

**Progress Report on the Implementation
of the
Palestinian Reform and Development Plan 2008-2010**

Report to the Meeting for the Ad-Hoc Liaison Committee

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Palestinian National Authority

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LIST OF ACRONYMS

AHLC	Ad Hoc Liaison Committee
EC	European Commission
EU	European Union
GOI	Government of Israel
IC	International Community
IDF	Israeli Defense Forces
IMF	International Monetary Fund
MOA	Ministry of Agriculture
MOC	Ministry of Culture
MOEHE	Ministry of Education and Higher Education
MOH	Ministry of Health
MOI	Ministry of Interior
MOJ	Ministry of Justice
MOL	Ministry of Labor
MONE	Ministry of National Economy
MOP	Ministry of Planning
MOSA	Ministry of Social Affairs
MOWA	Ministry of Women's Affairs
MOYS	Ministry of Youth and Sports
PEGASE	Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique
PEA	Palestinian Energy Authority
PWA	Palestinian Water Authority
PIF	Palestine Investment Fund
PNA	Palestinian National Authority
PRDP	Palestinian Reform and Development Plan
PWA	Palestinian Water Authority
OQR	Office of the Quartet Representative
OPT	Occupied Palestinian Territory
SPD	Strategic Planning Department
STA	Single Treasury Account
SWG	Sector Working Group
TIM	Temporary International Mechanism
PRDP-TF	Palestinian Reform and Development Plan-Trust Fund

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The Palestinian National Authority (PNA) would like to express its appreciation to all Governments and Agencies that attended and supported the work and recommendations of the Ad- Hoc Liaison Committee meeting in September 2007, the Annapolis Conference in November 2007, and the Paris International Donor Conference in December 2007. A commonality of these forums has been their shared vision for achieving a two state solution by re-engaging in the Palestinian-Israeli peace process and supporting the recovery of the Palestinian economic situation.

During this period, the PNA has finalized its Palestinian Reform and Development Plan for 2008-2010 (PRDP). It was approved by the Cabinet and endorsed by President Mahmoud Abbas on 30 March 2008. The PRDP maps the budgetary and developmental needs of Palestinians. Implementation of this plan paves the way for improving the functioning and delivery of services by the PNA, supporting an enabling economic environment and strengthening security and rule of law within the Occupied Palestinian Territory.

This report highlights main achievements and obstacles that the PNA has faced in implementing the PRDP. This report was produced in cooperation with key agencies of the PNA-Prime Minister's Office, Ministry of Finance, and line ministries. The international community was instrumental in providing updated information on their previous commitments and upcoming agreements. We would like to extend our appreciation to the co-chairs of the Local Development Forum/Norway, World Bank and UNSCO and the Local Aid Coordination Secretariat that provided technical assistance in finalizing this report.

This quarterly progress report indicates that positive changes are taking place in terms of increasing aid assistance to Palestine and improved PNA performance. However, access and movement restrictions impose a critical obstacle and must be lifted if progress on the economic and peace agendas is to be achieved.

Samir Abdullah
Minister of Planning

EXECUTIVE SUMMARY

Economic growth has not yet materialized.

- The Palestinian economy has shown no signs of improvement in the months following the previous AHLC meeting. After an 8 % decline in GDP in 2006 and an estimated 0% growth rate for 2007, growth during the first quarter of 2008 has been constrained by continuing restrictions on movement and access. High rates of poverty and unemployment within the country have increased the number of individuals and families who are in need of social assistance. PCBS data notes that overall unemployment in OPT stood at 22%; Gaza unemployment rate was 33% with 19% unemployment in the West Bank (Q4 2007).
- The economic and humanitarian situation in Gaza continues to deteriorate despite all efforts by the PNA to ensure delivery of public services, payment of salaries to civil servants, and increasing humanitarian assistance to the needy. Higher rates of poverty and unemployment are evident in the Gaza Strip compared to the West Bank. The impoverished population has seen its income decrease and the vast majority of the population live below the poverty line. The results of the closure have been widespread. Gaza hospitals have suspended all non-emergency interventions due to the power cuts and fuel shortages. Numerous water wells are lacking fuel to operate, causing 15 to 20% of the population of Gaza to receive only 3-5 hours of water every four days. Sewage treatment has been halted and raw sewage is currently being dumped in the sea.

Improvements on access and movement have been negligible and violence persists.

- Movement restrictions have increased, despite the re-launch of peace negotiations in Annapolis. While there were expectations, following the Paris International Donor Conference that checkpoints and barriers would be reduced, they actually increased. Obstacles and roadblocks in the West Bank alone increased to 580 during the month of February 2008, up from a monthly average of 552 in the previous year. The closure imposed on the region by the GOI is the leading reason for the continued economic and humanitarian situation within the Gaza Strip. The Rafah, Karni, and Erez crossings remain closed, since June 2007, and most traffic continues to be systematically rejected.
- The GOI continues to support the establishment of hundreds of illegal housing units in Israeli settlements and construction bids are ongoing despite pressure from the international community to stop these illegal practices that undermine peace negotiations and unlawfully confiscate Palestinian lands and resources and are the key reasons for imposing most restrictions on movement and access.
- Furthermore, recurrent Israeli military incursions severely erode the credibility of the security forces and the government's efforts to restore rule of law and

protection of civilians. Violence within the West Bank and Gaza has continued. Continued GOI military incursions and bombings have resulted in the killings of over 436 Palestinians since the last AHLC meetings. These violations of international humanitarian law should be addressed by the international community. These actions undermine the political and peace initiatives.

The PNA has pursued and is progressing on its fiscal stability and sustainability agenda.

- The Government has undertaken measures to move towards fiscal sustainability and stability. The Palestinian Reform and Development Plan for 2008-2010 which reflects an integrated planning and budget framework was endorsed by the Cabinet and signed by the President on 30 March 2008. Fiscal developments during the first quarter were broadly in line with budget objectives. The **budget deficit** amounted to 317 million USD. Donors provided 525 million USD in budget support for the 1st quarter. This budget support, which exceeded expectations, resulted in a budget surplus of USD 209 million, which was used to repay substantial wage and private sector arrears as well as loans and advances from the banking sector.
- Budget support allocations for the first six months of 2008 exist and this will allow the PNA to continue to disburse budget as needed. However, budget support for the remaining six months of 2008 is critical. A **400 million USD budget support deficit exists** (in addition to the funds already pledged/committed to in Paris.) The PNA needs these funds to meet its responsibilities. **A top priority and request by the PNA is to urgently identify additional budget support for the second half of 2008.**
- The PNA has embarked on an ambitious program of reform and good governance to support fiscal sustainability. A reduction of over 40,000 civil and security personnel was carried out by the end of March 2008. A general freeze on salary increases accompanied this measure. In addition, the PNA requested greater municipal/local government accountability and responsibility. These actions have resulted in increasing payment of utilities which will decrease overall net lending arrears in the end. The ambitious and bold actions taken by the Cabinet are currently under legal review; however, citizens continue to respond to these good governance measures. The finance management systems are moving towards full compliance with international standards of integrity and transparency are continuing; the Basic Finance Law was amended and established an Office of the General Accountant in the Ministry of Finance.

Aid assistance to public investments is materializing at a faster pace compared to previous periods of cooperation.

- Donors have shown an increasing interest in support to the **Governance Sector**. The programs on security reform and transformation, justice now, open and accountable government, and accountable local governance have been identified as key targets for revitalization of previous projects that had been

halted/delayed and for new commitments of new funds. Many of the donors within this sector have actually initiated dialogue on support for these programs a limited number of new agreements have actually been finalized. Donors are encouraged to allocate support to the program on efficient and effective government that has yet to receive sufficient funds.

- Most of the programs in the **Social Development Sector** are grossly underfunded. Although, the World Bank and EC are the primary supporters of the Social Protection Reform program additional funds are needed for projects to support the most marginalized groups. A number of donors are now providing substantial support to TVET and education performance programs. However, programs on access and quality education require additional allocations of resources to meet the requirements defined in the PRDP. Both health programs are underfunded. The projects defined under health quality and health care programs are critical in helping to move back to a development agenda within the health sector. Allocations of resources within this sector are still primarily emergency and humanitarian assistance. Donors are encouraged to provide new allocations of resources to both of these programs. More international cooperation is required within the health sector. The projects defined under of health quality and health care programs are critical in helping to move back to a development agenda within the health sector. The remaining 4 programs: women empowerment, youth empowerment, employment generation, and culture have received virtually no funding at this time.
- The seven programs defined in the **Economic Development Sector** are all grossly underfunded. Less than 20% of the programs/projects identified in these programs have received support in terms of ongoing programs/projects or new commitments. Particular attention should be paid to projects within Trade Infrastructure and Facilitation, Industrial Capacity Development and Institutional Reform and Development. The upcoming Palestine Investment Conference's success in part is dependent upon changes that should ensue by supporting an enabling economic environment within the OPT. The aforementioned programs/projects are designed to achieve this goal. Without adequate support (financial and technical) limited improvements within the economic sphere will follow.
- The **Infrastructure Sector** has seven programs identified. The only program that is underfunded at this time is the Road Safety program. The infrastructure sector differs from other sectors in that many of the projects that are defined require large investments, long design phases, and take over 3-4 years to implement. Hence disbursements over time are constrained. There are currently ongoing and committed funds in excess of what has been requested. However, in actuality few new projects have actually been finalized or new agreements signed. It is urgent that within the programs of water and water sanitation, solid waste management, road improvement and energy that these new projects be given attention and funds.

In follow up to the AHLC meeting (September 2007) and the Paris International Donor Conference, a noticeable improvement in PNA-Donor relations has occurred.

- Number of donors who have committed budget funds to CTA, PEGASE or PRDP-Trust Fund within the first quarter is greater than at any other period of time.
- Number of donors who have initiated and or completed annual reviews and consultations on their aid assistance has increased compared to any other previous reporting period.
- Transparency on allocations of funds, inputting information on aid commitments and disbursements is underway and cooperation amongst most donors is positive.
- Aligning aid assistance with the PRDP has become more of a priority for donors and they are increasingly targeting their funds to the government's agenda.

I. INTRODUCTION

The Ad Hoc Liaison Committee (AHLC) Meeting in New York on September 24th, 2007 set the stage for identifying key inputs needed in order to engage in a new phase of stabilization and economic recovery for Occupied Palestinian Territory (OPT). The AHLC focused attention on the importance of tripartite involvement and actions of the Palestinian National Authority (PNA), the International Community (IC) and the Government of Israel (GOI) in effecting change in the political, economic, and security situation that continues to show regression since 2000. A strong vote of confidence was given to the Government of President Mahmoud Abbas and Prime Minister Salam Fayyad. The Government has continued to reiterate its support for the two-state solution as the means to realize national and individual aspirations-a sovereign, free and viable Palestinian state with East Jerusalem as its capital, and a just and agreed upon solution to the issue of refugees based on UN General Assembly Resolution 194.

The main political event in the aftermath of the past AHLC meeting has been the resumption of Palestinian-Israeli peace talks in Annapolis on November 27th 2007. Under the auspices of the United States of America (USA) and the participation of the international community, President Abbas and Prime Minister Olmert agreed to resume peace negotiations and work towards resolving core issues with the intention of reaching a comprehensive peace agreement by the end of 2008. This initiative has continued, however to date progress has been slow and belabored. There have been no significant positive changes in terms of reduction in Israeli settlements, lifting of access and movement restrictions, border accessibility, or reduction in overall levels of violence and incursions by the Israeli Defence Forces (IDF) into the OPT. However, all parties have remained committed to working towards a successful peace outcome and resolution of core issues by the end of 2008 and bilateral negotiations continue.

On the economic front, the lead event was the International Donor Conference that took place in Paris on December 17th, 2007 amidst participation of 90 countries and delegations and under the auspices of the Government of France. The pledged sums of aid assistance reached 7.7 billion dollars over three years (which exceeded the projected PNA request of 5.6 billion USD). Prime Minister Fayyad made it clear that the aid being requested for the Palestinian Reform and Development Plan 2008-2010 (PRDP) would be used to fulfil the:

“...vision that can be implemented if reinforcing steps are quickly taken in the spirit of the understanding reached at Annapolis. On the other hand, continuation of the occupation threatens irreversibly to undermine the realization of this vision of a peaceful and prosperous Palestine...on the Palestinian side, we are committed to good governance, law and order, and delivery of basic public services throughout the occupied territory. Stabilization and rebuilding of trust are our main priorities in 2008, and we will embark on a comprehensive program of civil and security governance reforms. We will also work on a series of social and economic development initiatives, reinforced by a substantial program of infrastructure rehabilitation. Fiscal stability is also a high priority; we aim progressively to reduce the budget deficit and increase expenditure on development.

Given the right conditions, I firmly believe in the potential of the Palestinian people and the economy to thrive. In an environment of political and financial stability, I believe private investment would return and relieve the forces that have deepened our budget deficit. Our request for \$ 5.6 billion in financial assistance over the next three years is significant. However, it is an essential investment to prepare the future Palestinian state for a peace and prosperity. We are at a crossroads and it is essential that, together with our neighbors and with the support of the international community, we take the right path.”¹

The international community responded graciously and generously to this request and not only pledged funds in excess of the PRDP, but has also been quite forthcoming in actualizing budget support (approximately 500 million USD within the first 3 months of 2008). This crucial assistance has allowed for fiscal stability in the initial period. Continuing this trend remains the top priority issue for the PNA. Budget support has been and remains the key linchpin that will allow the PNA to continue to function, deliver public services and continue to improve and expand upon its security agenda. Budget support allocations for the first six months of 2008 exist and this will allow the PNA to continue to disburse budget as needed. However, budget support for the remaining six months of 2008 is critical. A 400 million USD budget support deficit exists. These funds are needed to allow the PNA to meet its responsibilities. In addition, the importance of development funds and humanitarian assistance are needed to complement fiscal stability. The disbursement of these funds should be made according to priorities determined through consultations with the PNA and development stakeholders based on the priorities detailed in the PRDP.

PNA employees received their salaries for ten consecutive months (since June 2007) after 16 months of irregular and partial payments. Wage bill arrears are also in the process of being paid back. Palestinian labor and civil service unions carried out strikes triggered by months of unpaid salaries (unpaid salary arrears) in 2006 and 2007. In addition, **inflation** and regular price increases have led to a decrease in the real wage in 2007. The weakness in economic activity has been exacerbated by the rise in commodity prices, particularly food and petroleum products, further eroding the purchasing power of Palestinian households. In mid-March, talks between the Government and the main unions (the UPSE, Teachers, and Health) reached an understanding and pledged to discuss the demands of the unions, at which point the strike was temporarily halted. Paying back civil service wage arrears is a necessary step in order to ensure continued smooth functioning of the government.

The Government has undertaken measures to move towards fiscal sustainability and stability. Fiscal developments during the first quarter were broadly in line with budget objectives. The budget deficit amounted to 317 million USD. Donors provided 525 million USD in budget support for the 1st quarter. This budget support, which exceeded expectations, resulted in a budget surplus of USD 209 million, which was used to repay substantial wage and private sector arrears as well as loans and advances from the banking sector, thereby regularizing the PNA debtor relation with

¹ Opening Statement, Palestinian Reform and Development Plan 2008-2010, p. 3.

banks. The fiscal deficits, as well as repayment of wage and private sector arrears, have provided a substantial fiscal impulse to the economy, cushioning the negative impact on economic activity stemming from the restrictions on movement and access and the closure of Gaza imposed by the Government of Israel.

A reduction of over 40,000 civil and security personnel was carried out by the end of March 2008 and the Cabinet has taken measures to only allow for increase in civil servants within essential delivery service sectors like education and health in order to meet population needs. A general freeze on salary increases accompanied this measure. In addition, the PNA requested greater municipal/local government accountability and responsibility. This resulted in support for establishing additional electricity distribution companies that are required to collect fees for services. Municipalities are to adopt a Unified Chart of Accounts and register fixed assets. These steps are essential in reducing net lending over the coming years.

The socio-economic situation has not yet been able to show a turnabout. The Palestinian economy has shown no signs of improvement in the months following the previous AHLC meeting. After an 8 % decline in GDP in 2006 and an estimated 0% growth rate for 2007, growth during the first quarter of 2008 has been constrained by continuing restrictions on movement and access. While there were expectations, following the Paris International Donor Conference that checkpoints and barriers would be reduced, they actually increased. High rates of poverty and unemployment within the country have increased the number of individuals and families who are in need of social assistance. The PNA has taken steps to improve targeting and efficiency of the social safety net for poor, vulnerable and marginalized populations. However, limited availability of resources has seriously undermined the capacity of this system to support the needs of a substantial proportion of the poor. The government is now taking measures to unify the social safety system and ensure that the poor of the poor receive the necessary assistance in an equitable manner. It is also expanding the social safety net, including tens of thousands of new beneficiaries.

In the Government's quest to build strong institutions- a necessary pillar of any modern state-extensive reforms are underway in the field of good governance. An emphasis is on ensuring transparency, accountability, and rule of law. Improvements on public finance management systems that comply with international standards of integrity and transparency are continuing; the Basic Finance Law was amended and established an Office of the General Accountant in the Ministry of Finance. This office is supported by a new electronic database, linking PNA expenditures to budgetary appropriations. This will insulate expenditures and financial management from political interference. In addition, the Cabinet adopted new legislation/policies in the fields of procurement, income taxes, pensions, and money laundering. The PNA has also undertaken a serious **civil service reform**, reducing public service employment by about 40,000 positions through the cancellation of illegal and unfulfilled contracts. Furthermore, President Abbas has signed a new simplified income tax law, with a maximum marginal rate of 15% for individuals and companies in March 2008. In addition, The **Customs and Excise Department/MOF** launched a major campaign

against the undervaluation of imports by traders. A large number of revaluations have been effected which will result in higher tax collection

The economic and humanitarian situation in Gaza continues to deteriorate despite all efforts by the PNA to ensure delivery of public services, payment of salaries to civil servants, and increasing humanitarian assistance to the needy.

The closure imposed on Gaza by the GOI is the leading reason for the continued economic and humanitarian situation within the Gaza Strip. Almost no construction activity is implemented because of the absence of building material. An estimated 96% of the Gaza's industrial activities are halted according to local business associations. Exports are negligible, while truck movements into Gaza have been restricted to humanitarian aid. Fuel reductions have had a negative effect on economic and social activity in the Gaza Strip. Only 3.8 million litres of diesel and 340,000 litres of gasoline were allowed into Gaza during March 2008. This represents a reduction of 57% and 80%, respectively, to the previous year. The Gaza power plant production has decreased its output to 55 megawatts causing daily eight-hour power cuts. The results of the closure have been widespread. Gaza hospitals have suspended all non-emergency interventions due to the power cuts and fuel shortages. Numerous water wells are lacking fuel to operate, causing 15 to 20% of the population of Gaza to receive only 3-5 hours of water every four days. Sewage treatment has been halted and raw sewage is currently being dumped in the sea. This situation has short- and long-term consequences on the health and environmental status of the Gaza Strip. Higher rates of poverty and unemployment are evident in the Gaza Strip compared to the West Bank. The impoverished population has seen its income decrease and 79.3% percentage of the population live below the poverty line (PCBS 2006 data).

