.2), and budget support. At the CG, US\$578 million was pledged for 1994, a figure which has subsequently grown to US\$720 million (Table 1.2) as a consequence of some donors front-loading their overall pledges. Total funds pledged for 1994 and 1995 (US\$1,220 million) are sufficient to cover the requirements of the three-year Program. The mix of loans and grants also appears satisfactory; over 85% of assistance is in the form of grants or loans on highly concessionary terms. The priority now is to match donor pledges to specific sectoral projects and programs so as to ensure that the Program can be delivered as planned.

### Benefits and Risks

The main benefit of the public investment component of the Program would be improvement in the delivery of essential public services such as water, sewerage, solid waste, power and telecommunications. Almost all Gaza residents and about half of the West Bank population would benefit from improved availability of water. Solid waste management programs, drains and sewage, and wastewater treatment facilities would provide Palestinians with a cleaner, healthier environment in which to live and work. Streets cleared of debris and rubbish would allow for better movement of traffic. Open burning of refuse would be curtailed, lessening air pollution. Program-financed markets, slaughterhouses and recreation facilities would also help improve the overall quality of life. Some 80,000 Palestinians living in rural areas would be connected to the main power grids and another 250,000 would gain continuous service. In addition, practically the entire population would benefit from more reliable electric supplies, reducing the risk of damage to household

**Box 1.2 Technical Assistance Trust Fund for the Territories**

As the OT have been largely without their own government institutions, policies and programs for the past 27 years, a heavy agenda of technical assistance needs to be implemented to support effective planning and management of development programs. Following the October 1, 1993 conference, fourteen donors pledged a total of US\$31.6 million in untied funds to establish a Technical Assistance Trust Fund (TATF) to be administered by the World Bank and to be used for financing feasibility studies for projects and supporting institution-building and training in the Occupied Territories.<sup>1</sup>

The TA program, which is part of the overall Emergency Assistance Program (EAP) to the Occupied Territories, consists of about 100 priority activities, phased over the next three-year period, with an estimated aggregate cost of US\$75 million. Only a portion of these activities can be financed by the TATF. Those chosen for TATF support are generally ones that would help create a coherent framework of sectoral strategies and policies and institutional development within which other TA activities (funded directly by donors) could be anchored.

The need for speedy implementation, and the sheer

volume of the work to be done, mean that it will be necessary to tap all available existing capacity, including the UN system, NGOs and universities, to carry out specific TA activities, under the umbrella of PECDAR (which establishes overall TA priorities and has ultimate responsibility for implementation of the EAP). The limited administrative and financial resources available and the transitional and uncertain nature of the present political and economic situation dictate a pragmatic approach to the TA program. Therefore, it is important that the program be viewed flexibly, as a rolling plan which would be subject to review and adjustment at frequent intervals during the course of the next three years to accommodate the evolving priorities of the Palestinian authorities within the context of agreed sector strategies and priorities.

<sup>1</sup>Donor countries and amounts pledged (in millions of U.S. dollars) are as follows: Austria (1.6); Canada (1.1); Denmark (1.5); European Union (2.4); Finland (1.0); Israel (2.5); Italy (3.0); Japan (5.0); Netherlands (1.0); Norway (2.0); Sweden (1.5); Switzerland (2.0); United Kingdom (2.0); and United States (5.0)

appliances. In the telecommunications sector, public and private investment would more than double the telephone lines available in the OT, reducing substantially the large backlog of unmet demand. The housing component of the Program is expected to provide improved shelter for some 20,000 low and middle-income families, including some 6,000 of the most needy families in refugee camps.

The transport component of the Program would improve roads and reduce traffic congestion. About 400 km or 20 percent of the road network would be rehabilitated and saved from becoming a total loss to the economy. The village access road program would upgrade about 160 km of dirt roads to all-weather roads, thereby stimulating new economic activity in rural areas and improving overall quality of life for a significant portion of the rural population. Provision and maintenance of footpath and street lighting in urban areas would help those who walk to work and markets. In addition, substantial benefits would be generated in the form of savings in vehicle operating costs. As the OT relies primarily on road transport, the savings to be realized by the program would pervade all segments of the economy.

Over time, investments in education and health would significantly enhance the competitiveness of the Palestinian work force, thereby increasing economic security and raising household incomes. During the occupation, the quality of education has

deteriorated and the expansion of service delivery has failed to keep pace with the growth of population. Health services improved and expanded but nonetheless the benefits of these programs failed to reach remote areas, particularly in the West Bank. The investments included in the EAP would raise the quality of basic education by increasing students' access to modern laboratories, computer facilities and library resources; modernizing teaching; and reforming educational objectives. In addition, the Program would rationalize and strengthen vocational and university systems. These activities would directly affect over half-a-million students. Investments in health care would directly benefit about 150,000 Palestinians who presently do not have ready access to basic health services. These investments would also help to contain the cost and increase the effectiveness of health care throughout the system.

An important benefit of the Program would be broad access for Palestinians to a wide variety of skills enhancement opportunities, both as a result of the experience they would obtain from participation in program implementation and through specific program-supported training components. No less important would be the contribution of the TA program to the establishment of Palestinian institutions. TA activities would facilitate the development of Palestinian capacity for self-government and the re-



habilitation and integration of other Palestinian institutions across much of the economy and society, including those in education and health, water supply and wastewater, solid waste environment, electric power, telecommunications, and public administration and economic management. Other TA activities would help improve the framework for private sector growth, addressing issues in the financial sector, the legal and regulatory environment, land use, and urban planning.

Implementing the EAP investments would create an estimated 40,000 person-years (the equivalent of about 13,000 full time jobs over the three-year Program period) of direct employment in construction. In addition, employment opportunities would be expanded substantially through EAP-supported private sector investment in agriculture, industry and tourism.

Benefits would be significant and widespread, accruing to virtually all residents of the Occupied Territories but particularly to low income families in the urban areas, camps, and villages. Women, young people, and those whose lives have been disrupted by unsettled conditions in the territories would benefit most from the human resources component of the program. While considerable benefits would be targeted to municipalities, the agriculture, health, education, transport, and power programs would also benefit people in rural areas.

**Risks.** Because it is to be implemented under highly unusual circumstances, the Program faces considerable risks, many of which cannot be avoided. In order of importance, these are:

- *Political Risks.* The success of the Program requires stability in the Occupied Territories, steady progress in bilateral and multilateral negotiations, and a maturation of internal political processes. Instability in the Occupied Territories would hinder implementation. In particular, delays in bilateral negotiations would slow activities that depend on their outcome. Program success in providing tangible benefits to the Palestinian population could, on the other hand, reinforce the momentum for peace and thereby help with implementation.
- *Implementation Risks.* Implementation will require a well-functioning public administration able to direct, monitor, and implement a rapidly expanding program. Although the Program is tailored as much as possible to reflect likely available institutional capabilities, any shortfall would have immediate repercussions for the subsector concerned, or—in the case of PEC-DAR—for the entire program. The likelihood of

such a shortfall occurring across the board appears modest, although sectoral variations could be substantial and capacity constraints may affect individual sectors. There is also the risk of over-centralization of Program management, if PEC-DAR were not to delegate adequate decision-making authority to its field managers. Although every effort is being made to ensure its proper functioning, there remains some risk of major capacity constraints developing in PEC-DAR. Insufficient flexibility on the part of the donors or uncoordinated aid programs could further accentuate this risk, leading to significant delays in Program implementation and in realization of its full benefits. Regular oversight by the Ad Hoc Liaison Committee (AHLC)—the body set up by the donors to monitor and coordinate their assistance—would be helpful in this regard.

- *Technical Risks.* While the feasibility of some Program components has been assessed, ongoing and planned studies of others may reveal technical, financial, legal, or socioeconomic issues that cannot be resolved within the timespan of the Program. The impact of problems of this kind on the overall Program is likely to be limited, however.
- *Program Risks.* The final category of risks concerns the likelihood of major deviations from the Program as currently proposed. Implementation of activities of questionable technical or financial feasibility, or involving unsustainable budgetary demands, may occur, reflecting political objectives and pressures and availability of external or internal funding. While the likelihood of some “political” projects being financed appears considerable, these risks would diminish provided PEC-DAR plays its planned role in a professional, transparent fashion.

Political risks in the Occupied Territories will be significant and difficult to manage. Success in implementing the Program, however, would contribute to the peace process and help stabilize the political situation. Implementation risks would be minimized by allocating responsibility to existing institutions with known capacity and by contracting competent, internationally-recruited consultants to assist local institutions, and especially PEC-DAR. Finally, it is expected that donors would closely monitor progress on the implementation of specific components. The Program is designed to be flexible and would be modified from time to time in light of implementation experience.

## II. Program Description

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This chapter outlines the principal issues affecting the various sectors of the OT economy; the strategies proposed for addressing those issues; the support to be provided under the EAP in that context; and priorities for immediate action.

### Transport

Road transport is the only mode available for passenger and freight movements in the Occupied Territories. The key issues in the transport sector are insufficient highway capacity, the deterioration of the existing network and the lack of institutional capacity for planning, implementing and maintaining sectoral infrastructure. The short-term strategy for the sector would address the problem of physical deterioration by implementing a three-year road rehabilitation program. Traffic studies, followed by investment to expand road capacity, are needed to address the problem of congestion. The focus of the interurban roads program is on the strengthening and rehabilitation of the main road system, selective maintenance of the road network in both the West Bank and the Gaza Strip, establishing a capability to contract out routine and periodic road maintenance, and providing all-weather access roads to villages. Total investment costs for the program would be about US\$73 million.

The most urgent task is to begin preparation of the short-term road rehabilitation program. Given deficiencies in existing institutions, technical assistance is proposed in the form of outside consultants to jump-start the program. Technical assistance would also be provided to establish a Road Project Implementation Unit (RPIU) to manage preparation and implementation of the road maintenance and rehabilitation program. This Unit would also identify priorities and design the rehabilitation program, based on an assessment of long-term transport requirements. Eventually, the Unit (attached temporarily to PEC-DAR) could form the nucleus of a future highway administration. Once bilateral negotiations with Israel reach a mutually satisfactory point, feasibility studies would be carried out of major medium- to long-term transport projects considered as high priority by local planners. The TA activities for the sector are expected to cost US\$6.3 million.

### Water and Wastewater

Although almost all urban areas in the OT are served with piped drinking water, many villages still lack piped water and depend on cisterns or natural springs. Few West Bank municipalities or villages have adequate access to water supplies; average per capita consumption is only about 50 liters a day and there is substantial unmet demand. Meanwhile, overdrawal of the Gaza aquifer threatens that groundwater resource and has contributed to severe water quality problems. Existing supply networks are generally old; unaccounted-for-water frequently exceeds 50 percent; meters are commonly inaccurate, broken, or bypassed; supplies are inadequately chlorinated; intermittent supplies and low pipe pressure cause reverse flow into the network and contamination; and water departments are generally weak and under-funded.

Only a few municipalities have wastewater collection systems. Most sewage is discharged untreated into *wadis*, resulting in environmental contamination. The few treatment works that have been constructed have generally failed to operate as designed. Septic tanks and cesspools are infrequently desludged, and disposal of septic waste is haphazard. Sectoral priorities are to improve water resource management; strengthen the institutional, financial and regulatory framework; upgrade water-supply delivery; and improve sewage collection, treatment and reuse. In the short term, the strategy would be to focus on water resource management in Gaza, where the situation is acute, to strengthen regulatory controls, institute effective conservation practices, and develop contingency plans that would help guarantee basic potable water supplies. The Program would focus on the rehabilitation, extension, and construction of municipal water and sewerage works, rural water-supply expansion, and the drilling and equipping of new wells for municipal water.

Implementation would be the responsibility of local municipalities and two existing utilities in the West Bank. Village works would be executed by PEC-DAR in conjunction with NGOs or UN agencies, as appropriate. At the municipal level, technical assistance would be provided through individual, locally-contracted consultants. Some expansion of municipal

engineering departments is also envisaged. Total investment in the domestic water supply and wastewater sector is estimated at US\$111 million.

Technical assistance would be provided to meet five broad objectives of the sector strategy:

- initiate institutional reform and develop coherent water conservation policies and practices;
- establish a unified water and sewerage utility for the Ramallah District as a model institution, and develop proposals for creating comparable agencies in Gaza and other regions of the West Bank;
- review wastewater treatment and re-use technologies and develop investment proposals consistent with local constraints and conditions;
- support implementation of EAP investments through advisory services, training and project preparation facilities; and
- design and implement a groundwater monitoring system for Gaza.