The PNA requests that it be given the responsibility of managing the crossings in and out of Gaza, if Israel agrees to lift its blockade. The blockade must be lifted and the international community's support in demanding the lifting of the closures is appreciated. Gaza is and will remain an integral part of our homeland and future state and the PRDP ensures that development programs be implemented in Gaza. This requires a lifting of the closure and free access of movement for people, goods and services immediately. Since the last AHLC meeting, 436 Palestinians have been killed due to Israeli bombings and incursions. The PNA is working to restore security, but their efforts are impeded by GOI continued incursions into the OPT and preventing security forces from carrying out their duties. The PNA clearly rejects the firing of rockets against Israeli towns from Gaza and all forms of violence from Gaza. However, the PNA rejects and condemns the disproportionality of Israel's military actions and the collective punishment it has imposed on Palestinians in Gaza.

Movement restrictions have increased, despite the re-launch of peace negotiations in Annapolis. Obstacles and roadblocks in the West Bank alone increased to 580 during the month of February 2008, up from a monthly average of 552 in the previous year. Furthermore, GOI work is ongoing on the Expansion Wall, of which 57% - or 723 km – were completed by February 2008. The Rafah, Karni, and Erez crossings remain closed, since June 2007, and most traffic continues to be

systematically rejected. The Rafah crossing has been exceptionally opened, for a few days in March 2008, for medical emergencies entering Egypt. However, in general the Rafah borders have been closed for almost 280 days.

The GOI continues to support the establishment of hundreds of illegal housing units in Israeli settlements and construction bids are ongoing despite pressure from the international community to stop these illegal practices that undermine peace negotiations and unlawfully confiscate Palestinian lands and resources. Israeli settlements and their extended jurisdiction over Palestinian territory have resulted in confiscation of over 38% of the West Bank area and most Palestinians are excluded from important agricultural areas of the Jordan Valley and other regions due to these practices. An increase in house demolitions continues in East Jerusalem and other parts of the West Bank rendering almost 400 Palestinians homeless in December 2007-February 2008 period alone.

Concrete steps on security have been taken to allow Palestinians to live and work in a predictable and secure environment. The government has imposed a ban on armed militias in the West Bank. It has also addressed the issue of Palestinian fugitives by securing an Israeli commitment not to target or arrest them. An initiative is underway to enforce law and order by deploying forces in major urban areas starting with Nablus and expanding into other urban areas and shortly into Jenin. Reconstruction of security headquarters is underway. This is a message sent to the people that the PNA is rebuilding, upgrading and reasserting its authority. This is in no small part thanks to the assistance of the United States, Japan, European and Arab partners. With the help and advice of US Security Coordinator Lieutenant General Keith Dayton and EUCOPPS, the security services have begun a process of professionalizing, reforming and equipping themselves in order to carry out their functions in a reliable and effective manner. The GOI has imposed limitations on where and how security forces can or cannot act which limits the PNA ability to bring security to the people and to fulfill its security commitments under the Road Map. Furthermore, recurrent Israeli military incursions severely erode the credibility of the security forces and the government's efforts to restore rule of law and protection of civilians.

II. PALESTINIAN REFORM AND DEVELOPMENT PLAN 2008-2010

Fiscal framework and financial management reform

Table 1 below sets out the PNA's medium-term fiscal framework (MTFF) based on a baseline scenario macroeconomic framework. The baseline scenario assumes that Israel is willing to take steps to remove administrative and physical barriers to the movement and access of Palestinian people and goods. It assumes that donors will provide substantial levels of predictable aid to support the PNA's recurrent budget and public investment program. It also clearly reflects commitments by the PNA to enforce the rule of law, and carry out fiscal and other reforms outlined in this document.

The MTFF has been updated since the Paris International Donor Conference in December 2007 primarily to reflect the substantial depreciation of the US dollar against the Israeli Shekel, and the final 2008 budget approved by the Cabinet and President Abbas. The updated MTFF projects a reduction of the recurrent budget deficit to 22% of GDP in 2008, compared with 24% envisaged in the forecast presented at Paris. This deficit reduction, from an estimated deficit for 2007 of 27% of GDP, is being realized through a series of bold fiscal reforms initiated by the PNA in the summer of 2007. The wage bill was cut by approximately 12% (in Shekel terms) through the retrenchment of more than 20,000 employees and the effects of reforms aimed at reducing net lending are beginning to bear fruit in the form of higher utility fee collection rates.

Table 1: Medium Term Fiscal Framework

	2006	2007	2008	2009	2010
<i>(millions of U.S. Dollars)</i>	Act.	Proj.	Proj.	Proj.	Proj.
Revenue	1,149	1,194	1,486	1,665	1,832
Gross domestic	379	298	419	469	516
Gross clearance revenue	770	896	1,067	1,196	1,316
Expenditure and net lending	2,277	2,544	2,846	2,858	2,935
Wage expenditure	1,193	1,283	1,481	1,511	1,541
Non-wage expenditure	747	725	964	969	1,022
Net lending	337	535	400	379	373
	-	-	-	-	-
Balance (commitment basis)	1,128	1,350	1,360	1,193	1,103
Add: Expenditure arrears	887	-23	-217	-165	-194
Ded: Net clearance revenue withheld	473	-422	-	-	-
	-	-	-	-	-
Balance (cash basis)	-714	-951	1,577	1,357	1,297
Add: external budget support	741	1,012	1,634	1,361	1,301
Balance after budget support	27	61	57	4	4
Ded: Externally financed capital exp.	281	310	492	634	769
Overall balance	-255	-249	-435	-630	-765
Financing	255	284	435	630	765
Advances & other payments by PIF	146	70	-	-	-
Net domestic bank financing	-172	-70	-50	-	-
External financing for capital exp.	281	306	492	634	769
Net external debt	-	-	-7	-4	-4
Residual	-1	-22	-	-	-

The PNA plan to repay public sector arrears is ahead of schedule. This was made possible by rapid disbursement of budget support, which provided much-needed economic stimulus and restored confidence in the PNA's financial position. The PNA has also taken significant steps towards strengthening its financial management system, including the establishment of a General Accountant's Department responsible for budget execution, a new accounting system with improved expenditure tracking and reporting functionality, and tightening of controls around the Central Treasury Account (CTA) to proactively manage non-wage expenditure.

It is important to recognize that the fiscal reform agenda is being pursued against a backdrop of a precarious political and economic situation. In addition to the lack of regional political progress, our citizens are contending with increasing economic hardship driven by a combination of movement and access restrictions (and, in Gaza, complete closure), rising commodity prices and double-digit inflation. These factors have all played a part in fueling public sector union protests which, were it not for the compromise reached through the efforts of the government and union leadership, could have culminated in a repetition of the open strikes of 2006 - bringing delivery of basic public services to a halt.

However, despite these challenges, we still believe that the positive trajectory in the PNA's fiscal position can be sustained with predictable external financial support and reinforcing actions taken by the Government of Israel. Table 2 shows an updated estimate of the external financing needed in US dollar terms. Disbursements of recurrent budget support for the first half of 2008 are somewhat ahead of target but, based on current pledges, a shortfall of US\$ 400 million is anticipated in the second half of the year.

Table 2: External financing

	2006	2007	2008	2009	2010
<i>(millions of U.S. Dollars)</i>	Act.	Proj.	Proj.	Proj.	Proj.
Budget support	741	1,012	1,634	1,361	1,301
Public investment	281	310	492	634	769
Total external financing	1,022	1,322	2,126	1,995	2,070
<i>Note: Budget support in 2006 excludes informal assistance not channeled through the banking system.</i>					

The PNA acknowledges that the amount of support being requested is substantial. However, as noted in our presentation at Paris, based on the assumption that all three parties (the PNA, the GOI, and the international community) work together in the spirit of the understandings reached at Annapolis, external support will decline steadily as a proportion of GDP and will cover a significant and rising public investment program.

Public Investment Program

Table 3 below sets out a summary of the planned public investment disbursements over the next three years in line with the updated MTF. The estimates take into account a realistic assessment of the availability of external financing for development expenditure over the next three years, and of the PNA's absorptive capacity for public investment.

Table 3: Public investment disbursements

Sector	2008 (\$m)	2009 (\$m)	2010 (\$m)	Total (\$m)
Governance	125	158	170	453
Social	162	189	232	583
Economy	107	126	162	395
Infrastructure	98	161	205	464
Grand Total	492	634	769	1,895

The Palestinian Reform and Development Plan (PRDP) 2008-10 sets out a framework of 30 programs across the four sectors. Each program has a series of objectives, performance indicators, targets and a disbursement ceiling. All existing and future development projects and initiatives are being grouped in this program structure and a performance management and reporting mechanism is being developed to track progress. These are important steps towards a greater focus on results-oriented public investment and more disciplined allocation of scarce resources.

As stated at the Paris International Donor Conference much additional work needed to be done in 2008 to develop detailed project proposals as a first step towards operationalizing the public investment program. Therefore, immediately after the Paris meeting, the PNA embarked on a process of gathering detailed project proposals from all ministries and agencies under the PRDP guiding framework. For the first time ministries and agencies were required to submit a comprehensive set of detailed project proposals linked to a clear framework of national reform and development objectives. This has been a major challenge for our civil servants who are working hard to learn new, modernized planning and budgeting techniques 'on the job'. With an initial inventory of project proposals now in place, we are working with our international partners at the sector working group level to refine them and move towards implementation. We view this as an important opportunity to reactivate and energize the sector working groups, which we believe are a critical component of the aid coordination structure established in 2005.

The operationalization of the public investment program, in line with the guiding policy and fiscal framework set forth in the PRDP 2008-10, is a critical responsibility for this government. In collaboration with Palestinian civil society, the private sector and our international partners we are determined to ensure that the projects implemented on the ground will, taken together, have a material impact on the economy and the quality of

life of our citizens. To achieve material and sustainable results, we must take a measured and patient approach that gives proper attention to institutionalizing participatory planning and budgeting processes, and the need for sustained capacity building in all ministries and agencies.

Update on the status of CTA, PEGASE, PRDP-Trust Fund (World Bank)

The Ministry of Finance has taken all necessary steps to ensure that the public finance systems and mechanisms are in place that allow for the effective, efficient, transparent and accountable control of all revenues entering into the Central Treasury Account (CTA.) The International Monetary Fund (IMF) completed a full evaluation of the functions and abilities of the Ministry of Finance and recommended that the CTA be used as the primary avenue for channeling of budget support to the PNA. Many donors responded to the urgent needs of the government by providing direct budgetary support in a timely manner. Table 4 details funds that have been received through the CTA during this period.

Table 4: Budget Support through the CTA

DONOR	2007 (USD)	Jan-March 2008 (USD)
Arab Countries		
Saudi Arabia	127,704,197	61,883,263
United Arab Emirates	110,000,000	91,511,750
Algeria	52,799,969	
Kuwait	33,415,814	
Qatar	110,076,873	
Iraq	10,000,000	
International Donors		
France	20,250,000	35,662,854
USA	4,705,897	152,261,822
China	0	333,492
Support to PCBS	0	3,500,000
Norway	41,069,651	
Sweden	2,933,280	
UK	6,000,000	
TOTAL		

The European Commission (EC) is commended for the swift transformation of the Temporary International Mechanism (TIM) into PEGASE (Palestinian-European Assistance Management Mechanism). This mechanism supports the PRDP, is fully in line with the EU Strategy on State Building for Peace in the Middle East, and is coherent with the stated goals of state building and support to PNA finances. The aim is to shift from emergency assistance to sustainable Palestinian development in the West Bank, Gaza and East Jerusalem. It offers a comprehensive monitoring, verification and controls system to provide full assurance of the use of donor funds for effective and efficient provision of support to Palestinian administration and beneficiaries. PEGASE will be fully coordinated at the local level through liaisons with the PNA, the Office of the

Quartet Special Representative, Member States, and international financial organizations and is implemented locally by the EC and Member States officials.

In 2007, TIM disbursed 493,073,022 million USD on three different windows of support for PNA recurrent expenditures. From January-March 2008, TIM/PEGASE has disbursed 180,322,592 million USD through four different windows of support. The EC was the primary contributor to TIM/PEGASE. The UK, Netherlands, and Slovenia contributed 20,800,000 Euros; 5,250,000 Euros, and 150.000 Euros, respectively.

The World Bank has initiated the PRDP-Trust Fund, which will provide un-earmarked, untied support to the PRDP policy agenda. This is a multi donor trust fund that will “provide budget and development support for the PNA’s policy agenda as expressed in the PRDP in the period from 2008-2010.” The initial grant is for the amount of 83.86 million USD from World Bank resources and other donors (Norway-43 million USD, UK-40 million USD.) See Annex 1 for details of budget support relevant to the CTA, PEGASE, and PRDP-TF.

Humanitarian Assistance in the OPT 2007-2008

Humanitarian program funding in 2007 and the first quarter of 2008 totaled approximately USD 400 million. These interventions were financed through the United Nation’s two main funding mechanisms, the Consolidated Appeals Process (CAP) and the Central Emergency Response Fund (CERF)².

CAP 2007 and 2008 program funding was largely directed towards food aid (182 million USD), job creation and emergency cash assistance (\$75 million). Support towards public service provision of health, education and social welfare was also prioritized. UN support ensured that the Ministry of Health met all vaccine requirements under its national immunization plan, and technical and financial assistance was provided in public health areas such as mental health, nutrition, information and coordination, and drug supplies.

Consolidated Appeal Process 2008: As of 14 April 2008, the CAP 2008 appeal for 461.9 million USD is 28% funded. The two largest CAP sectors (Job Creation / Cash Assistance and Food), totaling US\$ 314 million combined, are 11% and 21% funded respectively. Additional sector funding to date includes: Protection (29% funded, 2.5 million USD), (Coordination and Support Services (22%, 4 million USD), Agriculture (9%, 2 million) and Health (20%, 8 million USD). In addition, some 62.8 million USD in funding has been directed to projects not yet designated to a specific sector. The education sector requested \$7.8 million and has to date receive zero funding.

² In 2007, UNRWA, WHO, UNICEF, UNIFEM in the OPT received US\$6,185,459 in support from the CERF for projects in the following sectors: food, health, water & sanitation, protection and shelter. CERF funds serve to address critical emergency needs that arise which are not covered by CAP.

Consolidated Appeal Process 2007: As of 14 April 2008, the 2007 CAP was 64% funded (272.5 million USD of 426.3 million USD – revised request). The two largest OPT CAP sectors (Food and Job Creation / Cash Assistance) received 100% funding (149.8 million USD) and 35% (57.4 million USD) funded, respectively.

In addition, the Humanitarian Emergency Response Fund (HERF), also managed by the United Nations, disbursed approximately USD 780,000 towards NGO programming in the West Bank addressing water contamination and mitigation of extreme weather conditions during 2007 and early 2008.

The PNA is requesting UN agencies to increasingly align their West Bank activities to the medium and longer term PNA development objectives included within the PRDP. Due to the situation in Gaza and near total closures, interventions in Gaza have been almost entirely reduced to humanitarian programming since June 2007. Israeli restrictions on imports suspended some \$213 million in construction and infrastructure projects, including those addressing water, sanitation and emergency shelter.

Ongoing movement and access restrictions in the West Bank, in addition to their impact on regular Palestinian residents, were also disruptive to humanitarian programming. Incidents of delayed or denied access of humanitarian personnel during the reporting period increased 50 percent over recorded incidents during the previous six months.

III. PRDP PROGRAMS

Following the International Donor Conference in Paris, the PNA continued to refine and finalize the PRDP for final submittal and endorsement by the Cabinet and President in April 2008. As previously discussed, some minor changes were made to the recurrent expenditures/budget component and the development components. The information reflected in Table 5 takes into account the final changes made by the Cabinet:

Table 5: Estimated Development Budget as per PRDP 2008-2010 (Millions of USD) by Sectors

Sector	2008 (\$m)	2009 (\$m)	2010 (\$m)	Total (\$m)
Governance	125	158	170	453
Social	162	189	232	583
Economy	107	126	162	395
Infrastructure	98	161	205	464
Grand Total	492	634	769	1,895

Note should be made that these amounts represent expected **annual disbursements** on development programs and are not representative of overall program/project commitments.

A. GOVERNANCE DEVELOPMENT SECTOR

a. Sector Update and Trends

Governance programs and reforms have taken top priority within the agenda of the PNA and this was reflected in activity (technical and financial) with the different agencies and programs. Unfortunately governance-related programs in the Gaza Strip continue to be suspended due to political constraints. The aid coordination structure has evolved substantially over the past seven months and new Sector Working Groups relevant to PRDP programs have been agreed upon and are in the process of being set up as outlined below.

With a number of donors being active in the governance sector there is also a requirement for better harmonized funding mechanisms. Within the governance sector there are already examples of good practices regarding harmonized funding, such as the multi-donor support to the Office of the President and PCBS, the de-facto pooled funding through the EUPOLCOPPS/UNOPS program, and the previous multi-donor mechanism for Palestinian elections administered by the Central Election Commission. Sectoral strategies would be a requirement for further harmonization in most sectors. Governance reform can only thrive if based on broad participation and consensus. Thus, partnership and complementarity with governance relevant players like the PLC and civil society needs to be developed further, as their role in the PRDP was not fully integrated in terms of programs and projects. Table 6 details annual program disbursements in the PRDP.

Table 6: Estimated Development Budget for the Governance Sector as per PRDP (Million USD) by programs³

No.	Program title	2008	2009	2010	Total
1.	Security Sector Reform and Transformation'	62	86	109	257
2.	Justice now	14	12	5	31
3.a.	Open and accountable government	20	23	5	48
4.	The 'Efficient and Effective Government	15	21	35	71
6.	Accountable Local Government	14	16	16	46
	Total	125	158	170	453

³ Note: The development budget allocations in the above table (and therefore incorporated in the approved budget) include contingency funds totalling \$120 million divided across sectors as follows: Governance, \$18m; Social, \$18m; Economy, \$43m; and, Infrastructure, \$41m. These funds are intended for emergency, community-based projects. In all cases, disbursements will be aligned with PRDP program objectives and, as such, these contingency funds are included in the above program allocations.

Security Sector Reform

The PNA is focusing attention on rule of law which requires a strong security apparatus and an equally strong, efficient and capable justice sector. The coordination between the Ministry of the Interior (MOI) on the one hand, and the Ministry of Justice (MOJ), Supreme Judicial Council and General Prosecution on the other hand is thus a prerequisite and will be addressed within the newly founded Security Sector Working Group and the Judiciary Sector Working Group, respectively. The co-chairs for each group will be selected in the near future.

A Strategic Planning Department (SPD) has been established at the MOI, which will work towards an integrated planning process for all Palestinian security forces within an overall strategic framework for the sector. In addition, the SPD is tasked with improving coordination at the level of the individual forces under the MOI and the Office of the President. Capacity development for the blue police, the national security forces and the presidential guard is progressing with the support of EUPOLCOPPS and USSC.

The lack of infrastructure continues to be an obstacle for the effective performance in the security sector, as basic security infrastructure was destroyed by the GOI during the second Intifada. Further efforts are required to incorporate a human rights and rule of law approach through professional training and a closer cooperation between the security apparatus and the judiciary.

On the donor side intensive efforts are underway to finance the priorities of the security sector. We are working closely with them to ensure comprehensive and integrated planning across agencies. The upcoming Berlin Conference will provide a forum for funding to the civil police and justice sector. A successful conference - in addition to already promising prospects for funding in other security fields - is expected to cover the project priorities as expressed in the PRDP project list. The MOI and MOJ are playing a leading role in preparing for this conference that is supported by Germany. As mentioned above, the EUPOLCOPPS and USSC have resumed their role in assisting in the rebuilding of the security sector.

The GOI has recently announced its readiness to facilitate the deployment of Palestinian security personnel in Area B. While this is a positive step, access to Area B and C continues to be the main problem for the enforcement of rule of law. Security coordination with the GOI as well as the facilitation of delivery of essential equipment to Palestinian security forces are vital preconditions for a successful restoration of the rule of law – and thereby the improvement of safety/security conditions - in the OPT. The PNA notes that GOI invasions into areas with newly deployed security forces has served to undermine the credibility of the security forces and should be halted immediately.

Judiciary sector

The MOP has assumed a coordinating role between key institutions in the sector - MOJ, the Supreme Judicial Council and the General Prosecution. Each of the three institutions has already developed a strategy paper for the period 2008-2010 in line with the PRDP. The upcoming challenge is to integrate these individual strategy papers into an overarching strategy and vision for the whole judiciary sector – concrete steps in this regard have already been initialized. Important achievements for the whole judiciary sector have been made with the completion of the Judiciary Training Institute. The PNA's endorsement of additional staffing for the court system and the computerization of courts (e.g. through the Al-Mizan system) aim at reducing the number of backlog cases. One has to keep in mind that the relevance of the judicial system is inextricably linked to our ability to enforce rule of law. There is a clear correlation between the deployment of security forces and functioning of a formal judiciary system. Apart from the need for a common sectoral strategy, the lack of infrastructure and human capacities continue to be the biggest challenge for the judiciary sector. Donors are encouraged to provide comprehensive support to this sector to allow for its full functioning.

Donors have fully resumed their previous support to the judicial sector through projects like Seyada, Netham and other bilateral mechanisms. As previously noted, the Berlin Conference agenda will attempt to raise commitments for the judiciary sector and provide a platform for joint strategic planning on a sectoral basis. Similar to the security sector, a successful conference is expected to mobilize funding requirements (as expressed in the PRDP 2008-2010) for the judiciary sector.

It should be noted that GOI's restrictions on the movement of judicial staff poses a serious obstacle to the judiciary system, as suspects and culprits cannot be pursued by security forces throughout the OPT. Furthermore, justices, lawyers, prosecutors and support personnel face difficulties when traveling to their place of work.

Accountability and Transparency

In the PRDP, accountability and transparency cover issues of financial accountability, democratic control and oversight, as well as national planning processes. Key institutions in this regard are the Cabinet, the MOP, MOF, the Central Election Commission, the Financial and Administrative Control Bureau, the Palestinian Central Bureau of Statistics, and the PLC Secretariat. In general, these issues will be handled by the Governance Strategy Group. However, the Fiscal Sector Working Group, which was established under the Economic Strategy Group (with a link to the Governance Strategy Group), will ensure coordination on issues of financial transparency. The group is co-chaired by the MoF and the IMF.

As previously noted, the PNA side, progress has been achieved with the revitalization of the CTA and the publishing of the monthly budget update on the MOF's website. The Central Election Commission has been integrated into the PNA budget – a step which contributes to financial sustainability in the long term. However, the absence of a

functional Palestinian Legislative Council currently impedes more significant progress in the field of political/legal accountability.

The PNA has for the first time integrated its planning and budgeting processes through the PRDP. This integrated planning process was carried out under a very tight schedule in late 2007 and early 2008 and will require further refinement in its next phase in order to better integrate the local aid-coordination structure into the process. A comprehensive monitoring and evaluation system for the plan is a challenge for the near future.

Donor commitments for the sector provide a mixed picture. While important components, such as support for the PRDP process, certain public-finance-management activities of the MoF, and programmes of the Palestinian Central Bureau of Statistics (PCBS) appear to have received donor attention, other areas remain without funding indications. These include the Financial and Administrative Control Bureau (FACB), the PLC Secretariat, as well as various activities of the Central Election Commission. Due to the short time frame for presidential elections (60 days) it is extremely important to prepare a funding mechanism, which would enable the CEC to go ahead with preparations for these elections once there is a political decision. In addition, it is urgent that funds also be allocated to restart capacity building and institutional development for the CEC.

Public Administration and Civil Service

Most PNA institutions suffered during 2006/7 when donors did not engage with or support governmental institutions. Capacity development and institutional reforms came to a standstill and/or regressed. The lack of contact between the Gaza Strip and West Bank institutions further eroded institutionalization of reforms. The PNA realizes the need to target comprehensive and inclusive reform of the institutional set-up of line ministries and agencies taking into consideration the difficulty in coordinating with human resources in the Gaza Strip. The fact that public administration reform is a cross-institutional endeavor does not ease the challenge. The MOP is taking a lead role in public administration, while the General Personnel Council is already engaged in the systematic upgrading of senior level civil servants through an Italian funded capacity building project.

During 2006/7, donors had restricted their support to public administration and civil service reform via the Office of the President, PCBS, CEC and other independent institutions outside the framework of the government. While a number of donors have indicated their interest to become more active and expansive in this sector, actual engagement requires national ownership and prioritization. The establishment of a Public Administration and Civil Service Sector Working Group will facilitate the coordination amongst PNA bodies and donors in this cross-institutional field. The SWG will need to look at options for harmonized funding. The support to institutions such as the Office of the President and PCBS can provide an example in this regard. In addition, methods and mechanisms for institutional assessments and subsequent restructuring

interventions for line ministries will require harmonization and coordination, spearheaded by MOP, while taking into account the absorption capacities of agencies in order not to overstretch their capacities, ensure ownership and sustainability.

Local Governance

A new Sector Working Group has been established under the Infrastructure Strategy Group (with a link to the Governance Strategy Group) to coordinate on municipal development and local governance. The SWG will meet for the first time in early May and will be co-chaired by the Ministry of Local Government and Denmark.

The PNA has identified the Municipal Development and Lending Fund (MDLF) as the primary agency responsible for enhancing the performance of municipalities and improving infrastructure. Financial performance aspects (accounting) are at the core of the capacity development activities at this stage. Local government elections had been previously handled by the Ministry of Local Government, but this responsibility has now been shifted to the Central Election Commission (CEC). CEC requires funding to be prepared for local elections. Overall donor commitments and pipeline contributions indicate adequate levels of funding are available for local governance. However, CEC requests for funding are still pending.

Funding Status of the Sector

Donors have shown an increasing interest in support to the Governance Sector. The programs on security reform and transformation, justice now, open and accountable government, and accountable local governance have been identified as key targets for revitalization of previous projects that had been halted/delayed and for new commitments of new funds. The following donors are key supporters of these sectors: Belgium, Canada, Denmark, EC, Germany, Islamic Development Bank, Japan, Netherlands, Norway, Sweden, Switzerland, Turkey, UK, UNDP, and USA. Although, many of these donors have actually initiated dialogue on support for these programs a limited number of new agreements have actually been finalized. The Berlin Conference will aid in stimulating the donor community to target their funds to these programs in an integrated and comprehensive manner that will allow for holistic and sequenced support to the programs/projects. Donors are encouraged to allocate support to the program on efficient and effective government that has yet to receive sufficient funds. See Annex 5 for details on funding in this sector.

B. SOCIAL DEVELOPMENT SECTOR

a. Sector Update and Trends

The last six months have seen an increase in military operations, severe restrictions of movement for goods and people, curfews, arrests, house demolitions, land confiscation, settlement expansion and by-pass road construction. These measures have had a profoundly negative impact on peoples' livelihoods and well being in both the West

Bank, but more dramatically in Gaza. This has resulted in a continuing dependence and reliance on humanitarian assistance, particularly for Gaza.

Despite the negative working environment and circumstances, the PNA continues to initiate reforms within the social sector. The delivery of public social services remains a top priority of the PNA. The ministries have committed themselves to preparing long term sector strategic plans that map out improved service delivery over the coming five years. Ministries of Education and Higher Education (MOEHE), Health (MOH) and Social Affairs (MOSA) are finalizing comprehensive sector policy frameworks and plans. The government increased the budget allocation in 2008 for social development expenditure based on the eleven social programs outlined in the PRDP which focus on quality services in health and education, social protection reform, women and youth empowerment, employment generation and cultural heritage. Table 7 details annual program disbursements within the PRDP.

Table 7: Estimated Development Budget for the Social Sector as per PRDP (Millions USD) by programs.⁴

No.	Program title	2008	2009	2010	total
1.	Social Protection Reform and Integration	5	5	2	12
2.	Access to Education	34	46	76	156
3.	Quality Education For All	45	50	51	146
4.	Education Performance & Efficiency	2	2	1	5
5.	Vocational Training Initiative	6	8	15	29
6.	Health Quality Improvement	29	35	52	116
7.	Health Care Affordability	8	10	5	23
8.	Women's Empowerment	8	7	8	23
9.	Youth Empowerment	5	5	3	13
10.	Employment Generation	19	20	18	57
11.	Cultural development and support to heritage and creativity	1	1	1	3
	Total	162	189	232	583

⁴ Note: The development budget allocations in the above table (and therefore incorporated in the approved budget) include contingency funds totalling \$120 million divided across sectors as follows: Governance, \$18m; Social, \$18m; Economy, \$43m; and, Infrastructure, \$41m. These funds are intended for emergency, community-based projects. In all cases, disbursements will be aligned with PRDP program objectives and, as such, these contingency funds are included in the above program allocations.

Education

The MOEHE finalized its 5-year Education Plan, including a comprehensive yearly costing of development and recurrent costs. The MOEHE has prepared a national teacher education strategy which will be launched in early May and was coordinated with donors and UN agencies. The 5 year plan is one of the first concrete achievements in the reform policy of the MOEHE prioritizing quality education.

The MOEHE, with the support of the MOL and MOSA is trying to increase the employability of students through the capacity-building of technical and vocational education training institutions for Higher Education. Additional projects aim to increase the employability of students. These projects are already, in some cases, implemented by NGOs, universities and UNRWA.

The education sector is currently receiving technical and financial support from approximately 20 bilateral and multilateral partners. The PNA highly appreciates the support to the education sector, however, a more unified approach to providing external assistance is required. Furthermore, plans are in place to establish the Palestinian Education Action Fund (PEAF) with the support of Quartet Representative Tony Blair, aimed at improving the quality of education on the basis of the MOEHE 5-year plan. The PEAFF will enhance the learning environment for primary and secondary students, encourage employment opportunities for vocational graduates, and build recreational spaces and support higher education. These plans will hopefully facilitate the concerted efforts underway to develop a sector-wide approach program (SWAP) financed through basket funding arrangements by the end of this year.

Education is the cornerstone of development and state building. Unfortunately, education is being impeded at many levels by the GOI. For instance, in East Jerusalem, the functioning of schools has been hampered by difficulties of access of 200 teachers with West Bank ID and GOI has denied building permits for construction or expansion of schools. Movement restrictions caused by the Expansion Wall, gates, and various fixed and flying checkpoints have severely limited the movement of students and of educators who are unable to reach schools and universities. Access and movement problems have affected 1,000 students in Jenin, 1,050 students and 40 teachers in Qalqilia, 700 students in Salfeet and 400 students in Jerusalem. In the Jordan valley, there has been a complete halt in the construction of schools as the area is zone C and no permits have been issued by the GOI. In Gaza, schools have not been able to receive school books and equipment from the West Bank. Foreign nationals of Palestinian origin – academics and professors – have not been issued visas and are therefore not able to teach at Palestinian universities. Finally, the PNA has not been able to undertake any renovation and rehabilitation of damaged projects due to problems in access movement around Nablus (Huwara and Beit Eba). Gaza in particular suffers from the lack of education material (books, supplies) and construction materials which are not allowed into Gaza. Guarantees should be provided by the Israeli side regarding the access of such materials, supplies, permits and licenses.

Health

The MOH has finalized its National Strategic Health Plan 2008-2010 with the aim of achieving sustainable health care and equity in the provision of high quality health services. The Palestinian health care system is extraordinarily complex, fragmented and faces major challenges in terms of longer-term affordability as well as obstacles to delivery due to access and movement restrictions. Health services are provided by a wide range of service providers including the public sector, NGOs, UNRWA, private for-profit organizations and the police medical service under the supervision and coordination of the MOH. Effective coordination of health services depends on the strong leadership of the MoH and its ability to regulate the services of the different providers. To this end, the MoH plans to strengthen its policy and planning unit and improve the current management information system. The MOH has also re-established a procurement unit and is encouraging donors to support the procurement of pharmaceuticals, consumables and medical equipment through direct budgetary support and through local purchasing whenever possible. The implementation of necessary reforms by the MoH will require a strengthening of existing sector policy discussions and a clear focus on key priorities which the MOH is prioritizing.

Health services are currently supported by 17 bilateral and multilateral donors. The large number of donors involved in this sector can be attributed to the fact that much of the support provided to the MoH is in the form of humanitarian assistance and a number of UN agencies are still playing a role in the provision of in-kind assistance and direct delivery of services. The MOH is working towards targeting a long-term strategic approach to the delivery of health services and the development of policies and approaches. In addition, the MOH requests of donors to support their development agenda that focuses on capacity building, institutional development and access and quality of service delivery. Greater donor support to overcoming obstacles in access and movement imposed by the GOI which are affecting the delivery of health services would also be welcome.

As has been reported by UN Agencies, the GOI has denied and hindered patient health referrals to Jerusalem. Medical teams have not been allowed to enter certain areas (Qalqiliya, Salfeet, and Bethlehem) even for vaccination purposes. Drinking water from wells and aquifers has been contaminated by sewage from Israeli settlements. The closure of Gaza has prevented development projects in the health sector and has hindered training opportunities for health professionals. Referral processes are costly and time-consuming as patients first have to be referred to the West Bank before being transferred to hospitals in Jerusalem, Jordan or Egypt. Medical teams have been attacked by the IDF at checkpoints, particularly in Nablus and the northern West Bank and the delivery of medical supplies and drugs has been particularly affected in the city of Nablus.

Movement restrictions have blocked access of ambulances to urban areas and have resulted in losses of lives, from infants to elderly persons, which could have easily been averted. Reports of long and unjustified halts of ambulances at checkpoints, which can reach up to several hours, have resulted in a number of deaths of patients who were in critical condition. For Gaza, hospitals lack basic supplies, medications, as well as suffer from lack of fuel and long electricity cuts and water shortages, affecting the basic operations of hospitals, the levels of sanitation, and hence, most hospitals have had to suspend their non-critical interventions.

Social Protection

MOSA is now working to enhance its capacity to manage cash-assistance programs to mitigate the impact of the continued socio-economic crisis on a subset of the poorest and most vulnerable households. This will lead to a gradual merger of the various ongoing cash assistance programs. In cooperation with the EC and World Bank, the MOSA is merging the Social Safety Net Reform Project (SSNRP) and the social hardship cases program using a poverty targeting system to select program beneficiaries in a transparent manner. Over 70 % of overall project funds will be channeled to Gaza, where poverty levels are much higher. MOSA has also started developing its social strategic plan including building institutional capacity. A social protection sector working group, comprising key donors, line ministries and NGO representatives is meeting on a regular basis to review social protection policies, address urgent needs and improve the efficiency of the different support systems in place. To facilitate this effort a stocktaking exercise was carried out on all food aid, cash assistance and emergency job creation schemes from 2005 to 2007 and a document defining concepts and terminology of social protection in the OPT was drafted.

MOSA is the key PNA agency that provides social assistance to the poor. They are requesting continued support to develop their role in oversight and regulatory framework for provision of services for the poor and needy that is currently being addressed by a myriad of social service providers. Additional resources will be required from the international community in light of the increased burden on the MOSA and MOL (targeting assistance to unemployed persons) due to the lack of improvement in poverty and unemployment rates and increasing numbers of beneficiaries.

Access and movement continue to hamper the delivery of social services and have also resulted in increasing transportation costs. Furthermore, access and movement restrictions are one of the key factors affecting employment and poverty rates in the OPT. The highest rates of poverty and unemployment are to be found in Gaza, however, assistance and emergency programmes are generally unable to channel aid and assistance to the people in a timely, effective or efficient manner. The closure imposed on Gaza has prevented technical assistance from reaching Gaza and even UN humanitarian agencies are not able to function properly under the current conditions. This is all in contravention of international humanitarian law.

Women

Gender issues and ensuring women's equal rights in society, work, education and all spheres of life are a primary concern and responsibility of the Ministry of Women's Affairs (MOWA), MOSA, and other line ministries. Lack of participation of women in society and in the economic process and their subsequent marginalisation is a leading cause of social disregard towards women and this is related to violence against women which remains a key concern in the OPT. The MOWA is working to develop policies and national strategies that will ensure protection of women's right and empower them to be equal and productive members of society. MOSA operates centers designed for protecting women against violence, often in partnership with civil society organizations. To ensure that there is a national framework for such programs. MOSA has recently drafted a costed National Plan for the Protection of Women from Violence which includes prevention and programs for empowering victims. There are also a number of programs that focus on ensuring women in job creation and employment generation initiatives in various sectors that are also targeting gender based issues.

Gender projects will require particular interventions at the program level and across all sectors. The importance of streamlining gender and women's issues into all sectoral programs/projects is crucial if an improvement in their status and well being is to occur. Support to MOWA, MOSA, MOYS, and MOL are crucial on gender issues if we are to work towards greater equity of services and productive involvement for all. To date, limited financial and/or technical support has been afforded to these initiatives.

Youth

As the Palestinian population continues to grow at 3.3 percent per year the population is becoming increasingly younger. Today, over 52 percent (2.1 million) of the population is 18 or younger. Youth in the OPT have higher dropout rates than ever before, children under 15 are increasingly being exposed to child labor and exploitation, and limited safe, recreational outlets exists.

The MOL, MOYS, and MOSA are targeting youth under the age of 18 and school dropouts through rehabilitation, training and empowerment programs. Both gender and youth are cross-cutting issues which will require multi-sectoral approaches involving a wide range of stakeholders. Donors are increasingly coming on board in support of TVET programs that will enhance the capacity and capabilities of youth to be productive members of the labor force.