A total of 12 technical assistance activities would be supported with an estimated cost of US\$9.7 million.

### **Solid Waste Management**

Better collection and disposal of solid wastes is essential for improving public health and living conditions, and for protecting sensitive groundwater regimes. In the short term, it is proposed to improve the coverage of existing collection services; increase the collection vehicle fleet; select and develop a number of cost-effective collection, transfer, and disposal sites; and adopt protective design standards. In parallel with improvement of the collection service, there would be a major clean-up and public education campaign supported by a special fund and conducted by municipalities and villages.

The proposed medium-term strategy would be to expand or develop sanitary land-fills for use by municipalities and villages. The program would require investment in collection and transfer equipment, land acquisition (leasing), civil works, and equipment for sanitary landfills. Transfer and disposal sites would be carefully selected to avoid contaminating groundwater resources. Implementation would be carried out by a unit attached to PEC DAR in coordination with municipalities and villages, which in turn would operate new equipment and facilities. Equipment and works would be procured in bulk. Total investment in solid waste management is estimated at US\$57 million.

Technical assistance would be provided to com-

plete preparation of the documentation needed to tender for five solid waste disposal sites; design about eight landfills and transfer stations; provide project management and implementation support to PEC DAR; design a legal and regulatory framework for the sector; and conduct a resource recovery and composting study. The estimated cost of these TA activities is US\$4.4 million over a three-year period. Consultants need to be hired immediately for design work and to procure trucks and containers for selected municipalities in Gaza and the West Bank. Land acquisition for waste transfer and disposal sites also needs to be initiated immediately.

### **Power**

The OT power sector is characterized by distribution network overloads and supply shortages that cause frequent interruptions and high losses. Most households have access to electricity supply provided in bulk from the Israel Electric Corporation system. Nevertheless, in 1990 about 7% of the West Bank population was not connected and another 71 communities (with a population of about 220,000) received limited service for only six to eight hours a day from small, diesel powered stations. The organization of the sector is fragmented among over one hundred electricity departments in municipalities and village councils and one utility on the West Bank. These institutions are financially weak, owing to their inability to collect electricity revenues and the high costs of network losses and diesel generation. Core management and operational capabilities essential for efficient and safe utility operations generally do not exist in the smaller municipalities, making it difficult for them to implement investments of the size proposed in the EAP.

In the short term, the goal would be to increase the efficiency and capacity of distribution networks and to lay the ground for institutional restructuring of the sector. Technical and non-technical system losses need to be reduced and villages without supply, or with expensive diesel generation, need to be connected to the integrated system. Proposed investments consist of the rebuilding and reinforcement of low voltage and medium voltage lines; increases in distribution transformer capacity; installation of static capacitors; and ancillary equipment and facilities such as vehicles, radios, billing equipment, tools, operating supplies and buildings. The investment program for Gaza would cost about US\$32 million and that for the West Bank US\$76 million. Given the nature of the works, implementation would be most effective under a few turn-key contracts, e.g. one in Gaza and three on the West Bank. Central depots would be established that

would later facilitate the reorganization of the sector into a number of regional distribution utilities or perhaps a single utility for the Occupied Territories, or other options including a possible role for the private sector.

Technical assistance, designed to strengthen the sector over the longer-term, would be implemented to: (i) improve the capacity of Palestinians to manage and maintain the distribution network; (ii) reduce losses; (iii) develop an institutional and regulatory framework; and (iv) study future supply options and plan longer-term investments. Institutional issues and options are similar for the telecommunications sector (see page 11), and the proposed institutional studies would jointly consider the power and telecommunications sectors, and possibly also the water and wastewater sector. TA amounting to US\$4.1 million is also proposed to help manage implementation of physical investments in the sector. The total TA cost would amount to US\$7.4 million over the next three years.

Bilateral talks, supported by studies, will need to address future bulk power supplies to avoid shortages and unreliability towards the end of the decade. In particular, future talks and studies are needed on interconnections with Jordan and Egypt. As a general principle, any future power generation plans would be decided upon only after the generation and regional power interconnection study has been completed.

### **Municipal Roads and Facilities**

Insufficient funding and poor maintenance of municipal roads and facilities, have led to high urban transport costs, poor safety, a high incidence of flooding, and deterioration of existing assets. Severely deteriorated roads and drains increase urban travel times and threaten traffic efficiency and safety in cities. Accumulated storm water mixes with sewage and solid waste and is also a health hazard. Other municipal facilities (such as buildings, markets, slaughterhouses and recreation facilities) have also suffered from lack of maintenance and investment. While many municipal facilities need improvement, planning and implementation capacity is modest and funding is sporadic. The EAP provides an opportunity to reactivate municipal services and harness the potential of existing municipal management and service units to undertake a planned program of maintenance and rehabilitation of urban infrastructure. Therefore, the sector strategy is to strengthen the ability of municipalities and villages to plan and implement both maintenance and new construction of roads and other facilities, supported by a program of investment in infrastruc-

ture maintenance and rehabilitation. Technical assistance would also help improve the processes used to plan, budget, and implement both works and services. The investment program would cover municipal road repair and construction, selective replacement of storm-water drains, and improvement in roads and access works. Finally, the Program would provide municipalities and villages with budget support to increase their technical staffs. Implementation would be by local municipalities, which would receive technical assistance from a panel of prequalified consultants under PECDAR coordination.

Works would be generally procured in small lots and would total US\$84 million over three years. Local consultants should be selected immediately for the PECDAR consultant panel in order to help municipalities in preparing procurement documents for maintenance works.

The municipalities need a combination of short- and long-term assistance to cope with the sudden burst of contracts they must manage. In the short term, training cannot replace the shortage of skilled technical staff capable of preparing and implementing the volume of works envisioned. To bridge this gap during the next three years, and to complement the work of the RPIU mentioned on page 8, funds would be provided to municipalities to engage short-term consultants to help them review, plan and design maintenance and rehabilitation projects proposed by the 29 municipalities in the OT. Technical assistance would also be made available to carry out traffic management studies for the five most congested urban centers in the OT. Further, consultants are expected to initiate an urban development, planning and management program on a pilot basis in two communities, one each in the West Bank and Gaza. The TA activities in the sector are expected to cost US\$5.4 million.

### **Housing**

The sector is characterized by housing of relatively high quality in urban areas and low quality in refugee camps and rural areas. Conditions are crowded, especially in the camps. Key sector issues relate to property rights and registration, the high cost of and restricted access to serviced land, land use and planning laws and regulations, and the limited autonomy of local municipalities over housing and real estate taxes. Other housing issues include the virtual absence of credit for financing real estate; the questionable sustainability of the housing program envisaged by the Palestinian Housing Council (PHC); the weak policy and institutional environment; and the future of the refugee camps.

The short term strategy would be to assist the on-

going UNRWA program for improving housing in the camps; to support expansion of housing for low and moderate income households being undertaken by the PHC (suitably modified to minimize and adequately target subsidies); and to facilitate the provision of credit to finance completion of private houses. The key objective would be to create an institutional, regulatory, and policy framework that is supportive of private development. Many of these activities are related to bilateral negotiations, or involve the creation of new policies or the upgrading of existing institutions. All of this will take time, as will the resolution of the land problem.

To the extent possible, the UNRWA program would be based on self-help and implemented with UNRWA staff. The total cost of the UNRWA program would be about US\$30 million, mostly to be invested in Gaza. In addition, the EAP includes US\$80 million to support private sector housing through the financial system. Immediate steps should be taken to refurbish housing in the camps.

Technical assistance in the housing sector is designed to address the complex of issues related to land development, property rights and registration; land use and planning laws and regulations; the limited autonomy of local municipalities over housing and real estate taxes; housing policy, including issues related to returnees and improvements of refugee camp housing; and the lack of credit for financing real estate. The estimated cost of the TA package for the housing sector is US\$2.4 million.

### Telecommunications

The telecommunications sector is particularly affected by uncertainties created by the transition. The key issues are the limited Palestinian capacity to manage existing telecommunications equipment in Gaza and Jericho after the transition, and the large unmet demand for telephone services. Other issues include: arrangements for transfer of existing assets, the future relationship between the Palestinian and Israeli networks, and the nature of the telecommunications utility (private/public), and future regulatory requirements.

The short term strategy in the telecommunications sector would be to establish a management contract for Gaza and Jericho, train Palestinian workers, define—with the help of technical assistance—the institutional structure and basic policy options for the sector, install a new digital exchange system and additional lines in Jericho, and expand the Jericho and the West Bank network to accommodate 10,000 new subscribers. Initial investment would be small, and most future investment should be private. Technical assistance would help prepare

a regulatory framework and the transfer of authority over utilities from the Israelis to the Palestinians.

The public sector investment program would be limited to about US\$13 million. Should additional public sector support be needed, however, long-term funding could be obtained through the financial sector. Immediate steps are needed to procure management consultant services to manage telecommunications equipment operations after the transition, train local staff, study the organization of the telecommunications sector, and prepare specifications for the equipment to be procured and lines to be added.

The immediate concern is to ensure that the sector continues to be operated and maintained without interruption and that the transition to Palestinian control occurs smoothly. The TA program provides emergency training in switching and transmission for Palestinian engineers so that they can operate and maintain the existing network in Gaza and Jericho, as well as a management contract with an international operator to ensure continuity of service quality, longer-term training for Palestinian staff and the preparation of a new investment program to double existing system capacity. TA is also provided to establish an institutional and regulatory structure for the future development of telecommunications, electric power and postal services. The technical assistance activities required during the next three years are expected to cost US\$3.2 million.

### Education

Education is provided by the Civil Administration (which serves 60 percent of pupils), UNRWA (25 percent), and private schools. Important elements of the current system, such as private pre-schools and the universities, have been severely constrained by declining foreign contributions. The quality of education is generally unsatisfactory; education infrastructure is wearing out; and pupils have been adversely affected by interruptions related to closures, curfews and strikes. In addition, inadequate attention has been given to advanced vocational training. In the long term, the core educational issues are quality and relevance. The Program would focus on sustaining the current system until fundamental institutional and operational changes could be made. It would also help prepare for the transfer of authority, and improve the financial basis of the sector. Finally, it would strengthen vocational education and improve links between schools and communities.

The Program would improve the teaching and learning environment by upgrading laboratory and library facilities, physical plant and equipment. The total costs of the improvements would be US\$80

million. The Palestinian administration, UNRWA and NGOs would implement the Program. The upgrading of school infrastructure would begin immediately, with support from a panel of local consultants to be selected by PEC DAR. Funding would also be provided for universities, and for pre-schools operated by NGOs.

Technical assistance would support completion of a school mapping study to plan investments in new schools and begin the planning and design of long-term curricular and pedagogic reforms. It includes analysis and training to improve the financial management of educational institutions and the financial sustainability of the educational system as a whole. Finally, it would strengthen vocational and technical education through support to a vocational education task force. TA activities in the sector are expected to cost US\$4.6 million over the next three years. This includes project preparation assistance for EAP investments.

## Health

Health care in Gaza and the West Bank is provided by the Civil Administration, UNRWA, NGOs, and private clinics. Each has a sharply different approach, with UNRWA focussing on primary care and the Civil Administration on more sophisticated procedures at much higher cost. NGOs, depending on their outlook, do both. The proliferation of service providers has resulted in an unsustainable proportion of GDP being committed to health care. In addition, the voluntary sector has been seriously affected by the collapse of foreign financial support, resulting in staff reductions and deterioration of equipment and facilities.

The Palestinian authorities will need to create an effective, affordable health care system out of the current fragmented one. In the short term, the most appropriate strategy would be to focus on limiting expansion of facilities while maintaining essential services, supporting emergency repairs, initiating policy studies to prepare for alternative institutional arrangements, and assessing the feasibility of health insurance. Future policies would focus on controlling health care costs and improving internal efficiency rather than expanding the system, particularly at the hospital level.

Responding to the needs and demands of the Palestinian people for health care will require great discipline if the program is to be economically sustainable. It will mean emphasizing primary health care and limiting the use of expensive, high technology procedures. Preserving the substantial investment made in the more efficient parts of the system (notably by providing Program financing for those NGOs that had previously relied heavily on financial

assistance from foreign sources) should have high priority in the short term. Accordingly, support for recurrent costs of these organizations is the main component of the Program. To rectify past neglect in maintenance of existing facilities, the Program would also support the maintenance of facilities operated by both voluntary and public sector organizations.