Youth projects have been underfunded in the past and will need particular attention. Some planned donor intervention such as the planned Millennium Development Goals program (Youth Window) will provide funding outside of requested PRDP programs that is complementary to the PRDP objectives.

Employment generation

With the economy in recession, the market/private sector cannot cope with incorporating the high rates of young entrants into the labor market. As a result, unemployment levels are highest in the lower age groups. Currently, a Palestinian between the ages of 15 and 24 is twice as likely to be unemployed as a Palestinian over the age of 30. This is especially true in Gaza where the unemployment rate for persons aged 15 to 24 stands at 44%. MONE, MOL, MOSA and MOYS are trying to empower people through job creation and micro-finance programs like the micro-financing project which is funded by the Islamic Development Bank, the USA Overseas Private Investment Corporation and Palestinian Investment Fund small and medium sized enterprise loan guarantee program, and the KFW/German and EC/EIB Credit Guarantee Fund. Furthermore, strong linkages will need to be created between job creation programs and programs in the infrastructure and economic sectors, in particular land reclamation projects outlined in the PRDP for which donors have expressed significant interest. The Ministry of Labour also has a program on strengthening labour market information and transparency to improve the potential for job seeking.

Lifting restrictions on access and movement and allowing border movements are essential if an improvement in employment opportunities is expected. To date, GOI has not facilitated these requirements. Similarly, allowing access to zone C for land reclamation and setting up industrial zones is another way for improving employment generation.

Culture, creativity and heritage

This new PRDP program was added subsequent to the circulation of the Paris/December PRDP summary and presents cultural diversity as a central element of Palestinian identity and as crucial for social cohesion and economic development. It focuses on developing an enabling environment and coherence in promoting Palestinian culture, through both the safeguarding of cultural heritage and the strengthening of cultural/creative industries based on a strong public-private partnership. It also addresses existing disparities in access to culture by creating new opportunities for isolated communities and young people to participate in cultural life. The Ministries of Culture, Tourism and Antiquities, and Labor are key agencies implementing projects in this area.

Funding Status of the Sector

All of the programs in this sector are underfunded. Although, the World Bank and EC are the primary supporters of the Social Protection Reform program additional funds are needed for projects to support the most marginalized groups. Within the 4 Education Programs, donors like Belgium, EC, Finland, France, Germany, Greece, Italy, Islamic Development Bank, Japan, Norway, South Korea, Spain, Switzerland, UN agencies, and Qatar are providing substantial support to TVET and education performance programs. However, programs on access and quality education require additional allocations of resources to meet the requirements defined in the PRDP.

Both health programs are underfunded. The projects defined under of health quality and health care programs are critical in helping to move back to a development agenda within the health sector. The remaining 4 programs: women empowerment, youth empowerment, employment generation, and culture have received virtually no funding at this time. Allocations of resources within this sector are still primarily emergency and humanitarian assistance. Donors are encouraged to provide new allocations of resources to both of these programs. Donors currently working within these programs include Belgium, Brazil, EC, France, Italy, Japan, UN Agencies and the World Bank. More international cooperation is required within the health sector. See Annex 5 for details on ongoing funding and future commitments to this sector.

C. ECONOMIC DEVELOPMENT SECTOR

a. Sector Update and Trends

Trade with Israel constitutes the backbone of Palestinian economy and comprises 95% of total trade volume. In the West Bank, the number of checkpoints increased from 376 in August 2005 to 580 in early 2008 hampering trade and increasing transportation costs. In the Jordan valley, for example, Palestinian producers have no access to other agriculturally productive zones within the West Bank hence they cannot work. In the West Bank, 38% of land has been confiscated for settlements, outposts, military areas, municipal boundaries and settlement regional jurisdiction. The PNA is undertaking all necessary reforms to ensure a more enabling economic environment exists, however, under the limited improvements in access and movements these reforms have a negligible impact. Table 8 below identifies key PRDP programs targeting economic development.

Table 8: Estimated Development Budget for Economic Sector as per PRDP (Million USD) by Programs ⁵

No.	Program title	2008	2009	2010	total
1.	Institutional Reform for Enterprise	10	10	10	30
2.	Enterprise Investment and Development	12	12	12	36
3.	Trade Infrastructure and Facilitation	18	18	16	52
4.	Agribusiness Development	18	24	24	66
5.	Industrial and Services Capacity Development	19	23	36	78
6.	Tourism Industry	15	14	14	43

⁵ Note: The development budget allocations in the above table (and therefore incorporated in the approved budget) include contingency funds totalling \$120 million divided across sectors as follows: Governance, \$18m; Social, \$18m; Economy, \$43m; and, Infrastructure, \$41m. These funds are intended for emergency, community-based projects. In all cases, disbursements will be aligned with PRDP program objectives and, as such, these contingency funds are included in the above program allocations.

	Development				
7.	Affordable Housing	15	25	50	90
	Total	107	126	162	395

The PNA has achieved some progress in specific parts of the Economic Development agenda of the PRDP. The PNA in cooperation with the private sector are working closely with donors and other investors to identify initiatives that contribute to the PRDP economic development programs and objectives. One of the noticeable trends in the economic sector has been that donors have worked through pooled or basked funding as is reflected in private-public initiatives in the housing sector. Both PIF and private developers have advanced proposals for housing developments in various parts of the West Bank, including new towns, expansions of existing municipal areas, and new neighborhoods within existing municipalities. These initiatives represent serious potential for significant public and private investment in the housing and construction sector. Advancing these proposals will require comprehensive review from the PNA-MOLG, MOPWH, MOP- to ensure consistency with national priorities and master plans, availability of resources for the necessary infrastructure, and the resolution of related mortgage financing issues.

To resolve the issue of mortgage finance, the Palestinian Investment Fund (PIF), OPIC, IFC, and DFID have moved forward with a 500 million USD housing finance initiative to establish a mortgage facility to provide long-term mortgage products. This initiative has received the support of the PNA and OQR. The MOU to create this facility was signed by PIF, OPIC, and IFC on 14 April with DFID announcing its intention to join with GBP 10 million for the first loss component.

The PRDP proposed the establishment of a number of industrial estates located in the border areas between the West Bank and Israel, namely the Jalameh industrial estate in the Jenin district, the Agro-industrial estate in Jericho, and the Tarqumiyah industrial estate in the Hebron district. The German government has committed 10 million USD to the development of off-site infrastructure for the Jenin industrial estate which has had Israeli approval since 2000, and the agro-industrial estate in Area B near Jericho is progressing through the feasibility study stage with JICA support with implementation expected to begin at the end of the year. The Turkish government has also made commitments for the development of the Tarqumiyah industrial estate; however there is little movement on this development due to the lack of Israeli approval of the proposed location of the industrial estate in Area C. The OQR is facilitating discussions on moving these programs forward with the GOI.

The PRDP budgeted 21 million USD for commercial crossings between the West Bank and the Gaza Strip. USAID has committed to undertake a trade facilitation project that will address both institutional development and infrastructure needs at the crossings between Israel and the West Bank with an estimated fund of 14 million USD.

The key area of policy reform emphasized in the economic section of the PRDP was land management and administration, to which Finland, the World Bank, and Denmark

have responded with a plan to launch a new land management project starting in 2009 in extension of the work currently being undertaken under the existing Land Administration Project (LAP). Approximately 20 million USD is planned to be committed over a four-year period to cover PLA institutional building, surveying and systematic registration, and policy reforms.

Small and medium enterprises seeking support in developing new markets, products, or technologies will receive support from the ongoing German Private Sector Development program and soon from the Enterprise Learning Fund with about 7 million USD from DFID and the World Bank. The Enterprise Learning Fund proposed in the PRDP is in fact a program that had been conceived in 2007 and is expected to begin providing matching grants to Palestinian businesses in 2008. USAID is also in the early stages of preparing for a new enterprise development project which will also provide services to SMEs, but would not be expected to begin operations before 2009.

The PNA emphasizes the importance of repayment of private sector arrears for economic recovery. The MOF has sped up payment of arrears to the private sector beyond what was originally budgeted in the PRDP (due to increased budget support provided during the 1st quarter of 2008). This provided an influx of liquidity to the private sector.

Agricultural development projects disbursements for the next three years have been budgeted at 62 million USD in the PRPD. Despite the program being labeled as agribusiness development, a strong emphasis has been put on projects seeking to improve the agricultural infrastructure and build the sectors capacity, through infrastructure and administrative rehabilitation, among other things. A number of projects were previously funded, but had been halted or canceled at the beginning of the second intifada or in 2006 and 2007. Donors are encouraged to re-initiate these programs and support the new projects identified under the PRDP 2008-2010.

With regards to Information Technology (IT), no projects have been put forth under the Economic Development Sector of the PRDP although some e-government and capacity building projects are included under governance. However, the Ministry of Tourism and Antiquities has put forth 14 projects, valued at approximately 35 million USD, which are being implemented under the Tourism Industry Development Program and are meant to boost travel to the OPT and revitalize this sector of the Palestinian economy. The most notable project under this program is the development and rehabilitation project of Hisham's Palace as a national archeological park. Mr. Tony Blair and the Prime Minister have emphasized the importance of Bethlehem tourism and improvements in this area are already being reported.

The PNA acknowledges a slight delay in finalizing preparation of projects under the PRDP programs. It is likely that development activities in the first and second quarter will mostly represent existing programs rather than new commitments related to PRDP implementation. The PNA is putting forth a concerted effort to speed up project design and implementation in the first and second quarter. A sub-sector programming approach will be required to cluster projects around sub-sector objectives and

strategies. Institutional capacity-building particularly with cooperatives, unions and business associations will also be required to strengthen more practical interventions. Economic projects supporting job creation will need to be linked to job creation in the social sector. Of top priority is establishing functioning public-private cooperation and coordination mechanisms to ensure that all parties facilitate an enabling environment for private sector development. The PNA will look into long term recovery programs for the Gaza Strip that will help to rebuild the stagnating private sector that is the outcome of the continued and unrelenting closure.

Projects aimed at developing and diversifying export trade to date have received limited donor commitments. Increased and speedy donor support will be required in this sector to ensure timely implementation of activities. At the same time there is increasing interest by many donors such as DFID, USAID, Germany, Sweden and others to support economic development. It will be important to ensure donor assistance is provided to the private sector through the Private Sector Coordination Committee and the Private Sector Plan under the leadership of the Ministry of National Economy. Donor support at the national and headquarters level at encouraging direct investment in the OPT will be key to furthering economic growth. There have been no new commitments to support developing and harmonizing quality standards, testing, and certification which are necessary to improve the competitiveness of Palestinian products. These types of interventions are support mechanisms that will enhance outcomes of the Palestine Investment Conference scheduled for May 21st which aims to open up new avenues of foreign and local investments within the country.

The primary obstacle to economic development and achieving economic recovery in Palestine is the continued closure of Gaza by the GOI and the continued impediments to access and movement in the West Bank. The near complete closure for all trade with the exception of humanitarian goods and basic foodstuffs has practically shut down most private sector activity in manufacturing, construction, and even agriculture.

In the West Bank, access and movement restrictions by the GOI and the lack of improvement in conditions on the ground continue to depress economic activity. Continued Israeli delays in releasing the required frequencies for the second mobile operator prevent the launching of operations of what is expected to be a major employer.

In the Jordan valley, there is a lack of free access to main roads #1 and #90 to allow goods, services and people to access the region as only those with special permits are allowed access. The Jordan Valley areas need direct access to other agriculturally productive zones within the West Bank (e.g. northern region – Toubas, Jenin) so that produce can be received directly. The GOI has yet to provide guarantee of free access and movement to and from the planned industrial zones within area A.

The Turkumiya industrial zones has been identified and shared with the GOI. The PNA is requesting that this site be located in zone C, close to the border. This will require a

change of status to Zone A or a special economic zone to allow for Palestinian internal control and management of the site. To date the GOI has not given formal approval for using this site.

The PNA wants to initiate major renovation and rehabilitation of damaged projects in the Nablus area, special attention needs to be given to access and movement here.

The PNA requests the reopening of the border crossings for people and goods and allowing imports and exports, including exports through Rafah. In the West Bank this requires improving conditions on the ground, including the cessation of Israeli settlement activity, removal of internal movement restrictions, allowing development and investment in all areas including Area C, and facilitating trade at the commercial crossings.

Additional investment priorities include: developing and diversifying export trade; supporting Palestinian producers in the domestic market; attracting new private investments; and quality infrastructure.

Investments supporting Palestinian producers in the domestic market can counteract the impact of Israeli policies which have fragmented the domestic market and increased the costs and uncertainties of domestic marketing for Palestinian producers. The Palestinian Investment Conference represents an opportunity to catalyze new private investments and should be supported to ensure that investors from the all over the world, including the Arab region, are able to attend.

Funding Status of the Sector

The seven programs defined in this sector are all severely underfunded. Less than 20% of the programs/projects identified in these programs have received support in terms of ongoing programs/projects or new commitments. The following donors are active within this sector to date include Brazil, Denmark, EC, France, Germany, Japan, PIF, UNDP, USA, and the World Bank. Particular attention should be paid to projects within Trade Infrastructure and Facilitation, Industrial Capacity Development and Institutional Reform and Development. The upcoming Palestine Investment Conference's success in part is dependent upon changes that should ensue by supporting an enabling economic environment within the OPT. The aforementioned programs/projects are designed to achieve this goal. Without adequate support (financial and technical) limited improvements within the economic sphere will follow. See Annex 5 for details on funding within this sector.

D. INFRASTRUCTURE DEVELOPMENT SECTOR

a. Sector Update and trends

Several strategic infrastructure projects (especially large-scale projects) are still on hold due to donor concerns about the political situation, especially in Gaza. Others have been delayed due to security reasons and required approvals from GOI. The PNA has taken all measures to ensure that projects are implemented in Gaza. However, the hold on projects is due to the strict closures imposed on Gaza and the lack of delivery of construction materials due to restrictions by the GOI. In the West Bank, different problems are encountered in areas A, B and C due to required permits, delineation arrangements, land acquisitions and lack of coordination amongst different stakeholders. This has resulted in the re-designing of projects in some cases, such as in the case of supplying electrical equipment for Northern West Bank and other distribution companies instead of implementing projects in other regions of the country. Table 9 below details proposed new programs within the PRDP for the infrastructure sector.

Table 9: Estimated Development Budget for Infrastructure Sector as per PRDP (million USD) by Programs⁶

No.	Program title	2008	2009	2010	total
1.	Road Improvement	32	40	60	132
2.	Road Safety	5	8	12	25
3.	Air and Sea	4	13	18	35
4.	Electricity Sector Investment	18	24	26	68
5.	Water and Wastewater Management	30	54	54	138
6.	Solid Waste Management	5	14	18	37
7.	Public Recreation and Culture	4	8	17	29
	Total	98	161	205	464

The PNA notes that some water and sanitation projects are moving quickly and are producing immediate impact e.g. water loss programs, small-scale water and sanitation programs, water supply and distribution systems, prepaid meters in the electricity sector and job creation programs. These projects or programs have a strong positive impact on public resources and on public debt. Together with improved payment procedures for utility collection, the PNA reports increased reductions in net-lending costs.

⁶ Note: The development budget allocations in the above table (and therefore incorporated in the approved budget) include contingency funds totalling \$120 million divided across sectors as follows: Governance, \$18m; Social, \$18m; Economy, \$43m; and, Infrastructure, \$41m. These funds are intended for emergency, community-based projects. In all cases, disbursements will be aligned with PRDP program objectives and, as such, these contingency funds are included in the above program allocations.

PNA's leadership in setting project priorities has significantly increased donor support to this sector at the national level. Donor coordination has significantly improved in the last five months and has gained momentum with the fulfillment of pledges from the Paris Conference. For example, on the Beit Lahya wastewater project, progress has been achieved with active involvement of lead financiers (WB, EC, and AFD), construction of the pumping station, main force, and effluent infiltration basin.

The PNA encourages using basket funding for funding of planned programs to increase the harmonization of aid and speed up implementation. Basket funding has taken place in a number of infrastructure projects and will be further encouraged through the Infrastructure Strategy Group. This is a strategy that has been used with the Municipal Development Lending Fund and with some large programs like the North Gaza Sewage Treatment plant.

There has been some improvement at the Water SWG level as increased negotiations have taken place between the GOI, PNA and the USA through the Joint Water Committee (JWC). However, there is still an urgent need for shared priorities (environment and risk management) between the GOI, PNA and donors. The GOI has not been issuing permits for the construction of roads between zones A, B and C.

In the energy sector, projects are moving very quickly and have met with limited obstacles by the GOI. PEA has a long term strategic plan that has been previously shared with all partners. They are currently working to diversify their source of energy to reduce dependency on the Israeli Electric Company.

Delays in implementation and the lack of security in both the West Bank and Gaza pose severe environmental hazards to the Palestinian population and prevent Palestinian institutions from efficiently managing the environment resulting in shortages in energy and water and sanitation. This issue has been raised above. The PNA is working on strengthening and disseminating the security forces, however, the GOI is not supporting this process.

An additional obstacle faced by infrastructure projects is due to higher costs for technical assistance because of access and movement issues and security. To counter this trend, donors will need to consider quicker implementation schedules and consider increases in overall costs and/or more local implementation and expertise.

The PNA notes that the lack of national strategic plans for different sectors especially for roads is a major obstacle for proper development. In the electricity sector, the capacity of the Palestinian Energy Authority Capacity has improved but the capacity of local electricity distribution companies still needs significant investment. PNA institutions in Gaza have been particularly affected by the freezing of government accounts, authorization issues and new management structures. Although the PNA is ensuring that all salaries for civil servants reach Gaza and payments on projects are fully covered by the PNA/donors.

Donor coordination needs to be improved, in particular to ensure that small-scale projects are well coordinated with all existing initiatives. There is still hesitation on the part of some donors to engage in large-scale projects due to difficulties in identifying and attracting international companies to respond to bids for project implementation. Coordination should be improved by increasing the frequency of JWC meetings, having SWGs focus on concrete projects and continuing to integrate PNA line ministries in coordination meetings. One of the general constraints faced in this sector is caused by donor procedures for the release of financial disbursements which take around six months. This has added to delays in project implementation and project costs due to the fluctuation of the economic situation and the market value of building materials and equipment.

The GOI has yet to submit written procedures and timeframes for approval of passage of goods and personnel. In addition, a number of projects are on hold awaiting action by the GOI and all major infrastructure projects in Area C have been delayed or blocked by the GOI. Projects for waste water treatment for Gaza in the amount of €120 million and 21 million USD are awaiting coordination by the GOI to facilitate the entry of materials and personnel. Similar projects for waste water treatment plants in Tulkarem, Nablus, and Ramallah (worth €94 million) are waiting for JWC approval to begin project implementation. A waste water treatment project for East Jerusalem Area in the amount of Euro €20 million requires the securing of necessary permits by the GOI through the JWC to begin project implementation. An Electric Utility Management project for North, Central and South West Bank in the amount of 160 million USD is waiting for immediate approval of the GOI of the sites proposed for the establishment of sub-stations in Area C in order to begin project implementation.

In this sector, more emphasis on humanitarian assistance for Gaza is essential and stronger support will be required for job creation projects with sustainable output in both Gaza and the West Bank. Overall, greater confidence in the operating environment will be required to allow for both basket funding as well as direct contributions to PNA agencies to ensure continued delivery of basic services and utilities..

The PNA is working on involving NGOs, the private sector, the Association of Palestinian Local Authorities, and MDLF in the Municipal Development and Local Governance Sector Working Group. This will allow for greater harmonization of interventions in this sector by various stakeholders.

Increased donor support will be required for municipal infrastructure rehabilitation, maintenance and upgrading. An additional priority is the construction of access roads from urban centers and surrounding sub-centers, and roads that connect commercial crossings with Israel. Work on these roads is generally within the PNA's jurisdiction and can have significant impact on the cost of transport and time of travel, thus improving the Palestinian life conditions. The government has noted in its revised PRDP the importance of supporting "emergency community projects" across all sectors. These types of interventions (mostly infrastructure and job creation based) allow the PNA an avenue to provide immediate support to small interventions that are needed at the

community level. Finally, the PNA encourages donors to further explore the frameworks required for basket funding.

The GOI is requested to issuance permits for projects in Area C or preferably to allow all infrastructure projects to proceed in zones a, b, and c without any interference or delays from their side. The lack of construction permits prevents communities from developing number of agencies have also reported being forced to remove temporary structures for basic services which do not require approval by the GOI according to the Oslo Agreements.

Funding Status in the Sector

The infrastructure sector has seven programs identified. The only program that is underfunded at this time is the Road Safety program. The infrastructure sector differs from other sectors in that many of the projects that are defined require large investments, long design phases, and take over 3-4 years to implement. Hence disbursements over time are constrained. If one examines the tables detailed in Annex 5 it will be noted that in all of the programs there are currently ongoing and committed funds in excess of what has been requested. However, in actuality few new projects have actually been finalized or new agreements signed. It is urgent that within the programs of water and water sanitation, solid waste management, road improvement and energy that these new projects be given attention and funds. Donors working within this sector include Austria, Belgium, Canada, Denmark, EC, EIB, France, Germany, Greece, IDB, Italy, Japan, Netherlands, Norway, Spain, Sweden, UN Agencies, and USA. See Annex 5 for details on funding within this sector.

D. ANALYSIS OF AID COORDINATION MECHANISMS IN THE OPT

a. Background

Aid coordination structures were partly dormant during 2006 and the first half of 2007 because of donor policies which prevented both contact with and direct assistance to the Hamas-led PNA and limited contact with the National Unity Government (NUG). The situation changed in June 2007 when President Abbas dissolved the NUG and appointed our new government led by Dr. Salam Fayyad. Donors then re-established contact with the PNA. As a first step in improving the situation, the PNA initiated a multi-year development and budgeting process, revitalized the aid coordination structures that had been agreed at AHLC meeting in December 2005 and were supported at the AHLC meeting in September 2007.

b. Local aid coordination structures in the OPT

Currently existing aid coordination structures in the OPT were set up to improve aid harmonization, alignment and ownership based on national priorities of the Palestinian

people in line with the OECD-DAC Paris Declaration on Aid Effectiveness. At the local level, the coordination structure⁷ currently comprises:

1. **A Local Development Forum (LDF)** which is open to PNA representatives and all donor and aid agencies as well as to the representative of the international NGO network (AIDA). The LDF is co-chaired by the Ministry of Planning, together with Norway, the World Bank and UNSCO. LDF meetings are planned and prepared through meetings of the LDF co-chairs and Friends of the Co-Chairs. Since October 2007, LDF meetings have been chaired by the Palestinian Prime Minister.
2. **Four Strategy Groups (SGs)** which deal with the main clusters of economic policy, governance, infrastructure development and social development/humanitarian issues. The SGs focus on support to policy formulation and programmatic coordination, pursuing better design of projects to support the PNA's sector priorities as well as a higher degree of harmonization of donor procedures and assistance. Membership is limited and based on clearly added financial or analytical value of the respective agency.
 - a. These four SGs are co-chaired as follows:
 - i. The **Governance Strategy Group** is co-chaired by the Ministry of Planning and the EC;
 - ii. **Economic Strategy Group** is co-chaired by the Ministry of Finance and the World Bank;
 - iii. **Social Development and Humanitarian Assistance Strategy Group** is co-chaired by the Ministry of Social Affairs and Labour and UNSCO.
 - iv. The **Infrastructure Strategy Group** is co-chaired by the Ministry of Housing and Public Works and USAID.
3. The SGs are supported by the work of **thirteen⁸ sub-groups⁹ - namely eleven Sector Working Groups (SWGs) and two working groups** - that report to the SGs. These are functional groups which are the main instrument of coordination between the PNA and the donor community at the technical level. The following SWGs currently exist: Agriculture, Fiscal, Private Sector and Trade, Water and Sanitation, Municipal Development and Local Government, Health, Education, and Social Protection. The following four donor support groups in the governance sector may be formalized as SWGs in the course of 2008: Judiciary, Public Administration and Civil Service, Elections, and Security. The Education SWG is further supported by a **Thematic Group on Higher Education** and the Fiscal SWG is supported by a **Fiscal Task Force**.
4. **A Task Force on Project Implementation (TFPI)** which liaises with the GOI on issues of project implementation and comprises USAID, UNSCO, EC, the

⁷ Please refer to Annex 1 for a diagram on local aid coordination structures

⁸ Three groups in the governance sector are currently being established

⁹ Please refer to Annex 2 for a detailed list of co-chairs, technical advisors and members of the SGs and SWGs

World Bank. The TFPI has a rotating Chairmanship with each member taking on the position of Chair for a six-month period.

5. The LDF, SGs, SWGs and TFPI are supported by the **Local Aid Coordination Secretariat** (LACS). LACS and its seven staff are sponsored/funded by Norway, World Bank, UNSCO, USAID and Germany. The work of these structures is further supported by four Strategy Group Coordinators provided by the World Bank, European Commission, UNSCO and USAID.

V. AID HARMONISATION

A. GENERAL OVERVIEW

Improving and monitoring aid effectiveness is particularly important in the OPT given the exceptionally large presence of donors and international agencies as well as the fact the OPT has one of the highest levels of aid assistance per capita in the world. The Paris Declaration on Aid Effectiveness, the Principles of Good International Engagement Fragile States and the Good Humanitarian Donorship are particularly relevant in the OPT, which is a unique case of fragility due to the Israeli occupation.

The PNA began with the process of endorsing the Paris principles in 2005. As part of its efforts to join the OECD as an observer in 2007, we started raising the awareness of PNA institutions about these principles and producing a harmonisation action plan. These efforts were particularly pertinent in light of changing patterns of aid since the signing of the Oslo accords in 1994. The shift to humanitarian aid at the expense of development aid resulted in changing modalities and channels of aid. These changes were also manifested in a dissonance between usual organisational mandates and actual state of affairs.

In 2000, the Government of Japan and World Bank commissioned a review of aid effectiveness in the West Bank and Gaza. As part of its harmonisation efforts, in 2008 the MOP has requested of the World Bank that another comprehensive review of aid effectiveness in the OPT be undertaken, encompassing all forms of aid and considering their effectiveness in economic, humanitarian and institutional terms. In 2007, the MOP commissioned the production of an Inception Report. The report entitled *Aid Harmonisation and Effectiveness in Palestine- Inception Report* took stock of developments in aid management and produced recommendations for PNA institutions and the donor community with the aim of increasing aid effectiveness. The recommendations were grouped into the five following areas in accordance with the Paris Declaration, providing benchmarks for performance:

- Donor's actions are more harmonized, transparent and collectively effective
- Donors based their overall support on partner countries' national development strategies, institutions and procedures
- Partner countries exercise effective leadership over their development policies
- Good humanitarian donorship
- Good practice in donor support to NGOs.

Coordination with the Office of the Quartet Representative

Since the last AHLC, we have been working closely with the Quartet Representative, Mr Tony Blair, and his office, the Office of the Quartet Representative (OQR), to secure a broad package of measures related to movement and access, the economy, and the quality of life in the West Bank and Gaza. The OQR has been working with the PNA to progress a series of economic projects. Funding has now been secured for a multi-million dollar housing initiative (described above in the economic development sector) that will also establish the first low-cost mortgage facility for Palestinians. We are also working together to facilitate preparations for Jenin and Tarqumiya industrial parks, and work to develop park infrastructure should start by the end of the year. We are working closely with Mr. Blair to ensure that the Palestine Investment Conference is a success, and on ensuring international investors understand the investment opportunities available in the West Bank and Gaza. The OQR is working with the GOI to ensure a second mobile phone operator can begin to operate in the West Bank and Gaza in the near future – bringing competition to the sector and revenue to the PNA. The OQR has continued to help facilitate the entry of goods into Gaza to complete the North Gaza sewage project and is also working with us to facilitate other critical water and sanitation projects in Gaza. With the personal support of Mr. Blair, the PNA is developing a privately-funded 'Palestinian Education Action Fund' that will improve the learning and recreational environment for over a million students in the West Bank and the Gaza Strip. We anticipate that this will start to have an impact from September 2008. The importance of working closely with the OQR to facilitate program implementation within the OPT is crucial.

PROGRESS IN HARMONISATION EFFORTS SINCE THE LAST AHLC REPORT

The PNA's harmonisation initiative was overtaken by events in 2006 but reinvigorated in the second half of 2007, with the appointment of the government led by Prime Minister Salam Fayyad. The following activities undertaken since the second half of 2007 have contributed to general harmonisation efforts by the PNA:

- i) The PNA produced the PRDP which has linked the national plan to a medium term expenditure framework and has been linked to financial reforms. Since the last AHLC meeting in September 2007, the PNA has finalized the PRDP and has provided support to line ministries in finalizing their project proposals.
 - ii) Aid coordination mechanisms adopted at the AHLC in 2005 including the LDF, SGs and SWGs have been functionalized and institutionalized.
 - iii) Sectoral plans have been produced in sectors such as education, agriculture, security, economy, private sector, social affairs and energy.
 - iv) The PNA has encouraged donors to pool funding through Sector Wide Approaches (SWAP) and Programme Based Approaches (PBA) in areas such as education, PCBS, MDLF, culture, energy and health.
- a. With the endorsement of the Prime Minister, the PNA has commissioned a team of consultants to produce a PNA harmonisation and action plan, as a follow-up to the *Inception Report on Aid Harmonisation and Effectiveness in Palestine*.

- b. The PNA has organised workshops with line ministries to raise their awareness of best practices and gains in engaging in harmonisation efforts.
- c. The PNA revisited its previous initiative (begun in 2006 but overtaken by the crisis) with UN agencies, on the need to align the CAP with the PNA's emergency planning processes and distinguishing between emergency efforts and the delivery of basic services in health, education, water and sanitation to non-refugee populations to be led by the PNA's line In addition, EU member states, as part of their harmonisation efforts, adopted in 2007, an *EU Code of Conduct on Complementarity and Division of Labour in Development Policy*. Five of the eleven guiding principles of the Code are particularly relevant to EU member states in-country and are to be implemented on a gradual and voluntary basis. The European Commission Technical Assistance Office in the OPT produced *Vade mecum on EU local aid coordination in the OPT* which was adopted by EU member states in the OPT.
- d. Since the Paris International Donor Conference improved PNA-Donor relations are noted:¹⁰
 - a. Number of donors who have committed budget funds to CTA, PEGASE or PRDP-Trust Fund within the first quarter is greater than at any other period of time.
 - b. Number of donors who have initiated and or completed annual reviews and consultations on their aid assistance has increased compared to any other previous reporting period.
 - c. Transparency on allocations of funds, inputting information on aid commitments and disbursements is underway and cooperation amongst most donors is positive.
 - d. Aligning aid assistance with the PRDP is top priority for donors and they are targeting their funds to the government's agenda.

B. FUTURE OPPORTUNITIES IN AID HARMONISATION

The PNA is planning to undertake the following efforts to contribute to aid harmonisation in the coming period.

- The continuation of fiscal reforms in net lending, the payment of arrears and the establishment of a comprehensive social safety/security system
- The continuation of security and rule of law reforms.
- A continued shift from humanitarian to development assistance
- The development of specific national policies and criteria to direct development across all sectors.
- The dissemination of the Inception Report to PNA institutions and the donor community for feedback.
- The production of an aid effectiveness and harmonization action plan for the OPT with the full engagement of PNA institutions to ensure maximum national ownership. The participation of NGOs and the private sector is expected to take place in the next stage.

¹⁰ See Annex 4 for a detail on donor consultations and commitments in line with Paris Pledges.

- The organization of workshops promoting aid effectiveness and harmonisation; involving the donor community and UN agencies.
- The endorsement of an aid effectiveness and harmonization action plan by the Cabinet.
- The further improvement and routinisation of the work of SGs and SWGs through the production of Standard Operating Procedures.

These PNA efforts in aid harmonisation can be complemented with the following actions by donors and international agencies:¹¹

- Increasing the coordination of humanitarian action and transfer to development assistance, including promoting the leadership role of the PNA in coordinating and managing aid.
- Using the CTA and supporting the Palestinian FMS, procurement and auditing systems.
- Aligning funds with the PRDP programmes and projects through coordination with the PNA; engaging with the PNA through formal consultations and negotiations to ensure focus on priorities, eliminate duplication, rationalise donor activities to maximise cost-effectiveness.
- Increasing pooled funding approaches and basket funding such as SWAPs and PBA.
- Providing commitments or indications for multi-year funding to enable the PNA to plan better the implementation of the PRDP and provide untied aid whenever possible.
- Increasing the adoption of a joint-mission approach.
- Increasing the proportion of donor assistance channelled directly through the PNA/ MOF and disclosing information on aid through other modalities.
- Developing and strengthening the capacity in the PNA as well as the private sector and NGOs by providing assistance for the development of the financial systems and aid management systems essential for improving transparency and accountability in the utilisation of donor resources and countering corruption, and by avoiding Parallel Implementation Units.
- Harmonising the delivery of technical assistance in line with PNA needs when using other channels; reducing duplication and transaction costs; reducing external management and overhead costs of projects by promoting the private sector in their management and delivery and increasingly using national implementation partners.
- Providing timely, transparent and comprehensive information on foreign aid flows, including levels of pledges, commitments and disbursements in a format that will enable the PNA to plan its own activities.

¹¹ See Annex 3 for an update on Paris Pledges and PNA-Donor actions being taken to materialize the pledges into commitments based on Best Aid Practices.

VII. ANNEXES

- Annex 1: Budget support through STA, PEGASE, PRDP-TF
- Annex 2: Diagram of existing aid coordination structures in the OPT
- Annex 3: List of co-chairs, technical advisers and members for SGs and SWGs
- Annex 4: List of Paris Pledges and PNA-Donor actions to materialize the pledges into commitments using Best Aid Practices
- Annex 5: Ongoing and future commitments on public investments/development programs
- Annex 6: Overview of Aid Assistance 2005-2007

Ministry Of Finance
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تفاصيل التمويل الخارجي-المنح

ARAB DONORS	2006	January	February	March	April	May	June	July	August	September	October	November	December	2007 Total
Saudi Arabia	\$83,735,365	\$0	\$0	\$47,520,000	\$0	\$49,889,135	\$0	\$0	\$0	\$30,295,062	\$0	\$0	\$0	\$127,704,197
United Arab Emirates	\$20,000,000	\$30,000,000	\$0	\$0	\$0	\$80,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$110,000,000
Arab league	\$144,322,378	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Arab Nations Fund	\$67,946,368	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Oman	\$6,599,863	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Algeria	\$34,861,189	\$0	\$0	\$0	\$52,799,969	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$52,799,969
Kuwait	\$73,243,968	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,829,733	\$0	\$18,586,081	\$0	\$0	\$33,415,814
Iraq	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000,000	\$0	\$0	\$0	\$0	\$10,000,000
Qatar	\$15,092,849	\$0	\$22,267,004	\$22,437,007	\$0	\$21,696,050	\$43,676,812	\$0	\$0	\$0	\$0	\$0	\$0	\$110,076,873
TOTAL	\$445,801,980	\$30,000,000	\$22,267,004	\$69,957,007	\$52,799,969	\$151,585,185	\$43,676,812	\$0	\$24,829,733	\$30,295,062	\$18,586,081	\$0	\$0	\$443,996,853

INTERNATIONAL DONORS	2006	January	February	March	April	May	June	July	August	September	October	November	December	Total
ESSP	0	\$1,294,795	\$937,597	\$1,718,142	\$395,112	\$3,028,625	\$0	\$4,827,717	\$3,469,233	\$2,524,853	\$1,941,391	\$4,040,610	\$2,355,473	\$26,533,548
TIM	\$227,207,845	\$16,892,523	\$29,806,736	\$46,186,469	\$14,948,422	\$41,637,758	\$37,044,020	\$48,453,101	\$39,564,573	\$51,327,063	\$45,884,098	\$35,717,228	\$51,360,367	\$458,822,358
World Bank Trust Fund	\$41,894,670	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
France	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,250,000	\$0	\$0	\$0	\$0	\$0	\$20,250,000
Russia	\$10,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sweden	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,933,280	\$0	\$0	\$2,933,280
Norway	\$10,462,262	\$0	\$0	\$0	\$0	\$10,053,989	\$0	\$0	\$0	\$0	\$0	\$0	\$31,015,662	\$41,069,651
United State of America	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,705,897	\$4,705,897
EU	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,717,114	\$7,717,114
UK	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,000,000	\$6,000,000
TOTAL	\$289,564,777	\$18,187,318	\$30,744,333	\$47,904,611	\$15,343,534	\$54,720,372	\$37,044,020	\$73,530,818	\$43,033,806	\$53,851,916	\$50,758,769	\$39,757,838	\$103,154,513	\$568,031,848

All FUNDS	2006	2007												2007 Total
		January	February	March	April	May	June	July	August	September	October	November	December	
Total	\$735,366,757	\$48,187,318	\$53,011,337	\$117,861,618	\$68,143,503	\$206,305,557	\$80,720,832	\$73,530,818	\$67,863,539	\$84,146,978	\$69,344,850	\$39,757,838	\$103,154,513	\$1,012,028,701

Ministry Of Finance
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تفاصيل التمويل الخارجي-المنح

ARAB DONORS	2007 Total	2008												2008 Total
		January	February	March	April	May	June	July	August	September	October	November	December	
Saudi Arabia	\$127,704,197	\$30,793,930	\$0	\$31,089,333										\$61,883,263
United Arab Emirates	\$110,000,000	\$41,600,000	\$0	\$49,911,750										\$91,511,750
Arab league	\$0	\$0	\$0	\$99,895										\$99,895
Arab Nations Fund	\$0	\$0	\$0	\$0										\$0
Oman	\$0	\$0	\$0	\$0										\$0
Algeria	\$52,799,969	\$0	\$0	\$0	\$62,500,000									\$62,500,000
Kuwait	\$33,415,814	\$0	\$0	\$0										\$0
Iraq	\$10,000,000	\$0	\$0	\$0										\$0
Qatar	\$110,076,873	\$0	\$0	\$0										\$0
TOTAL	\$443,996,853	\$72,393,930	\$0	\$81,100,978	\$62,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$215,994,908