Primary health care in some rural areas is seriously deficient, and thus would be selectively reinforced. This will require upgrading about 65 primary health care facilities. Support would also be provided for equipment in about 50 health facilities, to be implemented by UNRWA, the Palestinian administration, and NGOs. Total cost of the investment program is estimated at US\$18 million. The Program would also provide emergency financial assistance to qualifying private, voluntary hospitals and health clinics.

Program technical assistance activities would help the incoming Palestinian authorities design policies that focus on increasing the internal efficiency of the health sector and controlling the overall costs of health care, particularly at the hospital level. Support would also be provided for harmonizing the CA and UNRWA health systems and for the design of a national health insurance plan. The TA program includes three activities with an estimated cost of US\$3 million over the next three years.

## Agriculture

The combination of expanding agricultural production and declining external markets within a highly constrained regulatory and natural-resource framework is clearly unsustainable. The agricultural sector produces more than it can sell and in Gaza uses unsustainable amounts of water. Other sector problems include restrictions on internal transport, the modest pace of technological improvement, the need to improve the regulatory framework, and natural resource management. Trade, regulatory and natural resource management issues are directly related to ongoing bilateral negotiations. As in other sectors, general policy and the future shape and role of public institutions and NGOs need to be clarified. Finally, inadequate funding for public services provided by the Civil Administration and NGOs is currently a problem.

Sectoral priorities are to prepare for the transfer of authority, to initiate steps for the adjustment of production patterns in the future, to maintain essential sector support services, and to improve existing infrastructure. Program financing includes US\$26.5 million to support public infrastructure rehabilitation and institutional development. In addition, US\$25 million would be directed to NGOs and the

private sector to maintain existing support services and to promote on-farm investments.

Technical assistance would focus on developing options and implementation plans for sectoral policy and institutional restructuring, measures to boost trade in agricultural products, and steps to expand production of olives and fish protein. This would involve strengthening essential agricultural support services while maintaining the advantages of the plurality of existing services. TA activities are estimated to cost US\$1.3 million over the three-year Program period. Several activities of interest to agriculture would be carried out in other sectors. These include feasibility studies on water reuse and well rehabilitation (water sector); a fishing port at Gaza (transport sector); and the collection and analysis of agricultural statistics as part of the broader development of Palestinian statistical capacity (public administration).

### **Environment, Cultural Resources and Tourism**

Serious environmental problems exist in the agriculture, water, wastewater, and solid waste sectors; environmental conditions in Gaza appear to be among the worst in the Middle East. Successful economic recovery will require effective integration of environmental, cultural and tourism resources into the development process. The Program strategy for the next three years is to focus technical assistance efforts on environmental and cultural resource management, and to establish administrative frameworks and prepare practical plans for the management of physical and cultural resources. The three-year Program includes technical assistance for:

- development of an environmental planning and management framework, and for environmental capacity building;
- preparation of environmental laws and regulations, including procedures for environmental assessment;
- environmental education and public awareness programs; and
- development of a management framework, inventory, and applied-training program for cultural resources management.

This TA would complement other financial and technical assistance designed to address major environmental threats to public health such as water pollution, solid waste disposal, and the use of pesticides. All activities under the EAP will be subject to careful environmental review during the design and site selection process and, environmental mitigation measures will be included in project design, as nec-

essary. A significant amount of this work would be undertaken by Palestinian institutions and experts—notably the Palestinian Environmental Protection Authority (PEPA)—in collaboration with foreign specialists as required. The estimated cost of the environmental TA activities is US\$6.5 million over the next three years.

In the tourism sector, the strategy would be to encourage public-private partnerships to expand the sector. Technical assistance would help the recently formed Higher Council for the Arab Tourist Industry to promote development of the tourism sector in Gaza and the West Bank, and would support the establishment, if appropriate, of a Tourism Authority to set standards and monitor service quality in the sector. This body would promote the growth of tourism in a manner sensitive to environmental conditions, cultural heritage and local social and religious attitudes. Technical assistance would also support an assessment of the constraints that have hindered past Palestinian investment in the sector and preparation of a plan to resolve those constraints. Finally, TA would assist with the preparation of a cultural resources inventory and help design institutions and programs to conserve and exploit the cultural heritage and natural resources of the OT. The cost of this TA is provisionally estimated at US\$1.2 million.

### **Public Administration**

Organizing and guiding reconstruction and economic development in the OT, and managing the assistance pledged by the international community, will be a complex undertaking. The Palestinians plan to create a new Central Administration to take over the functions currently performed by the Israeli Civil Administration. In order to minimize disruptions, the nucleus of the new Palestinian administration is likely to be the over 20,000 Palestinian employees of the present Civil Administration. But the key positions in the Civil Administration are now held by Israelis, especially in the area of public finance. Hence, the immediate task facing the Palestinian authorities is to replace Israeli employees by qualified Palestinian ones. Over time, a public administration structure would have to be adopted that would take account of possible redefined roles for United Nations agencies and non-governmental organizations which currently perform a number of quasi-governmental functions. As an interim step towards the management of external assistance and the formulation of economic policy, the Palestinian Council for Economic Development and Reconstruction (PECDAR) was created on October 31, 1993 to manage economic assistance and imple-

ment the investment program (see Chapter III for details on institutional arrangements).

In addition to the establishment of PECDAR, the new Palestinian authorities need urgent assistance in a number of areas where existing capabilities are limited or arrangements related to economic and financial management are weak or incoherent. Of special importance in this connection is the development of local capacity to formulate economic policies and provide economic advice to the new self-governing authorities at the national and sectoral level. Specifically, local policy formulation and advisory capacity is urgently needed in three critical areas—trade policy, tax policy, and banking and currency policy. Other areas needing urgent attention include civil service issues, the legal and regulatory framework for private sector activities, and financial management, budgeting and accounting systems at the national and local level.

**Technical Assistance.** The EAP strategy in the area of public administration includes technical assistance for (i) the establishment and early operation of PECDAR; (ii) a series of macro-economic studies to assess the costs and benefits of policy options facing the new self-governing authority; (iii) the establishment of the Palestinian Development Institute (PDI) to carry out policy analysis on a permanent basis; (iv) the establishment of the Palestinian Bureau of Statistics (PBS) and the transfer of data and data-collection mechanisms from the Israeli Central Bureau of Statistics; (v) study groups on civil service, legal, and public administration; (vi) development of uniform budgeting, accounting, reporting and auditing procedures for the Central Administration and for the municipalities; and (vii) appropriately targeted training, as permitted by absorptive capacity and directed by Palestinian priorities, in all of the above areas. The total cost of these technical assistance activities is estimated at about US\$18 million for the three-year period 1994–96. Practical necessity and strategic priorities argue for concentrating most efforts in the initial phase on PECDAR.

**Start-up Expenditures.** In addition to technical assistance, the Program would provide support for Central Administration start-up expenditures and for the incremental recurrent expenditures of NGOs. A Palestinian budget for 1994–95 was prepared in late December 1993 and presented to a special Donor meeting on Transitional and Start-up Costs in January 1994; a budget gap requiring external financing was estimated at US\$158 million, of which US\$108 million was for the Palestinian Central Administration, ranging from installation and moving expenditures to investments for the police force (see Table 2.1). Support for the central administration is only expected to be needed in 1994.

**Table 2.1 Public Sector Finances of the Palestinian Central Administration<sup>a</sup>**

(in US\$ million)

	1994	1995
<b>Total revenue</b>	<b>317</b>	<b>510</b>
Revenue	147	310
Borrowing from deduction fund <sup>b</sup>	35	0
Revenue clearance with Israel <sup>c</sup>	135	200
<b>Total current Expenditure</b>	<b>268</b>	<b>415</b>
Base Current Expenditure: <sup>d</sup>	154	264
New current expenditures	114	151
<b>Start-up and Transitional Expenses</b>	<b>157</b>	<b>95</b>
Support for families of detainees <sup>e</sup>	8	0
Transfer to municipalities	12	0
Equipment for police	45	60
Equipment for Civil Administration <sup>f</sup>	15	5
Relief Works Program <sup>g</sup>	25	20
Rehabilitation of detainees	20	10
Other <sup>h</sup>	32	0
<b>Total Expenditure</b>	<b>425</b>	<b>508</b>
<b>Financing gap of public sector</b>	<b>-158</b>	<b>-40</b>
Financing gap, central admin.	-108	0
Other public sector deficits <sup>i</sup>	-50	-40

<sup>a</sup>Excludes development expenditure. Also excludes revenues and expenditures of the Israeli CA before transfer of authority. The budget reflects revenues and expenditures based on a continuation of labor mobility to Israel at levels prevailing at the end of 1993. Should the current labor cutoff continue, revenues will decrease substantially, and social expenditures may need to increase further.

<sup>b</sup>Funds borrowed will be used in 1994 as a budget financing item.

<sup>c</sup>Figures are highly indicative.

<sup>d</sup>Excludes expenses associated with police after authority is transferred to the Palestinians but includes expenses associated with replacing CA headquarters with a new Palestinian Administration headquarters.

<sup>e</sup>Until detainees are released.

<sup>f</sup>Investments in equipment to accommodate 2,000 new central administration employees, and for other furniture and equipment of a nonrecurrent nature.

<sup>g</sup>Initially a continuation of the old public works program, to be transformed quickly into more local, community-based investments.

<sup>h</sup>Comprises installation and moving expenses, early hiring, and preparations for elections. Also, pensions and supplementary salaries related to Jordanian disengagement.

<sup>i</sup>Current deficits of NGOs in the sectors of health, education, youth and women's programs and agriculture.

Priority current expenditures of selected NGOs also need to be financed from new commitments (i.e. over and above on-going programs). During the past 25 years, Palestinian society has developed a spectrum of institutions and organizations which supplement the services provided by the public sector and which are an important part of the social safety net in the OT. Over 1,000 NGOs exist at present. Many have been affected by reduced budgetary support, and accountability and transparency of



funding have sometimes been lacking. However, given its important role, the NGO sector is an immensely valuable resource, particularly during the transitional period while new institutions are still being developed.

The Program would provide support for essential activities of NGOs (in education, health and agriculture), and for general welfare activities, under conditions that enforce accountability, transparency and minimum professional standards. The Program would encourage continuation of the traditional channel of direct funding to the NGOs, while applying new criteria for selection of activities, monitoring of implementation, and enforcement of accountability. The EAP would also support youth and women's programs, to allow the pursuit of normal activities after years of conflict. The additional assistance to the NGOs (above the 1993 level of US\$75 million a year) is estimated at US\$117 million during 1994-96, starting at US\$50 million in the first year and tapering to US\$27 million in the third.

### Support to the Private Sector

Stimulating private sector investment and growth in the productive sectors and services is essential for sustainable development in the OT, and especially for generating employment opportunities. In view of the uncertainty that currently characterizes the investment and general business climate, investor confidence is low and interest in term investment (with the exception of investment in real estate) is subdued. Private sector investment is limited primarily to equity flows, with some investors able to obtain loans under bilaterally-supported credit programs channelled through a small number of new and relatively inexperienced credit institutions. The challenge of increasing private sector investment, starting from this low base, is significant and must rely *inter alia* on the development of the financial system and related expansion of credit and other financial services, as well as external donor support in the initial stages.

Private sector development also requires a legal framework, property rights that are respected, contracts that are enforced, rules that are transparent, and an impartial arbitrator for contract disputes. Bankruptcy procedures and rules must be clear, as

must laws to protect the private sector from capricious acts, or seizure on the part of the state. An adequate legal system and regulatory framework is therefore essential to business. In the case of the OT, the occupation has imposed special difficulties that need to be addressed immediately by the Palestinian self-governing authority to foster development of the private sector.

The Program strategy would be to support the development of the financial system, including the strengthening of banks and credit institutions. It would also include donor support for private sector activities. Such support is expected to be provided through an apex bank facility which would channel funds to local credit institutions for on-lending to support private investment. Such on-lending would support the development of various sectors including agriculture, housing, telecommunications, industry and tourism. In some of these sectors, existing credit institutions (e.g., in agriculture) would need to be strengthened; in other sectors, key policy issues (e.g., zoning laws in housing) would remain to be addressed before lending could take place on any significant scale. Consequently, progress in on-lending funds for private investment would be expected to build up in the later years of the Program. Financing is included for US\$300 million, starting from US\$50 million in the first year and rising to US\$150 million in the third.

Technical assistance would include helping to prepare a unified legal and regulatory framework for the financial sector and to establish a Palestinian institution to deal with monetary and banking issues. This institution is expected initially to focus on the supervision of banks operating in the OT. Assistance would also support steps toward the creation of a development or investment bank as a source of long-term credit. Finally, technical assistance is planned to begin a process of legal reform through clarification, harmonization and modernization of the disparate legal systems in the West Bank and Gaza. The total cost of these activities is estimated at US\$1.6 million. Further activities are expected to be added in the coming years as the economic policies of the self-governing authority takes shape and as the private sector begins to respond to changing opportunities.

### *III. Institutional Arrangements*

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The task of planning and implementing the Emergency Assistance Program is interwoven with the challenge of the move to self-government, which entails both: (i) making immediate arrangements for handling critical institutional and administrative functions; and (ii) setting the framework for creating sustainable institutions of self-government over the longer term. In addressing these issues, the Palestinians have adopted a general principle, which the donor community fully shares, of ensuring that the initial organizational arrangements are not only efficient in terms of meeting immediate needs, but also conducive to the building of accountable institutions for self-government over time.

While substantial internal discussion of longer-term institutional arrangements has taken place, definite decisions have not yet been made, reflecting the inevitable uncertainties during the current period of transition. However, the Palestinian authorities are strongly committed to ensuring that these decisions would be taken in the light of the key criteria of administrative efficiency, accountability and transparency, and in the light of thorough study and internal deliberation, based on best practice in other countries, long-term economic and social objectives, and the special circumstances of the OT. Pending those decisions, existing systems and procedures will generally be maintained, so as to provide continuity and promote rapid assumption of initial authority.

Meanwhile, short-term arrangements need to be made to ensure effective deployment of the assistance pledged by the international community. This will depend on the Palestinians rapidly organizing a capacity to allocate, coordinate and use donor resources efficiently. In addition, implementation of the activities financed by those resources will depend on a capacity to supervise and monitor the execution of projects, and of the investment program as a whole. For these purposes, the Palestinian leadership established, on October 31, 1993, the Palestinian Economic Council for Development and Reconstruction (Box 3.1)

As noted above, institutional arrangements set up during the period of transition must also be conducive to the development of other public institutions needed for the longer term. Thus, while PECDAR will initially provide the nucleus for economic policy formulation, overall expenditure programming,

training policies and other functions of economic self-government, it will transfer these functions and staff to other independent self-governing institutions as and when they are created. Once a full self-governing administration is in place, PECDAR's activities will be reduced to the management of external assistance; as in most other countries, this function would subsequently be transferred to a regular self-government department, and PECDAR would cease to exist as a separate entity. At this time, PECDAR's period of operations is envisaged to be three years. The Palestinian authorities and the donor community are aware of the need to closely monitor the progressive shift from PECDAR to regular self-government entities, and to avoid any risk that the Council might hinder rather than facilitate the growth of public sector capacity in the West Bank and Gaza.

For PECDAR's aid coordination function to be successful, two key conditions need to be fulfilled. First, the donors themselves need to recognize the destabilizing effects of uncoordinated and uncontrolled aid activities. The formation of the AHLC Secretariat to promote cooperation among donors reflects recognition of this need. Second, PECDAR should be the sole agency responsible for official aid coordination, and should be capable of operating in a speedy, efficient manner and on the basis of clear economic and sectoral priorities. PECDAR will also be responsible for management of the investments supported by the EAP. For this investment management function to be successful, program and project implementation will need to involve a judicious combination of exercise of authority by PECDAR itself, delegation of authority to other agencies with existing capacity, and appropriate utilization of external expertise. The arrangements described below are intended to achieve this combination.

#### **Program Implementation and Management**

While PECDAR would be responsible for overall program administration, project implementation would be carried out mainly by the municipalities, the Palestinian Central Administration (PCA), NGOs (both local and foreign), and a variety of UN agencies (including UNRWA, UNDP and UNICEF). PECDAR would rely as far as possible on existing agencies to execute the Program. PECDAR itself would only implement projects directly where no other appropriate agency is

### Box 3.1 The Palestinian Economic Council for Development and Reconstruction

PECDAR, created by a decree of the PNA on October 31, 1993 is the central institution for managing the process of reconstruction and development in the OT during the transition period.

PECDAR's governing body is the 14-member Board of Governors. The Board appoints the Managing Director and the Office Directors, provides overall policy guidance for PECDAR activities, sets general program priorities, establishes personnel and administrative policy (including procedures for procurement, accounting, and auditing), and approves PECDAR's budget as well as individual EAP projects.

The Managing Director formulates proposals, submits PECDAR's budget to the Board, presents individual projects to the Board, and is generally responsible for the management of PECDAR. An internal auditor, legal advisor, and procurement advisor will be attached to the office of the Managing Director. PECDAR has an office for administration, and five functional offices:

- **Economic Policy Formulation and Project Review**, charged with economic analysis and macroeconomic forecasting, formulation of economic policy options, and sector strategies, public expenditure programming, and project evaluation and review prior to approval. The Economic Office would act in close collaboration with the Palestinian Development Institute and the Palestinian Bureau of Statistics;
- **Aid Coordination and Facilitation**, the focal point for relations with donors regarding the programming and monitoring of official aid, except that given directly to NGOs;
- **Technical Assistance and Training**, responsible for managing non-project technical assistance, re-

viewing training needs, screening proposals and disseminating information. The Office would work in close collaboration with Palestinian universities and other institutions;

- **NGOs and Special Programs**, provisionally charged with developing framework agreements for dealing with NGOs and the UN agencies. This office could also be responsible for directing special programs and activities (such as the program for the rehabilitation of detainees), and for formulating policies to encourage private sector development; and
- **Program Management and Monitoring**, with overall responsibility for investment program implementation and monitoring, described in detail in the text.

Headquartered in the West Bank, PECDAR would have a branch office in Gaza to monitor Gaza operations. By mid-summer 1994, PECDAR is expected to have a total staff of about 100 (including support personnel), and an annual operating budget of about US\$3 million.

The basic regulations of PECDAR are contained in by-laws approved by the Board of Governors on January 11, 1994, and now awaiting ratification by the Palestinian leadership. The bylaws were developed with the assistance of international donors. A full set of accounting, procurement, auditing and other regulations has been drafted, in accordance with those by-laws, and awaits approval by the Board of Governors. Key staff have been appointed, and offices and other facilities are being organized.

To ensure that PECDAR is functioning effectively, a thorough review of its organization and operations is expected to be carried out before the end of 1994.

available, or where projects are large or cover more than one municipal jurisdiction. With circumstances in the Occupied Territories changing rapidly, PECDAR's relations with other implementing agencies will require periodic review. Municipalities carrying out projects would be assisted and closely monitored by PECDAR, particularly with regard to procurement and disbursements. In some infrastructure sectors, PECDAR would have interim implementation authority until permanent sector institutions could be established. UN agencies and NGOs operating within their mandates would have considerable autonomy in preparing and implementing projects within the overall framework established by PECDAR.

Within PECDAR, the main responsibility for implementation and monitoring would be with the Program Management and Monitoring Office (PMO). Management and procurement consultants recruited internationally would assist with the follow-

ing critical tasks: overall programming and budgeting; development of operating procedures and systems; project screening; contract preparation; procurement of works, goods and services; monitoring of contracts, projects, and programs; payment certification; data processing and accounting; ensuring compliance with financial, auditing, and other project covenants; and reporting on individual projects and the Program as a whole.

Because some municipalities need assistance with project preparation and supervision, technical support would be provided through PECDAR under the Program. PECDAR would select a panel of experienced, reputable, local engineering and architectural firms. These firms would be available to assist municipalities in identifying, preparing, contracting, and supervising infrastructure rehabilitation and improvement projects suitable for financing under the Program.

Implementation responsibilities are summarized in Table 3.1. It is expected that municipalities would focus mainly on the rehabilitation of local roads, drainage, water supplies and sanitation. In sectors such as power and intercity roads where the interventions required are inter-jurisdictional or technically complex, PECDAR itself would be responsible and would recruit competent sector implementation consultants (SICs) to assist with project preparation and implementation. UNRWA would be responsible for implementing the health, education and housing components within the camps, while the PCA and NGOs would bear the main responsibility for health, education and welfare projects outside the camps. Housing outside the refugee camps would be implemented mainly through the Palestine Housing Council. Finally, the private sector would be expected to play an important role in implementing the agriculture and telecommunications components.

**Table 3.1 Program Implementation Responsibilities**

<i>Sector</i>	<i>Primary Responsibility</i>
Transportation	PECDAR with assistance from SIC
Water & Wastewater	Municipalities/PECDAR with assistance from local consultants
Solid Waste	PECDAR/Municipalities
Power	PECDAR/Municipalities with assistance from SIC
Municipal Roads	Municipalities/PECDAR with assistance from local consultants
Housing	Palestine Housing Council/UNRWA (camps)/Banking Institutions
Telecommunications	Private Sector with support from PECDAR
Education	PCA/UNRWA (camps)/NGOS
Health	PCA/UNRWA (camps)/NGOS
Agriculture	PCA/Private Sector/NGOS

**Procurement.** Goods, works, and services required for the EAP would be financed by the donors and would be procured in accordance with the procurement procedures of the respective donor. To avoid a proliferation of procurement practices, bidding documents, and evaluation procedures—which would substantially increase administrative demands on local institutions—it is suggested that all donors involved in financing the Emergency Assistance Program work closely with PMO in establishing efficient procurement procedures designed to ensure transparency and cost-effectiveness. To this end, donors and PMO would be assisted by the services of the management and procurement consultant employed by PECDAR.

The role of the local contracting and consulting industry will be important. Local firms can mobilize quickly and employ local labor. While current capacities are somewhat limited, they are likely to expand rapidly once demand for EAP-funded services begins to grow. Skilled and unskilled labor in the Occupied Territories is plentiful and could be used for a number of maintenance, construction, and design activities. Palestinian firms from abroad and joint ventures between local and foreign interests may also develop rapidly, and construction and design capacity has the potential of expanding with demand. Accordingly, it is likely that EAP implementation would provide significant opportunities for local contractors and consultants.

**Accounting, Auditing and Reporting.** Developed with the assistance of internationally recognized consultants, PECDAR's accounting system would record all lending and borrowing transactions, together with grants and aid received from international donors, based on internationally accepted principles and practices. Recorded transactions would therefore give the complete picture of PECDAR's financial position, operating results, and the financial performance of all PECDAR-managed programs and projects. Proper records would also facilitate PECDAR's financial control over all its transactions and activities. For each fiscal year, PECDAR would prepare two semi-annual financial reports, which would be available to the public. To ensure satisfactory maintenance and timely completion of accounts, PECDAR would be staffed with suitably qualified accountants supported by appropriate technical assistance. PECDAR's Board of Governors would appoint a qualified firm of chartered accountants—acceptable to the principal donors—as external auditors. Audited accounts would be submitted to donors annually no later than six months after the end of each PECDAR financial year.

PECDAR would also provide, on a quarterly basis, consolidated reports (comprising, *inter alia*, the reports of the management and procurement consultant and PECDAR's comments thereon) on program implementation progress, covering: (i) projections for project financing and implementation; (ii) the status of project finances, procurement of consulting services, goods and works; (iii) training; (iv) incremental operating expenses; (v) statements of income and expenditure for the current and previous quarters; and (vi) monthly cash flow projections for the next two quarters. Any major variances from the budget would be explained and corrective measures proposed. These reports would be submitted to donors within one month of the end of the relevant quarter, and would provide the basis for monitoring the progress of the Program.

## IV. Agenda for Action

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In order to maintain and strengthen the momentum towards peace, the benefits of the external assistance pledged to the OT must be delivered to the Palestinian population as quickly as possible. This chapter summarizes an agenda for action on the part of the Palestinians, Israelis and donors to this end. Because some issues related to the implementation of the EAP are the subject of ongoing bilateral negotiations between Israel and the PLO, the agenda cannot be complete. Nevertheless, it serves to highlight the critical actions needed.