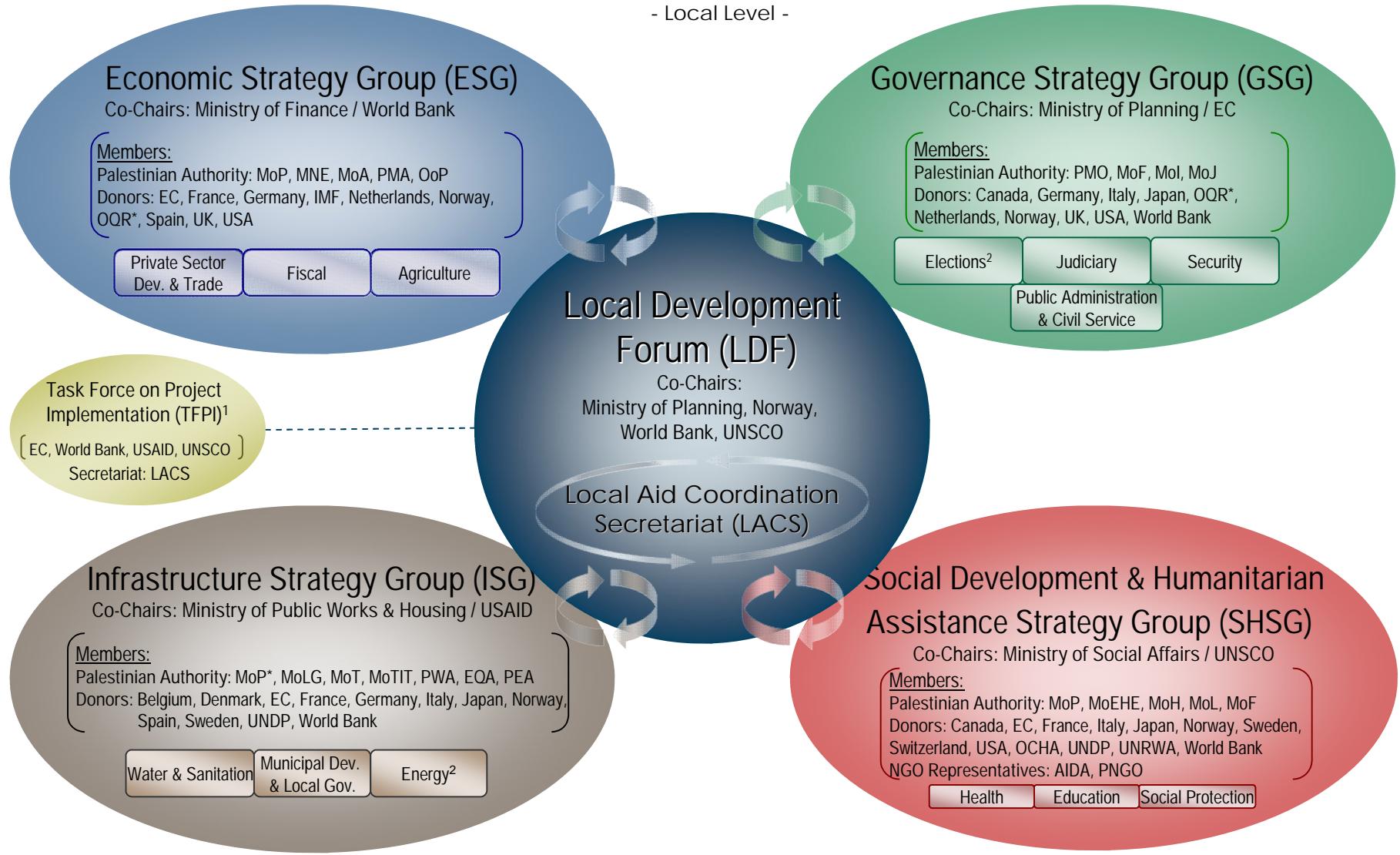
INTERNATIONAL DONORS	Total/2007	2008												2008 Total
		January	February	March	April	May	June	July	August	September	October	November	December	
PEGASE	\$493,073,020	\$49,729,564	\$46,547,642	\$84,045,386	\$48,940,531									\$229,263,123
World Bank Trust Fund	\$0	\$0	\$0	\$0										\$0
France	\$20,250,000	\$35,662,854	\$0	\$0										\$35,662,854
Russia	\$0	\$0	\$0	\$0										\$0
Sweden	\$2,933,280	\$0	\$0	\$0										\$0
Norway	\$41,069,651	\$0	\$0	\$0										\$0
United State of America	\$4,705,897	\$7,983,428	\$0	\$144,278,394										\$152,261,822
UK	\$6,000,000	\$0	\$0	\$0										\$0
China	\$0	\$333,492	\$0	\$0										\$333,492
Donor Support to PCBS	\$0	\$0	\$0	\$3,500,000										\$3,500,000
TOTAL	\$568,031,848	\$93,709,338	\$46,547,642	\$231,823,780	\$48,940,531	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$421,021,291

All FUNDS	2007 Total	2008												2008 Total
		January	February	March	April	May	June	July	August	September	October	November	December	
Total	\$1,012,028,701	\$166,103,268	\$46,547,642	\$312,924,758	\$111,440,531	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$637,016,199

ANNEX 1 - Aid Coordination Structure in the oPt

- Local Level -

Status April 2008



Remarks:
 1 TFPI chair rotates bi-annually amongst the members
 2 Adapted Sector coordination mechanism
 * Observer status

Sector Working Groups (SWG)

Status April 2008

Economic Policy Strategy Group (ESG) Co-Chairs: Ministry of Finance / World Bank

Members:

Palestinian Authority: MoP, MNE, MoA, PMA, OoP
Donors: EC, France, Germany, IMF, Netherlands, Norway, Spain, UK, USA

Private Sector & Trade Sector Working Group (ESWG)

Co-Chairs: MNE, World Bank
Technical Advisor: Palestinian Private Sector Coordination Council (PCCS)
Members:
Palestinian institutions: OoP, MoP, Federation of Chambers of Commerce, PALTRADE, Federation of Industry, Union of Businessmen Association, Tourism Association, Insurance Union, Construction Union, Palestinian IT Association, Bankers Association, Shippers Council
Donors: Canada, EC, France, Germany, IDB, IFC, Italy, Japan, Netherlands, OQR*, Spain, Sweden, Switzerland, UK, UNDP, UNRWA, USA, Portland Trust

Microfinance Thematic Group (MTG)²

Co-Chairs: PMA
Members:
Palestinian institutions: tbd
Donors: tbd

Fiscal Sector Working Group¹ (FSWG)

Co-Chairs: MoF, IMF
Members:
Palestinian institutions: MoP, PMO
Donors: Australia, Belgium, Brazil, Canada, Denmark, EC, Finland, France, Germany, Ireland, Japan, Norway, OQR*, Slovenia, Spain, Sweden, Netherlands, UK, USA, World Bank

Fiscal Task Force (FTF)

Co-Chairs: MoF, IMF
Members:
Palestinian institutions: PMO
Donors: Australia, EC, France, Germany, Norway, OQR*, Spain, UK, USA, World Bank

Agriculture Sector Working Group (ASWG)

Co-Chairs: MoA, Spain
Technical Advisor: FAO
Members:
Palestinian institutions: MoP, MoF, OoP, PCCS
Donors: Denmark, EC, IDB, Italy, Japan, Netherlands, OQR*, UNDP, United States, World Bank
NGO Representatives: AIDA, PNGO

Remarks:

¹ The Fiscal SWG reports on Public Finance Management issues to the Governance Strategy Group (GSG)

² Preliminary Information – TG in establishment process.

* Observer status

© LACS

Status April 2008

Infrastructure Strategy Group (ISG)¹

Co-Chairs: Ministry of Public Works & Housing / USAID

Members:

Palestinian Authority: MoP, MoLG, MoT, MoTIT, PWA, EQA, PEA
Donors: Belgium, Denmark, EC, France, Germany, Italy, Japan, Norway, Spain, Sweden, UNDP, World Bank

Water & Sanitation Sector Working Group (WSWG)

Co-Chairs: PWA, Germany

Technical Advisor: World Bank

Members:

Palestinian institutions: EQA, MoP, MoPWH, Jerusalem Water Undertaking, Palestinian Hydrology Group

Donors: Austria, EC, Finland, France, Italy, Japan, Norway, OQR*, Spain, Sweden, UK, USA, UNDP

Municipal Development & Local Government Sector Working Group² (MDLG SWG)

Co-Chairs: MoLG, Denmark

Technical Advisor: World Bank

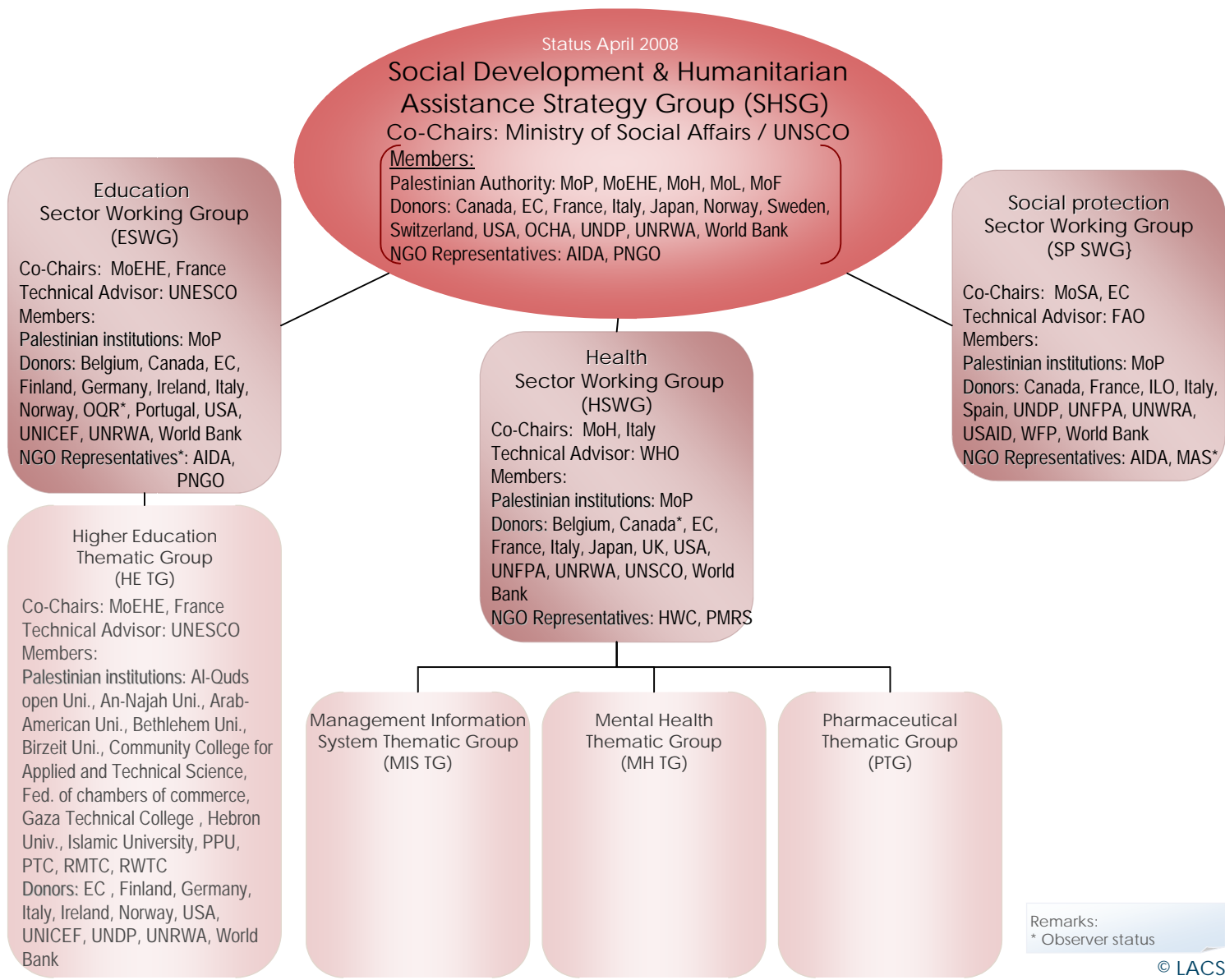
Members:

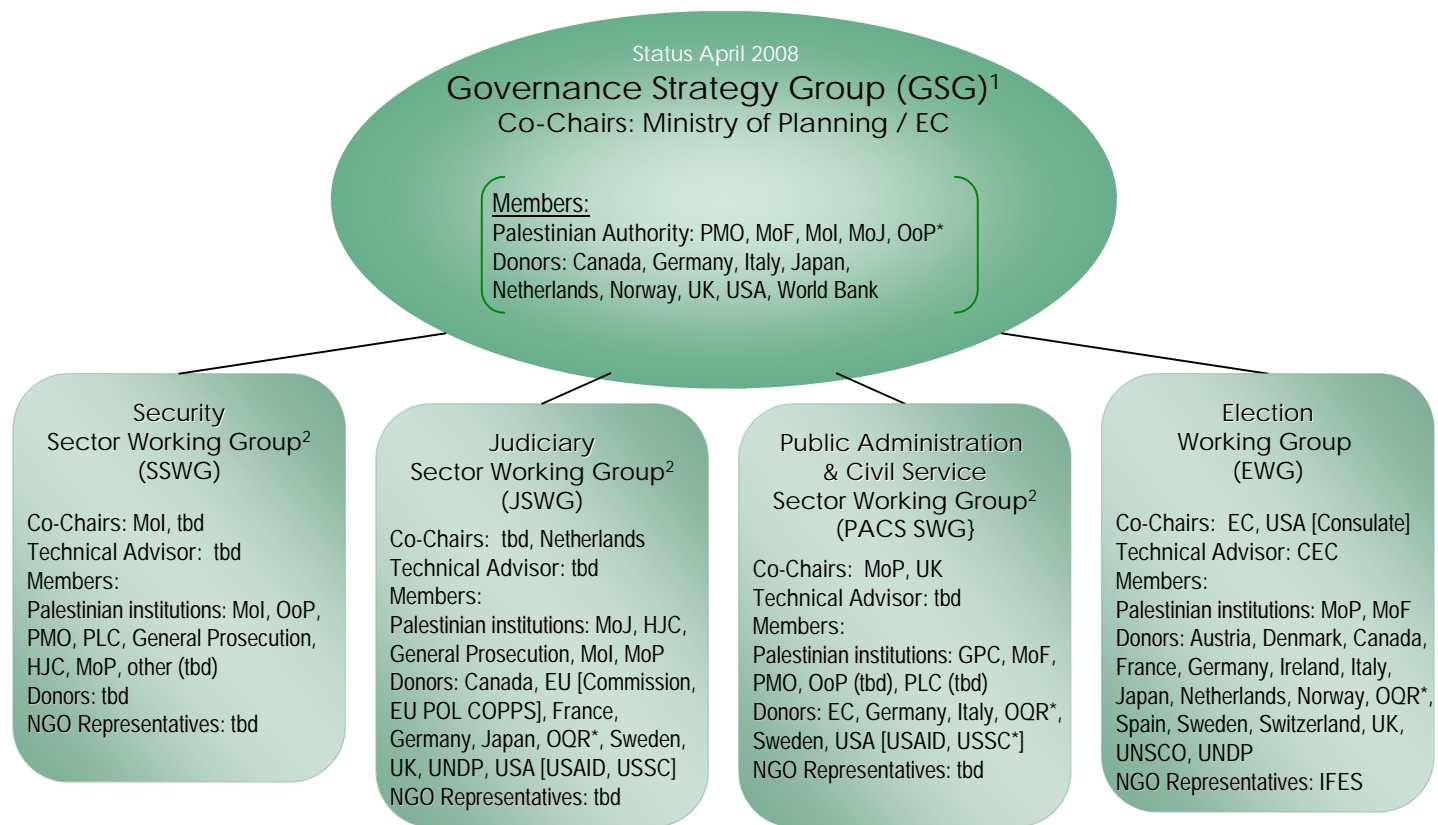
Palestinian institutions: APLA, EQA, MoP, MoPWH, PEA, PWA
Donors: Belgium, EC, France, Germany, Italy, Japan, Netherlands, Sweden, UNDP, UNOPS, USA

Remarks:

¹ An Energy review team headed by the PEA reports to the ISG

² The MDLG SWG reports to the Governance Strategy Group (GSG) on local governance issues





Remarks:
¹ The FSWG of the ESG reports on Public Finance Management issues and the MDLG SWG of the ISG reports on local Governance issues to the GSG
² Preliminary Information – SWG in establishment process
 * Observer status

ANNEX 2 - LIST OF MEMBERSHIP IN AID COORDINATION STRUCTURES IN THE OPT

Legend: **C** Co-chair **M** Member **O** Observer **T** Technical Advisor

ORGANISATION	LDF	Economic					Governance					Infrastructure			Social and Humanitarian Assistance							
		Economic SG	Agriculture SWG	Fiscal SWG	Private Sector & Trade SWG	Fiscal Task Force	Governance SG	Security SWG	Judiciary SWG	Public Administration and Civil Service SWG	Elections Working Group*	Infrastructure SG	Water & Sanitation SWG	Municipal Development & Local Government SWG	Social Development & Humanitarian Assistance SG	Health SWG	TG Mental Health	TG Pharmaceuticals	TG Management Information System	Education SWG	TG Higher Education	Social Protection SWG
No. of Participants	55	16	19	24	33	11	17	10	15	9	22	21	20	20	23	17	0	0	0	20	28	18
PA institutions																						
APLA																						
EQA												M	M	M								
High Judicial Council							M	M														
CEC																						
General Personal Council																						
General Prosecution							M	M														
MNE		M				C																
MoA	M	M	C																			
MoEHE	M																				C	C
PEA												M		M								
MoF	M	C	M	C			M					M										
MoH	M																					
Mol							M	C														
MoJ							M	M	M													
MoL																						
MoLG												M		C								
MoP	M	M	M	M			C	M	M	C	M	M	M	M	O					M		M
MoPW	M											C	M	M								
MoSA	M																					C
MoT												M										
MoTIT												M										
OoP		M	M		M		O	M														
PMA		M																				
PMO				M			M	M														
PWA												M	C	M								
Donor countries																						
Algeria																						
Arab Countries AL-Aqsa and Al-Quds Fund																						
Arab Fund for Economic and Social Development (Kuwait-based)																						
Arab League																						
Argentina																						
Australia	M			M		M																
Austria	M											M		M								
Bahrain																						
Belgium	M			M								M		M		M					M	
Brazil	M			M																		
Brunei																						
Bulgaria																						
Canada	M			M	M		M	M		M					M	O				M	M	M
Chile	M																					
China	M																					
Colombia																						
Cyprus																						
Czech Republic	M																					
Denmark	M		M	M								M	M		C							
EC	M	M	M	M	M	M	C		M	M	C	M	M	M		M	M			M	M	C
Egypt																						
EIB																						