The key actions for the respective parties are as follows:

### On the part of the Palestinians:

- Take steps to make PEC DAR fully operational immediately. This requires *inter alia* formalization of PEC DAR's bylaws, internal regulations and operating procedures as well as appointment of key staff on a regular basis;
- Launch without delay implementation of already prepared projects and programs, such as the World Bank-supported Emergency Rehabilitation Project and activities under the Johan Jorgen Holst Peace Trust Fund and the Technical Assistance Trust Fund;
- Complete and refine the project data base and use it proactively to support agreed sectoral and geographical priorities;
- Initiate the process of institution building to handle critical administrative and developmental functions;

- Recruit and train senior staff for the new Palestinian Administration to replace the Israeli employees of the CA, especially in the area of public finance; and
- Finalize framework agreements as soon as possible with the UN agencies and NGOs on the future role and responsibilities of these organizations in EAP implementation.

### On the part of the Israelis:

- Ensure speedy approval of permits, clearances and approvals to facilitate the work of newly-created Palestinian institutions, such as PEC DAR, so that they can perform their functions efficiently; and
- Facilitate donor investments and aid flows in the OT by granting, where appropriate, visas, immunities and tax exemptions according to international practice.

### On the part of the donor community:

- Work closely with PEC DAR to transform aid pledges into firm commitments against specific programs, projects and activities;
- Strengthen donor coordination and discipline to match pledges with agreed sectoral investment needs and priorities; and
- Standardize and simplify as far as possible procedures relating to procurement, disbursement, auditing and progress reporting, while insisting on the agreed criteria of efficiency, accountability and transparency in the use of aid money.

## ANNEX 1: Sector Strategies Matrices

**Table 1: Transport**

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Parts of existing intercity road infrastructure are severely deteriorated.	Develop and begin implementation of a road rehabilitation program using local contractors and consultants to provide urgently needed road maintenance.	Develop institutions to manage an adequately funded road maintenance system.	<p>TA: Set up program implementation unit that would be nucleus of transport authority. Develop multiyear program for road expenditures.</p> <p>Investment: Finance road maintenance and reconstruction, and equipment for road safety and analysis.</p>
Significant section of road system is congested.	Undertake traffic studies in most areas and develop relief strategies.	Prepare transport system development strategy.	TA: Help develop long-term transport strategy.
Some villages lack all-weather access to highway system.	Upgrade connection of villages to road network.	Extend Village Access-Road Program. Develop rural roads program.	<p>TA: Help design and supervise Village Access-Roads Program.</p> <p>Investment: Finance first stage of Village Access-Road Program.</p>
Lack of institutions for strategic planning and sector management.	Set up road maintenance organization and determine structure for planning, managing, and regulating transport subsectors. Begin preparation of transport system development strategies and evaluate major projects.	Establish institutions for sectoral policy and planning. Decide on whether or not to implement major projects. Develop the road maintenance organization into a Highway Authority.	<p>TA: Help establish program implementation unit and carry out studies to define organizational and finance structure of the road sector and long-term transport (and regional) development strategy. Conduct feasibility studies of major roads, airstrips, and Gaza port (to be completed in 1995).</p> <p>Investment: Purchase equipment for program implementation unit.</p>
Lack of financing arrangements for the transport sector.	Prepare a financing plan for the five-year program consisting of a combination of grants, loans, and recurrent funds.	Develop arrangements to provide uninterrupted funding for the road sector through a system of road-user charges (fuel tax) and establishment of a dedicated Road Fund.	<p>TA: Conduct long-term study to review planning and financing of maintenance and investment in the road sector.</p> <p>Investment: Provide preliminary financing for the road and transport program over three years and marshal further support from donors.</p>
Lack of financing for private sector transport operators.	Encourage competitive development of the banking system.	None at this time.	TA: Conduct studies on the development of the banking system (see Table 13).

## ANNEX 1: Sector Strategies Matrices

**Table 2: Water Supply and Wastewater**

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
<p>Poor water resource management. Imminent danger of permanently damaging the Gaza aquifer.</p>	<p>Focus on Gaza. Strengthen regulatory controls over aquifer. Institute effective conservation practices to reduce losses and manage demand. Develop contingency plan to guarantee basic potable supplies.</p>	<p>Develop coherent water resource management policies for OT as a whole, including waste water reuse policy for Gaza. Develop regional water resource management policy with Jordan and Israel.</p>	<p>TA: Help define water resource policy. Develop water conservation policies and practices. Support improved O&amp;M practices.</p>
<p>Weak water supply delivery.</p>	<p>In Gaza and selected West Bank municipalities, implement program of priority network rehabilitation. Expand piped water coverage to selected villages.</p>	<p>Extend and consolidate program of priority network rehabilitation. Expand piped water coverage to all villages. Develop new wells in the context of an overall water resource management strategy. Consider desalination if economically feasible.</p>	<p>Investment: Rehabilitation and selective extension of municipal and village water networks (in Gaza, Rafah, Hebron, Ramallah, Qabatia, Betunia, and Jenin, among others, and in selected villages). Construct new wells in selected municipalities and villages where resource, institutional, and political conditions permit. Provide urgently needed tools and equipment to support improved O&amp;M.</p>
<p>Weak institutional, financial and regulatory framework for improving water, sewage, and waste water services.</p>	<p>In Gaza and selected West Bank municipalities, lay basis for long-term institutional reform. Undertake review of institutional and financial problems and options.</p>	<p>Create regional utilities by rationalizing and consolidating individual city utility departments. Establish effective cost recovery policies and systems. Establish regulatory framework.</p>	<p>TA: Develop planning and regulatory framework, and initiate institutional reform at center. Establish unified water and sewage utility in Ramallah district. Develop proposals for creating similar agencies for Gaza and elsewhere in West Bank.</p> <p>Investment: Finance programs of JWU-Ramallah as a model regional utility.</p>
<p>Weak sewerage collection, treatment and disposal. Weak waste water management.</p>	<p>In Gaza and selected West Bank municipalities, implement program of priority network and treatment-plant rehabilitation. Review technical and financial reasons for poor operation of existing waste water treatment plants and develop waste water reuse strategy.</p>	<p>Develop and implement long-term, OT-wide program of improvement for networks, treatment plants, and waste water collection and reuse.</p>	<p>TA: Review waste-water treatment and reuse technologies and develop proposals consistent with local environmental, financial, and social constraints.</p> <p>Investment: Rehabilitate and extend existing sewage networks and treatment plants to Nabhus, Salfit, Dir Dibwan, Qaqilia, N. Gaza, Biet Hanoun, Al Birh, Tulkarem, and Anapta, among others.</p>

**ANNEX 1: Sector Strategies Matrices**

**Table 3: Solid Waste Management**

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
<p>Poor public health and community living conditions. Clandestine dumping.</p>	<p>Increase public awareness and participation through public education programs. Improve coverage of existing collection services. Select transfer and disposal sites. Adopt appropriate and environmentally efficient collection and disposal techniques. Explore potential for recycling.</p>	<p>Same as short-term but with widened coverage. Increase focus on recycling.</p>	<p><b>TA:</b> Support the employment of local and foreign advisors for Gaza and the West Bank. Develop and implement effective public education and awareness program. Conduct studies to assess the collection, disposal, and regulatory requirements for hazardous waste. Evaluate market demand for recycleables and recovered resources from waste.</p> <p><b>Investment:</b> In selected municipalities and villages in Gaza and the West Bank, supplement the existing vehicle fleet with new collection and disposal vehicles. Provide containers for existing trucks.</p>
<p>Inadequate collection coverage and efficiency. Poor disposal of waste.</p>	<p>Increase collection vehicle fleet and improve fleet management. Select and develop several cost-effective collection, transfer, and disposal sites. Exploit the potential for economies of scale by encouraging municipalities and villages to share services, facilities, and disposal sites. Minimize transport costs by selecting transfer and disposal sites strategically.</p>	<p>Same as short-term but with increased focus on cost-recovery, privatization, and commercialization of service. Increase scope of recycling efforts. Explore feasibility of incineration.</p>	<p><b>TA:</b> Develop a planning data-base. Develop master plans for Gaza and Nablus. Conduct studies to improve institutional capacity, cost recovery, determine the feasibility of privatization and commercialization, and evaluate market demand for recycleables and recovered resources from waste.</p> <p><b>Investment:</b> In selected municipalities in Gaza and West Bank, supplement the existing vehicle fleet with new collection and disposal vehicles and equipment. Provide containers for existing trucks.</p>
<p>Threat to groundwater resources.</p>	<p>Select transfer and disposal sites with attention to environmental impact. Adopt protective design standards. Explore the potential for regional coordination and cooperation in the selection and operation of disposal sites.</p>	<p>Same as short-term but with increased focus on regional cooperation for environmentally conscientious site-selection.</p>	<p><b>Investment:</b> Develop only those disposal sites that pose minimal threat to water resources (particularly in Gaza).</p>



## ANNEX 1: Sector Strategies Matrices

**Table 4: Power**

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
<p>Sector organization is fragmented into many municipal departments of uneconomic size. Coverage of core management and operational functions is inadequate.</p>	<p>Study institutional options with a view to consolidation into two to four regional distribution companies. Begin by centralizing management of network rehabilitation at regional level—one operating center in Gaza and three on the West Bank.</p>	<p>Consolidate distribution. Establish institutional capability for managing transmission (bulk power purchases) and generation. Promote private sector investment in generation and distribution where feasible.</p>	<p><b>TA:</b> Study institutional and regulatory options for public utilities with particular potential for private sector participation. Help define options and prepare implementation program.</p> <p><b>Investment:</b> Finance establishment of central depots for managing network rehabilitation, to serve as nuclei of regional distribution companies.</p>
<p>Distribution networks are overloaded, leading to high power losses and burnout of transformers. Low voltages damage consumer appliances. Frequent supply outages.</p>	<p>Rehabilitate distribution networks. Increase transformer capacity and reduce inefficient reactive power flows. Strengthen capacity for distribution, planning, and management of networks.</p>	<p>Implement a program of least-cost regional sub-transmission and distribution reinforcement that is responsive to local demands and provides utility-grade service quality.</p>	<p><b>TA:</b> Provide consulting services for design and supervision of distribution investment programs and for distribution-planning study, including the training of local staff.</p> <p><b>Investment:</b> Finance network rehabilitation, replenishment of stores, communications equipment, SCADA system, vehicles and computers.</p>
<p>High technical losses, theft of electricity, uncollected revenues, and management constraints cause inadequate financial performance.</p>	<p>Implement program to reduce both technical and nontechnical losses. Begin sector reorganization and management training.</p>	<p>Complete reorganization of sector and ensure that it enables power utilities to operate on a commercial basis.</p>	<p><b>TA:</b> Conduct sector reorganization study, loss-reduction study, and help with management and staff training.</p> <p><b>Investment:</b> Finance distribution network rehabilitation and computers for customer and network management.</p>
<p>Sector bulk-power supplies depend on single supplier.</p>	<p>Prepare least-cost bulk-power expansion program with regional interconnections.</p>	<p>Participate in regional bulk-power pool that provides reliable supplies at least cost.</p>	<p><b>TA:</b> Undertake power generation and power interconnections study that complements the ongoing Multilateral Working Group Regional Power Interconnection Study.</p>

### ANNEX 1: Sector Strategies Matrices

**Table 5: Municipal Roads and Facilities**

Issues	Short-Term Strategy	Long-Term Strategy	EAP Actions
<p>High urban transport costs and travel times. Safety problems. High incidence of flooding. Destruction of existing infrastructure and services.</p>	<p>Begin coordinated program to rehabilitate, improve, and maintain existing main and secondary roads and drains in selected municipalities. Remove major traffic bottlenecks through better traffic planning, signals, channelization, road marking, and signage.</p>	<p>Same as short-term but involving more municipalities and widened system coverage.</p>	<p><b>TA:</b> Support project preparation. Help inventory and classify roads and drains and improve traffic circulation. Undertake short studies to improve traffic flow, and implement study recommendations.</p> <p><b>Investment:</b> In selected municipalities (initially in Gaza but later in main West Bank towns and villages) undertake repairs and rehabilitation of main and secondary roads and drains.</p>
<p>Improve municipal facilities (markets, slaughter houses, office, recreation facila. , etc.). Preserve existing municipal assets.</p>	<p>Focus initially on selected Gaza municipalities. Begin coordinated program to rehabilitate, improve, and maintain existing municipal buildings and facilities.</p>	<p>Same as short-term but involving more municipalities and widened coverage.</p>	<p><b>TA:</b> Assistance with project preparation.</p> <p><b>Investment:</b> In selected municipalities and villages, initially in Gaza but later in main West Bank towns and villages, rehabilitate street lighting, markets, abattoirs, and other key municipal buildings.</p>
<p>Strengthen municipal capacity to plan, finance, manage and maintain urban services and facilities.</p>	<p>Audit existing institutional arrangements, systems, and practices in four or five pilot municipalities, initially concentrated in Gaza. Prepare and implement municipal investment and development plans. Involve important community groups in determining municipal priorities and investment and development plans. Prepare regional investment, institutional, and structure plans for Gaza.</p>	<p>Same as short-term but involving more municipalities and widened coverage, drawing on the lessons learned from pilot cities. Implement regional investment, institutional, and structural plan for Gaza. Prepare regional, institutional and structure plan for West Bank.</p>	<p><b>TA:</b> Conduct management audit of selected pilot municipalities. Prepare investment, institutional, and development plans for selected pilot cities. Prepare regional investment, institutional, and structural plans for Gaza.</p>

ANNEX 1: Sector Strategies Matrices

Table 6: Housing

Issue	Short Term Strategy	Long-Term Strategy	EAP Actions
Low quality of housing. Overcrowding in refugee camps and municipalities, particularly in Gaza. General overcrowding.	Support UNWRA reconstruction and rehabilitation efforts. Develop programs to encourage upgrading of low quality urban housing and to relieve overcrowding.	Review tenure situation of camp residents. Upgrade settlements and, where feasible, integrate them into larger community.	TA: Study options for improving camp housing and integrating camps into existing municipalities.  Investment: Fund UNWRA's house rehabilitation program in the camps and for construction of houses for low and moderate-income households. Target and minimize subsidies and involve private sector as much as possible.
Low quality of village housing.	Develop sustainable village-housing improvement program.	Implement sustainable village home improvement program.	TA: Study options for improving quality and availability of village housing using private initiative as much as possible.
High cost and constrained access to developable, serviced urban land. Poor records on land registration and weak conveyancing system.	Review constraints on effective operation of land markets. Investigate use of state lands in Gaza for housing development. Review options for improving record and conveyancing systems.	Improve title and land registration and conveyancing systems. Reform urban planning laws and development regulations. Clarify role of local government with respect to housing-related infrastructure. Increase local authority over charges and taxes.	TA: Analyze impact of regulatory and fiscal constraints on land-market operation and development in selected municipalities. Assist municipalities to revise land-use plans and develop feasible options and incentives for increasing the availability of land. Identify priority areas and options for regulatory reform.
Lack of credit for housing construction and for mortgage finance.	Support development of the construction finance market as part of overall financial system development. Review options for improving access to mortgage finance and launch pilot scheme using the private sector to the extent possible.	Same as short-term but with increased focus on long-term mortgage finance and on integrating housing finance into strategy for the overall financial system.	TA: Study the feasibility of a program to finance additions and completions to existing housing. Help design technical assistance program to familiarize financial institutions and decisionmakers with issues related to housing finance system and importance of integrating it into overall sector development.  Investment: Develop and launch pilot mortgage-finance program for home improvement. Finance PHC program, improve its sustainability.
Lack of an adequate institutional framework for housing policy development.	Examine options and define roles of key actors, including central and local government and the private sector. Develop consensus on appropriate policies, with emphasis on creating an environment conducive to private sector involvement.	Establish an institution with responsibility for policy development. Reform legal and regulatory framework. Continue support for private sector development of land and housing markets.	TA: Provide assistance and training to key institutions and actors and help define and prioritize policy and institutional options for reform at central and local level.
Shortage of housing for returnees.	Develop program to facilitate the construction of housing for returnees using the private sector as much as possible.	Implement and refine program	TA: Conduct study on returnees' likely demand for housing and policy options for responding to this demand.

## ANNEX 1: Sector Strategies Matrices

Table 7: Telecommunications

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Little Palestinian capacity to manage telecoms after withdrawal of the Israeli Civil Administration.	Establish a management contract for Gaza and Jericho and train Palestinian staff in digital switching. Define permanent institutional structure for the sector, including the role of the private sector.	Establish permanent institutional arrangements with either private or government-run public utilities to implement the policies of the governing authority.	TA: Help with management and staff training and study public utilities' organization.
Large unmet demand for telephone service.	Implement new digital exchange in Jericho and expand connections in West Bank.	New company would install 50,000 additional lines for Gaza and 7,500 for Jericho by 1996. Increase service coverage to at least 15 per 100 by the year 2000 as compared with the present 2.9 per 100.	Investment: Expand Jericho telephone exchange.

## ANNEX 1: Sector Strategies Matrices

**Table 8: Education**

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Financial crises in private preschool and university systems following sharp drop in foreign assistance.	Provide funding assistance to universities and preschools.	Introduce cost-cutting measures. Increase student fee. Diversify funding sources.	TA: Develop financial plans, strengthen education institutions' capacity for financial management. Investment: Help fund recurrent budgets of the university and preschool system on a temporary basis.
Unsatisfactory quality of formal education.	Provide books, library materials, laboratory equipment, sports facilities. Improve student exit examinations. Increase preschool teacher training.	Revise curriculum. Prepare or purchase new texts and teaching materials. Revise and upgrade teacher training. Update students' exit examinations.	TA: Provide funding to create an institute for the review of educational objectives. Help prepare a curricular framework, develop teaching materials, upgrade preschool teacher training, and revise exit examinations. Investment: Purchase books, laboratory equipment, computers, and teaching aids.
Deteriorated education infrastructure.	Institute emergency school maintenance program.	Replace obsolete and inadequate schools.	TA: Prepare a school-mapping study to support development of education infrastructure master plan. Investment: Rehabilitate and improve existing school buildings and facilities. Add new classrooms where essential.
Assumption by the Palestinian authority of responsibility for the government education system.	Analyze the operational policies for the CA's education system. Define options for teacher qualification, personnel practices, and compensation policies.	Establish Palestinian institutions to manage, make policy for, and develop the sector. Merge the educational systems now operating under CA and UNRWA control.	TA: Conduct a study of institutional options and help develop Palestinian capacity to collect and analyze education statistics.
Underinvestment in vocational education leading to scarcity of selected technical skills.	Help develop a program for the routine assessment of employment history of graduates of vocational training programs. Review the offerings of vocational schools. Identify skill shortages. Develop new vocational curricula and train instructors.	Develop a market-responsive vocational and higher education system by establishing closer links between employers and schools. Establish mechanisms for design and rapid introduction of new training activities.	TA: Conduct a tracer study of graduates of vocational schools and universities. Create task forces to assist in the selection and development of vocational training programs and the training of instructors.
Education interrupted by the political unrest.	Assess the magnitude of the learning deficit and its distribution among groups of children.	Develop a remedial education program for those who have suffered significant deficits.	TA: Study the magnitude of the problem and help identify and evaluate options for rectifying learning deficits.

## ANNEX 1: Sector Strategies Matrices

**Table 9: Health**

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Unsustainably high levels of spending on health care.	Limit expansion of health care facilities to essential basic services.	Develop national policies on the assessment of medical technology, financing of health care through user charges, and develop a national health insurance scheme.	<b>Investment:</b> Limit investments to the renovation of existing facilities and the repair and upgrading of equipment.
Financial crisis in the voluntary health care sector following withdrawal of foreign contributions.	Provide limited support for essential services and to maintain specialist services and facilities until new financing mechanisms and cost controls can be introduced.	Develop a national health insurance scheme. Reduce the operating costs of the health care system and control the adoption of new technologies.	<b>Investment:</b> Provide emergency financial assistance to qualifying private, voluntary hospitals and health clinics.
Rapid deterioration of the health care infrastructure.	Provide emergency assistance for the repair, renovation, and maintenance of facilities falling into disrepair.	Create a viable health insurance and health financing system. Control expansion of the health infrastructure. Reduce operating costs throughout the system by identifying and adopting cost-effective procedures.	<b>Investment:</b> Provide funding for the renovation of seriously deteriorating basic health care facilities.
Following self-government, sharply reduced access to Israeli referral facilities.	Carry out a prefeasibility studies of the need for, and economic feasibility of constructing, a burns unit, cancer care facility, and reference laboratory.	Either conduct prefeasibility study, make investment decision, and construct facilities—or make agreements with other suppliers of services in the region (depending on the outcome of the feasibility study).	<b>TA:</b> Finance and supervise prefeasibility study.
Need to develop operational policies and assume responsibility for a government health service.	Analyze operating policies of the Civil Administration and UNRWA. Plan for Palestinian assumption of responsibility for the Civil Administration program and eventual integration of the Civil Administration and UNRWA programs.	Introduce common clinical procedures, health policies, personal systems, equipment lists, maintenance schedules, etc., in a unified Palestinian health care system.	<b>TA:</b> Finance and supervise studies of existing programs and provide expert consultant services in health care, organizational design and management.
Need to create a national health care system from a complex, highly pluralistic existing system.	Define options for creating a unified and disciplined health care system from the existing institutions.	Develop a regulatory regime and health care financing system that facilitates more cost-effective provision of health care.	<b>TA:</b> Finance and engage local and international consultancies to help design institutions and draft laws, rules, and regulations governing the health care system.

## ANNEX 1: Sector Strategies Matrices

**Table 10: Agriculture**

Issue	Short-Term Strategy	Long-Term Strategy	EAP Action
<p>Current regulatory framework is unsuitable for sustainable development; external market access and regulations for internal transport need improvement; access to and management of natural resources is distorted.</p>	<p>Develop new regulatory policy framework; improve external market access, internal transport and natural resource access through negotiations. Strengthen water resource management in Gaza.</p>	<p>Develop strong regulatory and policy analysis, focussing on market access, natural resources management and structural adjustments in production systems.</p>	<p>TA: Study options regarding future sector policy and agricultural trade.</p>
<p>Weak performance of public sector institutions; NGOs have taken over many public sector roles, but these activities are uncoordinated and duplicative. Policies and institutions regulating access to natural resources, food safety and animal health services are ineffective.</p>	<p>Design new institutional structure; maintain current NGO functions until new structure has been established. Strengthen water management, starting in Gaza. Study land resource management. Strengthen control over pesticide use and food safety; strengthen animal health services.</p>	<p>Establish core public sector function through new Department of Agriculture; train staff; farm-out implementation of public sector functions to the maximum extent through NGOs and private sector; define and negotiate new supplementary role for NGOs, avoiding overlapping functions.</p>	<p>TA: Study future structure and functioning of public sector in agriculture, and role of NGOs.  Investment: Support establishment and development of Department of Agriculture, including staff training. Support ongoing agricultural extension and animal health activities of NGOs, and pesticide regulation of PEPA.</p>
<p>Adjustment of market and natural resource access will necessitate change of current agricultural production patterns, which are unsustainable.</p>	<p>Improve access of farmers to new technologies through education and training. Focus new training particularly on women. Hold back major new investments until new policy framework in place.</p>	<p>Provide access to new technologies by developing strong education system, with major emphasis on vocational training, applied research, and extension services, notably for women and small farmers.</p>	<p>TA: Support development of alternative technologies for olives and fish.  Investment: Support vocational training and women related programs of NGOs.</p>
<p>Inadequate access to financial resources for the private sector in the face of increasing demand for capital in agriculture.</p>	<p>Support establishment of Development Bank and improve financial regulatory framework. Study need for special channels, or improve existing channels to provide finance to small-scale farmers.</p>	<p>Support development of strong private sector financial system, geared towards large and small farmers.</p>	<p>TA: Study financial needs of small farmers and need for special credit arrangements.  Investment: Support drilling of private wells in the West Bank, and other private sector investment through Development Bank (See Table 13).</p>
<p>Poor infrastructure to transport, market and export agricultural products; water related infrastructure run down and in need of refurbishment; the environment has substantially deteriorated.</p>	<p>Support investment in rural infrastructure. Repair existing public wells in West Bank. Support environmental rehabilitation (reforestation, surface water harvest).</p>	<p>Organize sustainable support for maintenance of rural roads, management and expansion of municipal markets and slaughterhouses. Improve infrastructure for agricultural exports. Strengthen management of rural environment.</p>	<p>Investment: Construction of rural roads and refurbishment of public water well systems. Implementation of environmental investments, like water infiltration schemes, erosion control and reforestation.</p>