ANNEX 2 - LIST OF MEMBERSHIP IN AID COORDINATION STRUCTURES IN THE OPT

Legend: **C** Co-chair **M** Member **O** Observer **T** Technical Advisor

ORGANISATION	LDF	Economic					Governance					Infrastructure			Social and Humanitarian Assistance								
		Economic SG	Agriculture SWG	Fiscal SWG	Private Sector & Trade SWG	Fiscal Task Force	Governance SG	Security SWG	Judiciary SWG	Public Administration and Civil Service SWG	Elections Working Group*	Infrastructure SG	Water & Sanitation SWG	Municipal Development & Local Government SWG	Social Development & Humanitarian Assistance SG	Health SWG	TG Mental Health	TG Pharmaceuticals	TG Management Information System	Education SWG	TG Higher Education	Social Protection SWG	
No. of Participants	55	16	19	24	33	11	17	10	15	9	22	21	20	20	23	17	0	0	0	20	28	18	
Estonia																							
Finland	M			M								M								M	M		
France	M	M		M	M	M		M		M	M	M	M	M	M	M				C	C	M	
Germany	M	M		M	M	M	M	M	M	M	M	C	M							M	M		
Greece	M																						
Iceland																							
India	M																						
Indonesia																							
Ireland	M			M							M									M	M		
Italy	M		M		M		M		M	M	M	M	M	M	M	C				M	M	M	
Japan	M		M	M	M		M		M		M	M	M	M	M	M							
Jordan	M																						
Kuwait																							
Lebanon																							
Libya																							
Liechtenstein																							
Luxembourg																							
Malaysia																							
Maldives																							
Malta																							
Mexico																							
Monaco																							
Morocco																							
Namibia																							
Netherlands	M	M	M	M	M		M		C		M			M									
New Zealand																							
Norway	C	M		M		M	M				M	M	M		M					M	M		
Oman																							
OPEC Fund																							
Pakistan																							
Poland	M																						
Portugal	M																			M			
Qatar																							
Russia	M																						
San Marino																							
Saudi Arabia																							
Slovenia	M			M																			
South Africa	M																						
South Korea																							
Spain	M	M	C	M	M	M					M	M	M									M	
Sudan																							
Sweden	M			M	M				M	M	M	M	M	M	M								
Switzerland	M				M						M												
Syria																							
Thailand																							
Tunisia																							
Turkey	M																						
United Arab Emirates																							
United Kingdom	M			M	M		M	C	M	C	M		M						M				
USA	M	M	M	M	M		M		M	M	C	C	M	M	M	M				M	M	M	
Vatican (Holy See)																							
Yemen																							
International bodies																							
FAO	M		T																			T	

ANNEX 2 - LIST OF MEMBERSHIP IN AID COORDINATION STRUCTURES IN THE OPT

Legend: **C** Co-chair **M** Member **O** Observer **T** Technical Advisor

ORGANISATION	LDF	Economic					Governance					Infrastructure			Social and Humanitarian Assistance							
		Economic SG	Agriculture SWG	Fiscal SWG	Private Sector & Trade SWG	Fiscal Task Force	Governance SG	Security SWG	Judiciary SWG	Public Administration and Civil Service SWG	Elections Working Group*	Infrastructure SG	Water & Sanitation SWG	Municipal Development & Local Government SWG	Social Development & Humanitarian Assistance SG	Health SWG	TG Mental Health	TG Pharmaceuticals	TG Management Information System	Education SWG	TG Higher Education	Social Protection SWG
No. of Participants	55	16	19	24	33	11	17	10	15	9	22	21	20	20	23	17	0	0	0	20	28	18
Bank			M		M																	
IMF	M	M		C		C																
IFC					M																	
OCHA	M														M							
OQR	M	O	O	O	O	O	O	O		O										O		
UNDP	M		M		M				M	T	M	M	M	M	M						M	M
UNESCO	M																			T		M
UNFPA	M															M						M
UNICEF	M																			M	M	
UNOPS													M	M								
UNRWA	M				M									M	M					M	M	M
UNSCO	M									M				C	M							
WFP	M																					M
WHO	M															T						
World Bank	C	C	M	M	C	M	M					M	T	T	M	M				M	M	M
International NGOs																						
AIDA	M		M												M					O		M
CARE																M						
Portland Trust	M				M																	
Palestinian NGOs																						
HWC																M						
PHG												M										
PMRS																M						
PNGO			M												M					O		
Palestinian Private Sector																						
Jerusalem Water undertaking												M										
PSCC			M		T																	
Commerce					M																	M
PALTRADE					M																	
Federation of Industry Association					M																	
Tourism Association					M																	
Insurance Union					M																	
Construction Union					M																	
Palestinian IT Association					M																	
Bankers Association					M																	
Shippers Council					M																	
MAS																						O
Palestinian Academia																						
Al-Quds open Uni.																						M
An-Najah Uni.																						M
Arab-American Uni.																						M
Bethlehem Uni.																						M
Birzeit Uni.																						M
Community College for Applied and Technical Science																						M
Gaza Technical College																						M
Hebron Uni.																						M
Islamic University																						M
PPU																						M
PTC																						M
RMTC																						M
RWTC																						M

Annex 4: Update on Status of Paris Pledges

Country	Type of Aid	2008	2009	2010	Total	Status To Date
South Africa	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> No information available
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	2.0	2.0	2.0	6.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	2.0	2.0	2.0	6.0	
Algeria	Total million USD	10.0	0.0	0.0	10.0	<ul style="list-style-type: none"> Budget Support of 62.5 million USD through the Single Treasury Account (STA)
Germany	Budget Aid	28.9	28.9	28.9	86.6	<ul style="list-style-type: none"> 42.5 million Euros were committed for 2008. 20 million Euros as budget support through PEGASE 2008 consultations were completed. Final negotiations are expected to take place on 28 April 2008 in Germany. Sectors agreed upon include: <ul style="list-style-type: none"> o water and sanitation o economic development, o support to Public institutions o organizations of the civil society development.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	67.4	67.4	67.4	202.1	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	96.3	96.3	96.3	288.8	
Saudi Arabia	Budget Aid	92.0	92.0	92.0	276.0	<ul style="list-style-type: none"> Budget support through STA in two disbursements; 30.8 million USD in January and 31 million USD in March 2008.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	166.7	166.7	166.7	500.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	258.7	258.7	258.7	776.0	
Australia	Budget Aid	21.2	0.0	0.0	21.2	<ul style="list-style-type: none"> Budget support through PRDP trust fund (PRDP-TF) to be disbursed in June 2008. Requested consultations. Allocation to UNRWA.
	Humanitarian Aid	13.5	0.0	0.0	13.5	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	5.0	0.0	0.0	5.0	
	Total million USD	39.7	0.0	0.0	39.7	
Austria	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> Requested consultations. Sectors agreed upon include: water, health, community development, human rights, jobs creation, gender,
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	7.2	0.0	0.0	7.2	

Country	Type of Aid	2008	2009	2010	Total	Status To Date
	Total million USD	7.2	0.0	0.0	7.2	<ul style="list-style-type: none"> possible support to the Jerusalem Fund Allocation to UNRWA, UNIFEM, MoH, and NGOs
Belgium	Budget Aid	3.6	3.6	3.6	10.8	<ul style="list-style-type: none"> Funds allocated to budget Support include 9 million Euros (out of which 5 million Euros allocated for 2008 through PEGASE). Consultations completed in March 2008. An indicative program was signed for four years (2008-2011). Sectors agreed upon include: <ul style="list-style-type: none"> Education (21 million Euros). LG/MDLF (15million Euros); Multi-sector (5 million Euros) One Million to the Palestinian Civil Society
	Humanitarian Aid	8.7	9	9.4	27.1	
	Development Aid	23.5	16.2	16.2	55.9	
	Other	1.6	0.7	0.7	3.0	
	Total million USD	37.4	29.5	29.9	96.8	
Brazil	Budget Aid	10.0	0.0	0.0	10.0	<ul style="list-style-type: none"> Consultations completed. Sectors agreed upon include: <ul style="list-style-type: none"> Education (4 million USD). Health (3.9 million USD). Agriculture (2 million USD).
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	1.0	1.0	1.0	3.0	
	Total million USD	11.0	0.0	0.0	13.0	
Brunei	Total million USD	3.0	0.0	0.0	3.0	
Canada	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> Consultative process initiated. Sectors agreed upon include: Governance -security, borders, private sector judicial and rule of law-, social well being and prosperity for vulnerable groups, as well as humanitarian assistance. Of the 300 million USD/ 5 years announced at Paris, CIDA is providing about \$250 million -- about half will be focused on security and justice, the rest on social well being and humanitarian assistance. The other \$50 million will come from other Canadian government departments and will be devoted to security system reform.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	60.0	60.0	60.0	180.0	

Country	Type of Aid	2008	2009	2010	Total	Status To Date
China	Total million USD	3.6	3.6	3.6	10.9	<ul style="list-style-type: none"> Budget support of 0.33 million USD through STA. Requested consultations. Funds are allocated to security sector for equipments.
Cyprus	Budget Aid	0.2	0.0	0.0	0.2	<ul style="list-style-type: none"> No information available
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.5	0.0	0.0	0.5	
	Other	0.40	0.4	0.4	1.2	
	Total million USD	1.1	0.4	0.4	1.9	
EC	Budget Aid	361.0	0.0	0.0	361.0	<ul style="list-style-type: none"> 268.4 million Euros to be disbursed through PEGASE. 49.5 million Euros were disbursed in January and February 2008 through TIM (2,3). Requested consultations for remaining funds (excluding budget). Renegotiated previous programs that were halted as security. 0.4 million Euro for Economy 24.4 million Euros PRDP 71 million Euros UNRWA 29.5 million Euros Humanitarian 8 million Euros other grants
	Humanitarian Aid	166.0	0.0	0.0	166.0	
	Development Aid	108.3	0.0	0.0	108.3	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	635.3	228.1	228.1	1092	
South Korea	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> No Budget support will be given. Consultations in process. Sectors agreed upon for 2008 include: <ul style="list-style-type: none"> Establishment of MAS institute (2.3 million USD). Establishment of a vocational education school in Jenin (2.5 million USD) Showed interest for the coming three years in Education, Health , Governance and Industrial zone
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	5.0	7.5	7.5	20.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	5.0	7.5	7.5	20.0	
Denmark	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> Consultations initiated. Awaiting reply on sectors to be funded (municipal 20 million USD; multilateral 26 million USD; East Jerusalem Fund).
	Humanitarian Aid	19	19	19	57.0	
	Development Aid	0	0	0	0.0	
	Other	16.9	16.9	16.9	50.7	
	Total million USD	35.9	35.9	35.9	107.6	

Country	Type of Aid	2008	2009	2010	Total	Status To Date
						<ul style="list-style-type: none"> 10.8 million Euros UNRWA 0.9 million Euros Humanitarian
United Arab Emirates	Budget Aid	100	100	100	300	<ul style="list-style-type: none"> Budget support disbursed through STA; 41.6 million USD in January 2008 and 50 million USD in March 2008.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	100.0	100.0	100.0	300.0	
Spain	Budget Aid	28.9	28.9	28.9	86.6	<ul style="list-style-type: none"> Consultations completed for 2008-2010 (240 million Euros) Budget support through PEGASE of 20 million Euros annually (already disbursed in 2008). Sectors agreed upon include agriculture, culture and heritage, capacity building, sustainable production, education, health, NGOs and to East Jerusalem. 25 million Euros Humanitarian
	Humanitarian Aid	28.9	28.9	28.9	202.1	
	Development Aid	36.1	36.1	43.3	57.8	
	Other	57.8	0.0	0.0	57.8	
	Total million USD	151.6	93.9	101.1	346.5	
Estonia	Total million USD	0.3	0.3	0.3	0.9	<ul style="list-style-type: none"> No information available.
United States	Budget Aid	150.0	0.0	0.0	150.0	<ul style="list-style-type: none"> Budget support through STA of 7.98 million USD disbursed in January and 144 million USD disbursed in March 2008. Consultations requested, but they have not been participative. Showed interest in infrastructure needs program: Roads, small to medium scale infrastructure, village water supply program, emergency water and sanitation (phase II). Targeting projects in Jenin region. Allocations to UNRWA of 150 million USD.
	Humanitarian Aid	290.0	0.0	0.0	290.0	
	Development Aid	105.0	0.0	0.0	105.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	545.0	0.0	0.0	545.0	
Finland	Budget Aid	8.7	0.0	0.0	8.7	<ul style="list-style-type: none"> Budget support of 5 million Euros are expected to be disbursed in May or June 2008 (2.5 through PEAGSE and 2.5
Humanitarian Aid	6.8	0.0	0.0	6.8		
Development Aid	3.3	0.0	0.0	3.3		
Other	0	0.0	0.0	0.0		

Country	Type of Aid	2008	2009	2010	Total	Status To Date
	Total million USD	18.8	5.8	5.8	30.4	<p>through PRDP-TF) with an additional potential one million Euros.</p> <ul style="list-style-type: none"> ▪ Consultations requested. ▪ Sectors agreed upon include: Education, water and land registration.
France	Budget Aid	36.1	36.1	36.1	108.3	<ul style="list-style-type: none"> ▪ Budget support of 35.6 million USD disbursed through STA in January 2008. ▪ 1.5 million USD is expected to be disbursed in June 2008 through the PRDP-TF. ▪ Consultations requested. ▪ Sectors likely to be funded include: Education, health, municipal development, water and private sector development. ▪ 1 million Euros Social sector ▪ 6.5 ME UNRWA ▪ 1 ME Humanitarian
	Humanitarian Aid	15.9	15.9	15.9	47.6	
	Development Aid	46.2	46.2	46.2	138.6	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	100.0	100.0	100.0	300.0	
Greece	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Consultations requested.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	2.9	2.9	2.9	8.7	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	2.9	2.9	2.9	8.7	
Hungary	Total million USD	0.3	0.0	0.0	0.3	<ul style="list-style-type: none"> ▪ Consultations requested.
India	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Consultations requested. ▪ Sectors of interest include: education, health and IT.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	1.7	1.7	1.7	5.1	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	1.7	1.7	1.7	5.1	
Indonesia	Budget Aid	0.0	0.0	0.0	0.0	
	Humanitarian Aid	1.0	0.0	0.0	1.0	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	1.0	0.0	0.0	1.0	

Country	Type of Aid	2008	2009	2010	Total	Status To Date
Ireland	Total million USD	19.3	19.3	19.3	57.8	▪ Consultations requested.
Iceland	Total million USD	1.3	1.3	1.3	3.9	
Italy	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Consultations requested. ▪ Support to the health sector was confirmed. ▪ 10 ME UNRWA ▪ 11 ME Humanitarian ▪ 108 ME other grants ▪ 58 ME loans
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	90.5	38.5	38.5	167.5	
	Other	80.9	0.0	0.0	80.9	
	Total million USD	171.4	38.5	38.5	248.4	
Japan	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ 10 million USD to be disbursed through PEGASE in the second quarter of 2008, through UNDP to be earmarked for health. ▪ Consultations initiated. ▪ Sectors of interest include: Health, local governance, education and industrial zone – Jericho.
	Humanitarian Aid	16.7	16.7	16.7	50.0	
	Development Aid	33.3	33.3	33.3	100.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	50.0	50.0	50.0	150.0	
Kuwait	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Discussion underway on channeling funds through PRDP-TF.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	100.0	100.0	100.0	300.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	100.0	100.0	100.0	300.0	
Luxemburg	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Consultations requested.
	Humanitarian Aid	2.9	2.5	2.5	7.9	
	Development Aid	2.5	2.5	2.5	7.5	
	Other	4.5	5.1	5.4	14.9	
	Total million USD	10.1	10.1	10.4	30.3	
Malaysia	Total million USD	0.3	0.3	0.3	0.9	
Malta	Budget Aid	0.2	0.2	0.2	0.6	
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.07	0.07	0.07	0.20	
	Other	0.07	0.07	0.07	0.20	
	Total million USD	0.34	0.34	0.34	1.00	
Morocco	Total million USD	7.2	0.0	0.0	7.2	
Oman	Budget Aid	0.0	0.0	0.0	0.0	
	Humanitarian Aid	0.0	0.0	0.0	0.0	

Country	Type of Aid	2008	2009	2010	Total	Status To Date
	Development Aid	10.0	10.0	10.0	30.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	10.0	10.0	10.0	30.0	
Norway	Budget Aid	42.2	42.6	42.6	127.4	<ul style="list-style-type: none"> ▪ Budget support of 44 million USD was disbursed through the PRDP-TF in April 2008. ▪ Consultations completed on 21 April 2008. ▪ Sectors agreed upon include: energy, education, good governance including capacity building to office of the President (OoP), elections, PCBS, EUCOPPS, Human rights through PICCR and AMAN, culture, gender, health as humanitarian support to East Jerusalem. ▪ 50% will be through the PNA. ▪ Detailed allocation: <ul style="list-style-type: none"> ▪ UNRWA core funding (29 million USD). ▪ UN humanitarian appeal (13 million USD). ▪ Education (11 million USD/ 3 years). ▪ Energy (20 million USD). ▪ PCBS (1.4 million USD annually). ▪ OoP (1.2 million USD). ▪ EUCOPPS (1.4 million USD). ▪ Culture (1.8 million USD). ▪ Gender (1.2 million USD). ▪ Human rights (2million USD).
	Humanitarian Aid	57.4	51.8	51.8	161.0	
	Development Aid	16.8	18.5	18.5	53.8	
	Other	24.2	27.8	27.8	79.8	
	Total million USD	140.7	140.7	140.7	422.1	

Oman	Budget Aid	0.0	0.0	0.0	0.0	
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	10.0	10.0	10.0	30.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	10.0	10.0	10.0	30.0	
Netherlands	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Budget support through PEGASE of 9-12 million euros, mainly to salaries. ▪ A 4- year strategy is being prepared. ▪ 45 million euros as annual support (2009-2011). 50 million Euros allocated for 2008. ▪ Formal consultations tentatively set for 10 June 2008. ▪ The agreed upon sectors include: <ul style="list-style-type: none"> ○ Governance (10 million euros); through supporting the judiciary, security and the HJC. ○ Economic reconstruction (6-7 million euros) mainly through agriculture, export and crossings. ○ Humanitarian support to UNRWA (15 million euros), other UN agencies (5million euros). ○ 0.8 Humanitarian
	Humanitarian Aid	44.8	30.3	30.3	105.4	
	Development Aid	20.2	20.2	20.2	60.6	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	65.0	50.5	50.5	166.0	
Poland	Total million USD	1.0	1.0	1.0	3.0	<ul style="list-style-type: none"> ▪ Consultations requested.
Portugal	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Consultations initiated in April 2008. ▪ A meeting with the minister of planning took place in April. ▪ Mainly will support the education sector in terms of quality education and/or school construction.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	1.0	1.0	1.0	3.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	1.0	1.0	1.0	3.0	
Qatar	Total million USD	33.3	33.3	33.3	99.9	
Czech Republic	Total million USD	1.0	1.0	1.0	3.0	<ul style="list-style-type: none"> ▪ The new representative met with the minister of planning on 2 April 2008.
Romania	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Consultations requested.