## ANNEX 1: Sector Strategies Matrices

Table 11: Environment, Cultural Resources and Tourism

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Lack of Palestinian government organizations to oversee environment, cultural resources, and tourism.	Make PEPA operational. Develop frameworks for organization, legislation, and procedures. Train managers in planning and administration.	Help recruit and train authorities until they can undertake full range of responsibilities. Increase number of local offices and operations. Use economic incentives to promote responsible management of environment. Coordinate public and private sector investments in tourism.	TA: Support development of management framework for environment, cultural resources, and tourism sectors. Help prepare legislation, institutional structure, administrative structure, and financial management systems.
Inclusion of environmental, cultural, and tourism concerns in the economic development process.	Institute procedures for environmental assessment. Develop procedures for review of cultural resources including chance finds. Protect sites of interest to tourists from improper development.	Implement recommendations of planning studies and integrate them into economic and land-use planning. Establish bilateral agreements with Egypt, Israel, and Jordan to promote common interests.	TA: Help prepare for environmental assessment procedures and cultural resources review. Develop long-term planning studies: Environmental Action Plan, Cultural Resources, Management Plan and Inventory, and Tourism Master Plan.
Weak management and monitoring programs for the protection of water quality and reuse of treated wastewater.	Develop and implement a basic water-quality monitoring system. Support the development of a groundwater management plan and monitoring system for Gaza.	Expand number of areas with management plans and expand the scope of monitoring system. Establish monitoring program for wastewater reuse.	TA: Help design environmental monitoring system and special groundwater management and monitoring system for Gaza.  Investment: Provide equipment for water-quality monitoring systems.
Lack of a pesticide regulatory system. Poor pesticide management practices in both Gaza and the West Bank.	Develop a regulatory system for the registration, importation, application, and disposal of pesticides. Pilot agricultural outreach programs on safe use of pesticides.	Implement regulatory system. Upgrade and expand agricultural extension system. Initiate integrated pest management for selected crops.	TA: Support development of a pesticide regulatory system using environmental management framework.



## ANNEX 1: Sector Strategies Matrices

**Table 12: Public Administration**

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Developing institutions to take-over governmental functions from Civil Administration.	Focus on ensuring smooth transfer of authority by utilizing to the maximum extent possible existing systems and structures. Limit creation of new institutions to a few selected ones with well-defined functions.	Adopt public administration structures that fits Palestinian needs and goals in the light of adopted sector strategies.	<b>TA and Start-Up Expenditure Trust Funds:</b> Provide financial support for replacement of Israeli employees of CA in public finance area by Palestinians. Support creation of PECDAR, Palestinian Bureau of Statistics, and Palestine Development Institute. Undertake studies on public administration and civil service structures. Support strengthening of accounting and auditing capacity.
Management of external aid and strengthening of Palestinian implementation capacity.	Institute systems within PECDAR for coordinating and facilitating the flow of external assistance as well as management and monitoring of investment and TA activities financed through such assistance. Rely to the maximum extent possible on existing implementation capacity.	Expand Palestinian governmental implementation capacity to prepare for a possible greater responsibility in the light of re-defined roles for the UN agencies and NGOs.	<b>TA and Start-Up Expenditure Trust Funds:</b> Support the development of PECDAR to enable it to carry fully and efficiently its responsibilities as decreed by the Palestinian National Authority.
Macroeconomic management of self-governing entity.	Adopt prudent fiscal policy, outward-oriented trade strategy as well as policies to encourage private sector development.	Same as in the short-term but adapt policies in the light of experience with the interim trade, fiscal and monetary arrangements arrived at as a result of the bilateral agreements with Israel, Jordan and other countries.	<b>TA:</b> Support training of experts in area of public finance. Undertake studies in the fiscal, monetary and trade policy areas. Undertake various studies on ways to promote private sector activity.

## ANNEX 1: Sector Strategies Matrices

Table 13: Private Sector

Issue	Short-Term Strategy	Long-Term Strategy	EAP Actions
Antiquated legal systems with different laws for Gaza and the West Bank.	Compile and clarify the body of laws in use in the OT.	Modernize and unify business and commercial laws in the OT.	TA: Complete and publish legal inventory of business/commercial laws covering, <i>inter alia</i> , contracts, real estate, banking, securities, customs, tax, labor and companies law.
Inactive and unsophisticated financial sector.	Encourage competitive development of banking system.	Encourage development of leasing, investment banking and development banking on a sound economic basis.	TA: Adapt or adopt a unified banking law for Gaza and the West Bank. Establish a Bank Supervision Office and train bank supervisors. Design an institution-building program for the financial sector, keyed to political agreements, and leading to a Monetary and Banking Authority. Conduct a study on the design of a Development Bank, based on successful international practice.
Lack of institutions and support services for small-medium-scale businesses.	Simplify procedures for business entry and operations.	Establish institutions and policies based on economic policies of the Palestinian self-governing authority. Focus on providing high quality, low cost economic and social infrastructure.	TA: Design simplified procedures for business formation and registration. Staff and equip a business licensing/registration office.
Lack of institutions/policies to promote exports and investment.	Study institutions and policies for short-term impact on export and investment promotion.	Establish institutions and policies which enhance the role of markets and do not distort the link between performance and profitability.	TA: Conduct a study to recommend policy and institutional alternatives for trade development and promotion, trade finance, product innovation and new market development, and standards and intellectual property rights. Conduct study to recommend policy, regulatory, legal and institutional measures to attract local and foreign investments.

## Annex 2: Technical Assistance Program by Type of Activity

Table 1: Institution Building and Training Activities

No.	Priority	Sector	Description	Date	US \$ mn	Implementing Agency
1	*	Agriculture	Institutional and Sectoral Policy Study	7/94 - 12/94	0.50	TBD
2		Education	Creation of a Pedagogic Institute & Curricular Framework	1/95 - 12/96	2.25	TBD
3		Education	Task Force for Vocational Education	1/95 - 6/96	0.75	HCE
4	*	Education	Organizational Options For A Palestinian Education Authority	5/94 - 12/94	0.20	HCE
5		Power	Management/Staff Training Gaza and West Bank	1995 - 1996	1.00	TBD
6		Env., Cult. & Tour.	Environmental Management Framework - Parts A+B	9/94 - 12/96	0.50	PEPA
7	*	Env., Cult. & Tour.	Environmental Assessment Procedures	4/94 - 12/94	0.10	PEPA
8	*	Env., Cult. & Tour.	Design Gaza Ground Water Monitoring System	1/94 - 1/95	0.30	UNDP
9		Env., Cult. & Tour.	Design of Environmental Standards and Monitoring System	9/94 - 6/95	0.30	PEPA
10		Env., Cult. & Tour.	Environmental Action Plan - West Bank	7/94 - 6/95	0.70	PEPA
11		Env., Cult. & Tour.	Environmental Information Center	12 mos.	0.50	PEPA
12		Env., Cult. & Tour.	Cultural Resources Management Framework and Inventory	7/94 - 12/96	0.50	Comm.Arch.
13	*	Env., Cult. & Tour.	Tourism Development Authority & Development Plan	6/94 - 12/95	0.50	HCATI
14		Env., Cult. & Tour.	Parks and Protected Area Management Plan	1/95 - 12/95	0.20	PEPA
15		Health	Design and Implementation of A Health Insurance Scheme	7/94 - 7/95	1.25	PHC
16		Health	Institutional & Regulatory Framework for the Sector	1/95 - 12/95	0.75	PHC
17		Housing	Seminars on Housing Policy	1995	0.40	EDI/PECDAR
18	*	Public Admin.	Aid Management Information System	5/94 - 7/94	0.19	UNDP/PECDAR
19	*	Public Admin.	Establish PECDAR Accounting System And Disbursement Procedures	1/94 - 5/94	0.05	PECDAR
20	*	Public Admin.	Budget, Tax, Treasury, Public Investment, Aid Coordination Advisors	7/94 - 6/96	2.40	PECDAR/IMF
21	*	Public Admin.	Training in Budget, Tax, Treasury	1994	0.18	PECDAR/IMF
22		Public Admin.	National Income Accounts	1994	0.40	PBS
23	*	Public Admin.	Training In International Procurement	1/94 - 5/94	0.08	IBRD/ILO
24	*	Public Admin.	Palestinian Bureau of Statistics - Organizational Support	1994	0.25	PBS/UNDP
25		Public Admin.	Training For Palestinian Managers In Civil Administration	1995 - 1996	1.50	PECDAR
26	*	Public Admin.	Training in Project Analysis and Project Management	6/94 - 12/94	0.20	EDI/PECDAR
27	*	Public Admin.	Palestine Development Institute - Organizational Support	1994	0.20	PDI
28	*	Public Admin.	PECDAR - First Year Organizational Support	1994	3.00	PECDAR
29		Public Admin.	Train Public Sector In Financial Management	1/95 - 12/96	0.88	PECDAR
30		Public Admin.	Train Government Auditors	7/94 - 12/94	0.50	PECDAR
31		Public Admin.	Upgrade Private Sector Auditing & Accounting Profession	9/94 - 12/94	0.13	PECDAR
32	*	Public Admin.	Uniform Accounting System for Municipalities & Financial Situation at 12/93	7/94 - 10/94	0.25	UNDP
33	*	Private Sector	Creation of Unified Legal and Regulatory Framework for Financial Sector	6/94 - 12/94	0.25	TBD
34	*	Private Sector	Design & Establish Palestinian Monetary & Banking Authority and Training	6/94 - 12/94	0.25	TBD
35	*	Private Sector	Legal Inventory and Publication	1994	0.70	TBD
36		Private Sector	Support Systems and Institutions for Business and Exports	1994	0.15	TBD
37		Solid Waste	Study of Institutional, Financial & Privatization Arrangements	1995	0.51	TBD
38	*	Telecoms	Training for Telecommunications Operations and Maintenance	5/94 - 7/94	0.33	TBD
39	*	Telecoms	Joint Institutional & Regulatory Study with Electric Power and Post	7/94 - 12/94	0.85	TBD
40		Transport	Road Maintenance and Rehabilitation Study Including Institutional Framework	7/94 - 12/94	0.80	PECDAR/RPIU
41		Transport	Training For Contractors/Engineers And Consultants	7/94 - 12/95	0.35	RPIU
42	*	Water	Institutional Development Specialist	4/94	0.02	PECDAR/Bank
43		Water	Operations and Maintenance Support - Gaza, Nablus and Hebron	7/94 - 6/96	1.20	UNDP
44		Water	Inst./Organiz. Study for the Creation of Gaza Water & Sewerage Utility	7/94 - 11/94	0.26	PECDAR
45		Water	Needs Analysis and Training Program Implementation	1/95 - 12/96	1.64	PECDAR
			<b>TOTAL</b>		<b>28.20</b>	

\* Highest Priority Technical Assistance Activities

## Annex 2: Technical Assistance Program by Type of Activity

Table 2: Project Preparation and Implementation Activities

No.	Priority	Sector	Description	Date	US \$ mn	Implementing Agency
1		Education	Project Preparation Consultants	1994 - 1995	1.20	PECDAR
2	*	Power	Gaza And West Bank Project Preparation	7/94 - 12/94	1.30	JEDCO
3		Power	Project Management Implementation Unit	7/94 - 10/96	4.10	PECDAR/PIU
4		Env., Cult. & Tour.	Environmental Education and Awareness Program	1/95 - 12/96	0.50	PEPA
5		Env., Cult. & Tour.	Implement Gaza Ground Water Management Plan and Monitoring Program	1/95 - 12/96	2.00	UNDP
6		Env., Cult. & Tour.	Implement Monitoring, Labs & Data Program	4/95 - 12/96	2.00	PECDAR
7	*	Mun. Rds. & Fac.	Short-term Specialist Consultants for Municipalities	7/94 - 6/96	0.70	Municipalities
8	*	Mun. Rds. & Fac.	Design and Implementation Consultants	7/94 - 6/96	0.80	Municipalities
9		Mun. Rds. & Fac.	Municipal Roads Implementation Supervision	1994 - 1995	2.10	PECDAR
10		Public Admin.	Public Information Strategy	1995	0.25	PECDAR
11		Public Admin.	Census Implementation	1995 - 1996	4.70	PBS
12		Private Sector	Creation of Palestinian Development Bank	1994	0.10	TBD
13	*	Solid Waste	Translation & Environmental Reports for 5 Designed Landfill & Transfer Stations	7/94 - 9/94	0.09	TBD
14		Solid Waste	Project Management Implementation Support	7/94 - 6/96	1.50	PECDAR/PIU
15	*	Telecoms	Prepare Bidding Document for Jericho Exchange	5/94 - 6/94	0.02	Consultant
16	*	Telecoms	Management Contract	7/94 - 6/96	2.00	PECDAR
17		Transport	Road Program Implementation Unit (RPIU)	7/94 - 6/96	2.05	PECDAR/RPIU
18	*	Transport	Preparation of Immediate Road Rehabilitation Program	4/94 - 8/94	0.60	PECDAR
19		Transport	Design of Village Roads Program	1/95 - 6/95	0.30	RPIU
20	*	Water	Project Preparation Facility Including Well Rehabilitation	4/94 - 9/94	1.11	PECDAR
21		Water	Water And Urban Roads Project Management Implementation Unit	7/94 - 3/96	2.30	PECDAR/RPIU
			<b>TOTAL</b>		<b>29.71</b>	