	Humanitarian Aid	0.30	0.0	0.0	0.3	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	0.3	0.0	0.0	0.3	
UK	Budget Aid	64.3	97.9	112.2	274.4	<ul style="list-style-type: none"> DFID disbursed 40 million USD in April 2008 through the PRDP-TF, another 10 million USD is expected to be disbursed in June 2008. Through PEGASE - £15.45 million were transferred in the first quarter of 2008. Consultative discussions underway for budget support, governance, security and private sector.
	Humanitarian Aid	38.8	40.8	44.9	124.5	
	Development Aid	23.5	34.7	38.8	97.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	126.6	173.4	195.9	495.8	
Russia	Total million USD	10.0	0.0	0.0	10.0	<ul style="list-style-type: none"> No information available.
Senegal	Total million USD	0.2	0.2	0.2	0.6	
Singapore	Budget Aid	0.0	0.0	0.0	0.0	
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.23	0.23	0.23	0.69	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	0.23	0.23	0.23	0.69	
Slovenia	Budget Aid	0.3	0.0	0.0	0.3	<ul style="list-style-type: none"> Budget support of 0.2 million Euros through STA. 0.1 million Euros to Abu Rayya Hospital.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	0.3	0.0	0.0	0.3	
Sweden	Budget Aid	20.2	0.0	0.0	20.2	<ul style="list-style-type: none"> A decision on budget support amounting to 50 million SEK (approx. 5.32 million Euros or 8.5 million USD) is expected to be taken soon. The funds will be channeled via PEGASE and earmarked for meeting recurrent costs for pensions and salaries for civil servants within civil public sector services in the West Bank and Gaza. Consultations completed. Development funds will be allocated for municipal and social
	Humanitarian Aid	63.1	0.0	0.0	63.1	
	Development Aid	26.8	0.0	0.0	26.8	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	110.1	101.2	101.2	312.5	

						sectors.
Switzerland	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Country strategy finalized and continued support for health and primarily NGOs and UN. ▪ Sectors supported in the strategy (2006-2010) include human rights, good governance, employment and income generation, capacity building. NGOs are highly supported. Public institutions ▪ Supported are only the Ministry of Detainees and Ex-Detainees and the PCBS. ▪ ▪ WB ESSP earmarked to education was also included.
	Humanitarian Aid	10.5	10.5	10.5	31.5	
	Development Aid	10.5	10.5	10.5	31.5	
	Other	2.6	0.0	0.0	2.6	
	Total million USD	23.6	21.0	21.0	66.0	
Tunisia	Budget Aid	0.0	0.0	0.0	0.0	
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	3.0	0.0	0.0	3.0	
	Total million USD	3.0	0.0	0.0	3.0	
Turkey	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ They are requesting consultations in Turkey. ▪ Have yet to agree on MOU framework. ▪ Interested to support the security sector, civil defense and Tarqoumia industrial park.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	50.0	50.0	50.0	150.0	
	Other	0.0	0.0	0.0	0.0	
	Total million USD	50.0	50.0	50.0	150.0	
International Institutions excluding CE						<ul style="list-style-type: none"> ▪ An agreement was signed in USA to initiate the PRDP-TF. ▪ 110 million USD allocated for 2008 and 2009 which include support to the PRDP DPG, SSNRP, energy, ESSP, integrated community development and land administration. ▪ Budget support for 2008 of 56 million USD as follows: <ul style="list-style-type: none"> ○ 40 million USD as PRDP Development Policy Grant (DPG). ○ Social Safety Net Reform Program
World Bank	2008	2009	2010	Total		
	Budget Aid	0.0	0.0	0.0	0.0	
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	109.0	50.0	50.0	209.0	
Total million USD	109.0	50.0	50.0	209.0		

						(SSNRP) 8 million USD. o ESSP (8 million USD).
EIB	Budget Aid	0.0	0.0	0.0	0.0	<ul style="list-style-type: none"> ▪ Part of the loan will be used for the energy sector.
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	67.4	67.4	67.4	202.1	
	Total million USD	67.4	67.4	67.4	202.1	
IDB	Budget Aid	0.0	0.0	0.0	0.0	
	Humanitarian Aid	0.0	0.0	0.0	0.0	
	Development Aid	0.0	0.0	0.0	0.0	
	Other	66.7	66.7	66.7	200.0	
	Total million USD	66.7	66.7	66.7	200.0	
Arab Economic and Social Development Fund (FADES)	Total million USD	33.3	33.3	33.3	99.9	
OPEC funds	Total million USD	44.0	44.0	44.0	132.0	

- Argentina, Egypt, Syria, Pakistan, Bahrain, Bulgaria, Chili, Jordan, Slovakia, Yemen, Israel, Mexico, GCC, Arab League, Arab Monetary Fund and OIC were dropped from the tables due to zero allocations at Paris conference.
- Exchange rate (1.44389\$ / 1 Euro) was calculated based on the exchange rate on 17 December 2007.
- Arab League gave 99,895 USD in March 2008 to the single treasury account.

Sources of information include:

- 1- The Revised Paris Conference Pledges.
- 2- Direct communications with donor agencies either through consultative process or electronic correspondences.

	PRDP programme title	Requested in PRDP for 2008	Covered by ongoing projects and new donor	Covered by ongoing projects for 2008			Commitments for PRDP projects for 2008				Remarks	
				No. of projects	No. of donors	Names of donors	Total amount [G]	No of projects	No. of donors	Names of donors		Total amount [K]
GOVERNANCE SECTOR												
1	Security System Reform and Transparency (SSRT)	114,339,625	109,846,924	7	3	Denmark, Netherlands, Norway	7,221,077	30	2	Germany, Turkey	102,625,847	• It is expected that the Berlin Conference on supporting Palestinian Civil Security and the Rule of Law on June 24, 2008 will mobilise most of the required funding
2	Justice Now (JN)	24,359,536	42,594,990	9	10	Netherlands, Italy, EC, USA, Denmark, Switzerland, Sweden, Norway,	17,570,982	15	5	Canada, USA, EC, UNDP (TRAC), Japan	25,024,008	the Berlin Conference on supporting Palestinian Civil Security and the Rule of Law on June 24, 2008 will mobilise most of the required
3	Open and Accountable Government (OAG)	28,788,320	22,637,151	10	3	EC, Japan, UNDP (TARC)	8,843,007	14	7	Canada, EC, Norway, Netherlands, Switzerland, UK, USA	13,794,144	
4	Efficient and Effective Government (EEG)	73,321,952	32,838,357	15	9	Belgium, EC, Canada, Germany, Italy, Japan, Spain, UNPD (TARC), United Kingdom	13,583,586	11	8	Canada, China, Finland, France, Islamic Development Bank, Norway, Turkey,	19,254,771	
5	Accountable Local Government (ALG)	12,155,972	15,347,016	4	3	Japan, Norway, UNPD (TARC)	1,147,016	3	3	Denmark, Japan, World Bank	14,200,000	
	Sub-total	252,965,405	223,264,438	45	16		48,365,668	73	25		174,898,770	

PRDP programme title	Requested in PRDP for 2008	Covered by ongoing projects and new donor commitments for 2008 [note this is a total of G + K]	Covered by ongoing projects for 2008				Commitments for PRDP projects for 2008 (does not include ongoing projects; covers signed commitments and indications)				Remarks
			No. of projects	No. of donors	Names of donors	Total amount [G]	No of projects	No. of donors	Names of donors	Total amount [K]	
ECONOMIC SECTOR											
1 Institutional Reform for Enterprise (IRE)	16,468,660	5,000,000	0	0		0	1	3	WB, Finland, Denmark	5,000,000	<ul style="list-style-type: none"> WB, Denmark and Finland plan to launch a US\$ 20 million Land Administration project over a 4 year period The Telecom project described in the PRDP document has not been materialized as a PRDP project. Part of the German PSD program is planned to cover economic legislation, policy formulation and implementation. USAID has expressed tentative plans to work in this area. Sweden, Germany and USAID have ongoing projects covering business and trade association projects.
2 Trade Infrastructure & Facilitation (TIF)	14,195,410	0	0	0		0	0	0		0	<ul style="list-style-type: none"> USAID is planning a Trade facilitation project that may cover some of the PRDP projects WB, Norway and Paltrade have an ongoing project to monitor commercial crossings that is expected to be extended to 2009 EC has extended the ASYCUDA project with a 3rd phase, US\$ 3.7 million EC, Paltrade and PSC have an ongoing Trade Corridors Facilitation projects amounting to US\$ 640 000. IDB and Paltrade have an ongoing Support to Fair trade and missions projects, amounting to US\$ 680 000.
3 Enterprise Investment and Development (EID)	15,986,363	4,000,000	0	0		0	1	3	PIF, DFID, France	4,000,000	<ul style="list-style-type: none"> USAID is planning a Trade facilitation project that may cover some of the PRDP projects Existing and planned funds for microfinance programs exceeds \$ 34 million, including the UNDP/ IDB funded DEEP program, existing and planned USAID microcredit programs, and Swiss funded Irada microcredit program for women. EC, Germany and EIB's Credit guarantee funds targeted at SMEs with over \$29 million in committed funds. Both Italy (\$28 million) and Spain (\$9 million) have commitments for soft loans to SMEs. DFID/ WB will launch a two year, \$7.2 million Enterprise Learning Fund by April, 2008.
4 Agribusiness Development (AD)	17,959,743	3,530,000	0	0		0	5	4	EC, UNDP, Brazil, Japan	3,530,000	<ul style="list-style-type: none"> France, Switzerland, and EC have signed agreements in Paris for olive oil projects amounting to US\$ 3.6 Million not covered by PRDP projects. Canada and Italy have ongoing olive oil projects. The agro industrial park in Jericho, budgeted to US\$ 5 million in PRDP document has 1 project under ICD, and will not be covered by AD. Japan has ongoing projects connected to the agro industrial park in Jericho. Land reclamation will be covered by the Job Creation program, and not AD. EC has committed US\$ 2.8 million to land reclamation. Several donors including Spain, the Netherlands, and Switzerland have other ongoing projects not covered by the PRDP. USAID's ongoing Palestine Agribusiness Partnership Activity PAPA projects may cover some of the PRDP projects
5 Industrial Capacity Development (ICD)	13,993,194	8,920,000	1	1	Germany	8,920,000	0	0		0	<ul style="list-style-type: none"> The EC has been studying a possible "Trade in Services" project. Not covered by the PRDP Japan has ongoing projects connected to the agro industrial park in Jericho. Turkey has committed funds to a the planned Tarqumiya Industrial park

6	Tourism Industry Development (TID)	11,813,300	1,000,000	1	1	USA	1,000,000	0	0	0	Several donors including EC, UNDP, Spain, Norway and Sweden have relevant ongoing tourism projects amounting to 6.8 Million UD\$ not covered by PRDP projects.
7	Affordable Housing (AH)	24,402,810	0	0	0		0	0	0	0	OPIC, PIF and IFC have committed UD\$400 million to a housing Finance Cooperation, not covered in the PRDP objectives or projects
	Sub-total	114,819,480	22,450,000	2	2		9,920,000	7	10	12,530,000	

PRDP Program Title	Requested in PRDP 2008	Covered by ongoing projects and new donor commitments for 2008 [note this is a total of G + K]	Covered by ongoing projects for 2008				Commitments for PRDP projects for 2008 (does not include ongoing projects; covers signed commitments and indications)				
			No. of projects	No. of donors	Names of donors	Total amount(G)	No of projects	No. of donors	Names of donors	Total amount [K]	Remarks
RI total Ongoing Projects											
(RI) Total Planned PRDP Projects											
Road Improvement Program(RI)	37,850,585	62,121,706	8	6	WB, France, UN Agencies, Islamic Development Bank, Belgium	24,121,706	4	3	US, BADEA, SFD	38,000,000	USAID expressed its interest in putting \$ 30 million pledges \$30 million dollars. The MOPWH informed by phone that BADEA and SFD will pledge another \$8 millions.
(RS) Total Ongoing											
Road Safety Program(RS)	3,238,903	0	0	0		0	0	0	0	0	
(AS) Total Ongoing Projects											
(AS) Total Planned PRDP Projects											
Air & Sea Program(AS)	2,304,450	97,539,152	8	4	EC, France, Norway, UN Ag.	97,539,152	0	0	0	0	No information received
(ESI) Total Ongoing Projects											
(ESI) Total Planned PRDP projects			8	6							

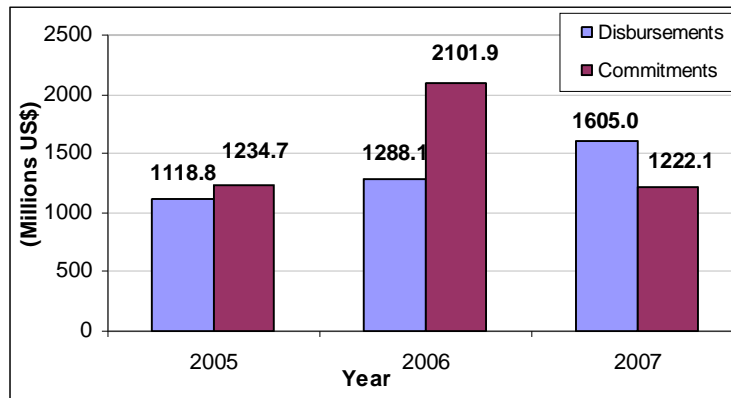
Public Recreation Program(PRC)	3,437,086	7,000,000	0	0	0	0	2	1	US	7,000,000	USAID will fund regional youth center in Ramallah with total funds of \$5millions
Infrastructure Subtotal	114,109,665	792,408,534				541,108,534				251,300,000	

OVERVIEW OF ASSISTANCE TO THE PALESTINIAN PEOPLE 2005-2007

DISBURSEMENTS & COMMITMENTS 2005-2007

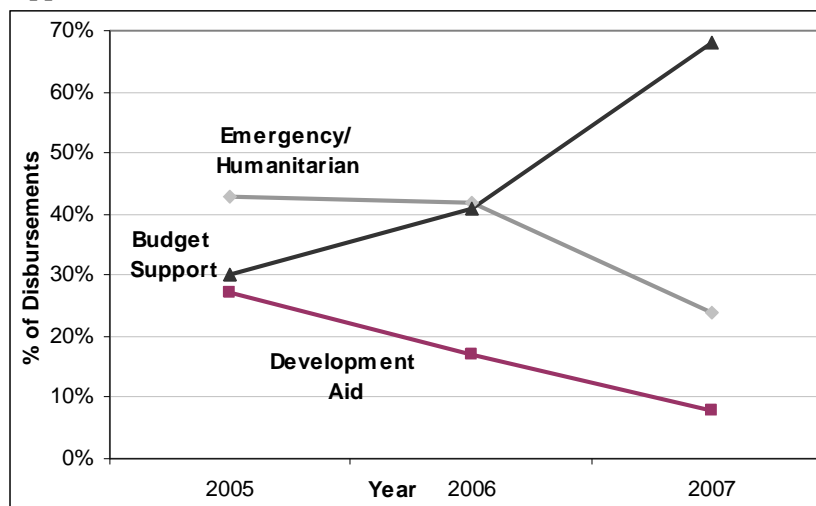
While disbursements rose slightly over the three years, commitments reached their highest point in 2006.

Figure 1: Total Commitments Disbursements by Year 2005-2007



Aid is classified into three general categories: budget support, development aid and humanitarian/emergency aid. Donors' contributions to these three general categories were largely based on political considerations rather than Palestinian needs. Thus, the political upheavals within Palestinian in 2005-2007 resulted in shifts among the type of aid donors sought to give. Development aid was most harshly effected: it dropped from constituting just under a third of all disbursements in 2005 to constituting under 10% of 2007 disbursements. Due to the ESSP, TIM and support from Arab countries, the percentage of budget support rose from a third in 2005 to nearly 70% of 2007 disbursements.

Figure 2: Percentage of Disbursements to Emergency/Humanitarian, Development and Budget Support 2005-2007



THE SECTORS

Only four of the 15 sectors received more than 5% of total disbursements in any of the years 2005, 2006 or 2007. While the other 11 sectors varied minutely between 0%-5%, the four largest sectors (Humanitarian Aid, Budget Support, Government & Civil Society, and Social Infrastructure and Services) vacillated widely in those years.

Table 1: Percentage of Disbursements by Sector by Year

	Sector	2005	2006	2007
1	Humanitarian Aid	36%	42%	29%
2	Budget Support	21%	20%	33%
3	Social Infrastructure & Services	10%	16%	27%
4	Government & Civil Society	7%	5%	2%
5	Water Supply & Sanitation	4%	4%	3%
6	Education	5%	4%	1%
7	Health	2%	5%	1%
8	Urban & Rural Development	5%	1%	1%
9	Transport, Communications & Storage	5%	1%	0%
10	Industry	3%	0%	0%
11	Agriculture	1%	1%	1%
12	Energy Generation & Supply	1%	1%	0%
13	Financial & Business Services	0%	1%	0%
14	Tourism	1%	0%	0%
15	No Sector	0%	0%	0%

THE DONORS

In the years 2005-2007, there were 35 donor countries or agencies that disbursed at least a million dollars of assistance to the Palestinian people. The top five donors in terms of total disbursements over the three years were: EC, USA, Saudi Arabia, Algeria and Sweden.

Table 2: Donors with Total Disbursements 2005-2007 Greater than US\$1 Million

Ranking	Donor	Total Disbursed (Millions US\$)
1	EC	1,343.5
2	USA	440.9
3	Saudi Arabia	229.3
4	Algeria	191.7
5	Sweden	186.0
6	Norway	181.9
7	Germany	142.6
8	Qatar	135.4
9	United Arab Emirates	130.0
10	United Kingdom	112.8
11	France	107.3
12	Kuwait	103.1
13	Japan	87.2
14	Private Contributions & Fund Group	79.1
15	Netherlands	77.0
16	Spain	76.7
17	Switzerland	53.2

18	The World Bank Group	48.1
19	Italy	39.8
20	Denmark	39.5
21	Canada	34.7
22	Arab League	31.1
23	Belgium	24.0
24	Finland	21.6
25	Ireland	14.1
26	Australia	13.3
27	Austria	12.0
28	Russia	10.3
29	Iraq	10.0
30	Oman	7.6
31	Luxembourg	5.3
32	Egypt	2.9
33	South Korea	2.6
34	India	2.5
35	Islamic Development Bank	2.1