\* Highest Priority Technical Assistance Activities

## Annex 2: Technical Assistance Program by Type of Activity

**Table 3: Policy Studies**

No.	Priority	Sector	Description	Date	US \$ mn	Implementing Agency
1		Agriculture	Agricultural Trade Study	1/95 - 3/95	0.20	TBD
2	*	Education	School Mapping Study	7/94 - 12/94	0.18	UNESCO/UNDP
3		Env., Cult. & Tour.	Natural Resources Management Study	1/96 - 6/96	0.40	TBD
4		Env., Cult. & Tour.	Coastal Zone Management Plan/Oil Spill Contingency Plan	TBD	0.40	PEPA
5	*	Health	Harmonize UNRWA and Civil Administration Public Health Services	7/94 - 6/95	1.00	UNRWA/PHC
6	*	Housing	Land Use Regulations	6/94 - 3/95	0.28	PECDAR
7		Housing	Housing Policy and Institutional Development	7/94 - 6/95	1.00	PECDAR
8		Housing	Housing Finance Study and Training	7/94 - 12/94	0.75	PECDAR
9	*	Mun. Rds. & Fac.	Urban Development, Planning & Management	1994	0.80	TBD
10	*	Public Admin.	Public Administration Task Force	1994	0.40	PECDAR
11		Public Admin.	Civil Service Task Force	1994	0.20	PECDAR
12	*	Public Admin.	Macroeconomic Studies: Palestine Development Institute	1994 - 1996	0.60	PDI
13		Public Admin.	Socio-Economic Survey: Living Standards Measurement Survey	1995 - 1996	0.70	PBS
14		Public Admin.	Design Model Structure of Central Accounting, Controls, and Standard	7/94 - 12/94	0.40	PECDAR
15		Solid Waste	Develop Planning Baseline, Conduct One City Master Plan	7/94 - 6/95	0.69	TBD
16		Transport	Long Term Transport Plan	1/95 - 12/95	1.00	TBD
17	*	Water	Water Resources Management Study	2/94 - 6/95	0.68	UNDP
18		Water	Water and Sewerage Utilities Study - West Bank	7/95 - 12/95	0.28	GTZ/PECDAR
			<b>TOTAL</b>		<b>9.94</b>	

\* Highest Priority Technical Assistance Activities

## Annex 2: Technical Assistance Program by Type of Activity

Table 4: Feasibility Studies

No.	Priority	Sector	Description	Date	US \$ mn	Implementing Agency
1		Agriculture	Olive Production/Processing	1/95 - 12/95	0.20	TBD
2		Agriculture	Feasibility of Fish Culture, Followed by Pilot Study	1/95 - 6/96	0.40	PARC
3	*	Education	Pre-feasibility Study For Remedial Education For Children	7/94 - 12/94	0.05	UNESCO/UNICEF/HCE
4		Electric Power	Power System Expansion Study	1/95 - 6/95	1.00	PECDAR
5		Mun. Rds. & Fac.	Municipal Traffic Management Studies: Bethlehem, Gaza, Nablus, Ramallah	1/95 - 12/95	1.00	RPIU
6		Public Admin.	Census Preparation	1994	0.30	PBS
7		Private Sector	Procedures for Business Entry	1994	0.10	TBD
8		Solid Waste	Siting, Design & Env. Reports for Remaining 8 Landfills & Transfer Stations	1996	1.00	TBD
9		Solid Waste	Recycling, Resource and Composting Study	1996	0.22	TBD
10		Solid Waste	Special Waste Study	1996	0.39	TBD
11		Transport	Gaza Port Pre-feasibility Study	3/95 - 12/96	0.30	PECDAR
12		Transport	Civil Aviation Feasibility Study of Qalandia Airport	TBD	0.50	PECDAR
13		Transport	Jordan River Bridge Feasibility Study	TBD	0.10	PECDAR
14		Transport	Measures to Improve Movement Between The West Bank & Gaza	TBD	0.30	PECDAR
15	*	Water	Waste Water Treatment & Reuse Strategy-Study (A) & Implementation (B)	6/94 - 4/95	0.41	PECDAR/Bank
16		Water	Ramallah Sewerage Master Plan	7/94 - 11/94	0.29	JWU/UNDP
17		Water	Study of Viability of Dirt Dams in Jericho Area	1/96 - 6/96	0.20	TBD
18		Water	Sewerage & Drainage Studies - Refugee Camps and Urban Areas - WB & G	TBD	1.30	UNRWA/UNDP
			<b>TOTAL</b>		<b>8.050</b>	

\* Highest Priority Technical Assistance Activities







# OCCUPIED TERRITORIES WEST BANK AND GAZA STRIP

- ✈ AIRPORTS / AIRFIELDS
- MAJOR HIGHWAYS
- TWO OR MORE LANES, HARD SURFACED ROADS
- RAILROADS

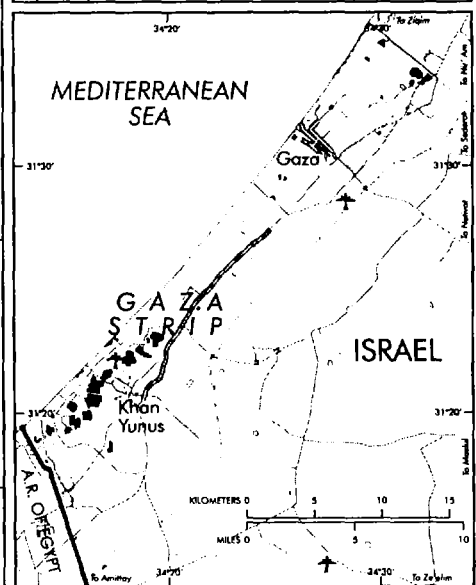
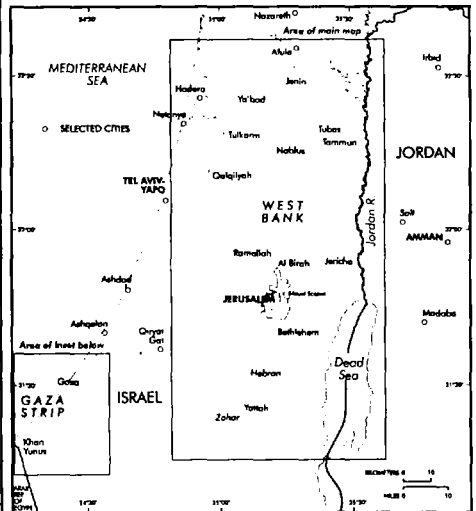
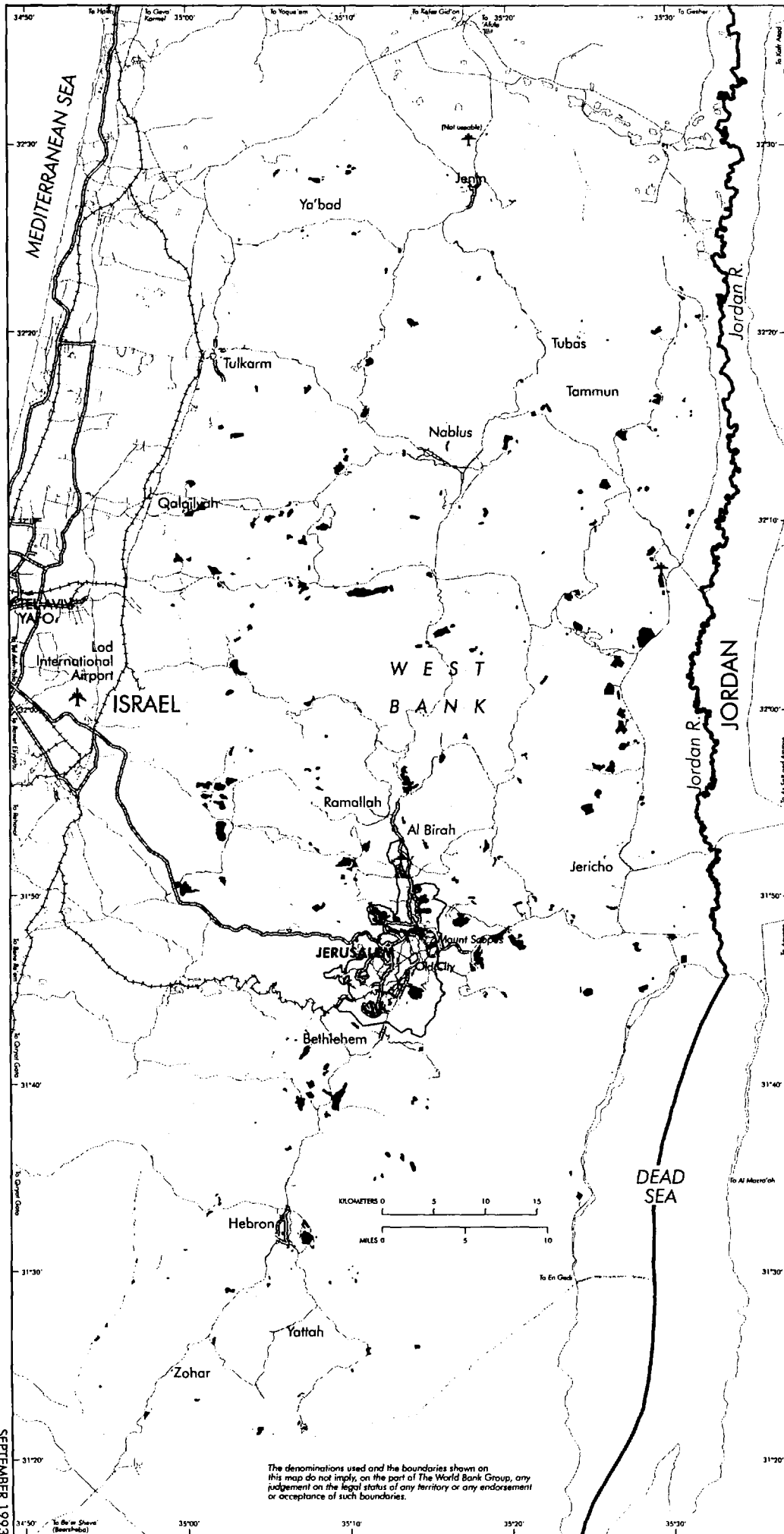
- BUILT-UP AREAS
- UNRWA REFUGEE CAMPS
- ISRAELI SETTLEMENTS

ARMISTICE DEMARCATION LINES, 1949

NO-MAN'S LAND AREAS,  
ARMISTICE DEMARCATION LINE, 1949

JERUSALEM CITY LIMIT, UNILATERALLY  
EXPANDED BY ISRAEL JUNE 1967;  
THEN ANNEXED JULY 30 1980

— INTERNATIONAL BOUNDARIES

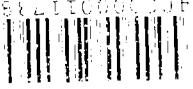


The denominations used and the boundaries shown on this map do not imply, on the part of The World Bank Group, any judgement on the legal status of any territory or any endorsement or acceptance of such boundaries.





\$5.95



EMERGENCY ASSISTANCE  
9-1-1  
LIFE LINE