UNITED NATIONS SEMINAR ON ASSISTANCE TO THE PALESTINIAN PEOPLE

Assistance to the Palestinians — challenges and opportunities in the new reality of a State under occupation

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CHECK AGAINST DELIVERY

PLENARY II

Palestinian National Development Plan 2011-2013 — current priorities, challenges and opportunities

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Gaza
BACKGROUND

The Gaza Strip is one of the most densely populated places on earth, with a total area of 365 km² (45km long, 2-5km wide), a population of over 1.7 million and a population growth of 3.37%. The Gaza Strip has been subject to many external and internal political, economic and social pressures that led to poor socioeconomic conditions for its population. The occupation, the internal fight and division the backdrop of Hamas takeover of the Gaza Strip in the summer of 2007, the two Israeli military operations on the Gaza Strip in 2008 and 2011 and the blockade policy enforced by the Israeli occupation since June 2007 have all contributed to these conditions. Specifically:

- **The internal political division** has caused a duplication of authority with two governments ruling over the Gaza Strip. Although the de-facto government in Gaza has a stronger grip, however the Ramallah government policies also extend and affect the people in the Gaza Strip.

- **The Israeli Blockade policy** over the Gaza Strip imposed since 2007 has affected almost every aspect of Palestinian life. The intensified blockade (land, air and sea) on the Gaza Strip is still ongoing for its sixth year. It is a denial of basic human rights in contravention of international law and amounts to collective punishment. The following are the major highlights of the impact of the blockade:
  
  - The productive capacity of Gaza’s economy has shown almost no recovery, rendering recent economic growth unsustainable. In 2011, the GDP per capita was almost 17% below the equivalent figure in 2005. The increased level of economic activity during 2011 resulted largely from inflow of funds from abroad and was concentrated in the services and construction sectors.
  
  - Import restrictions, including basic building materials, have led to the proliferation of tunnels under the border with Egypt. These restrictions, combined with the lack of employment opportunities and the huge reconstruction needs, have pushed thousands of workers, some of them children, to risk their lives every day in the “tunnels industry”. Since 2007, at least 172 Palestinian civilians have been killed and 318 injured while working in tunnels.
  
  - Around 33%2 of Gaza’s workforce, including over half its youth, is unemployed.
  
  - The poverty rate is around 38.8%.3
  
  - 44% of Gazans are food insecure and about 80% are aid recipients.
  
  - The quality of infrastructure and vital services, including health, education and water and sanitation, has significantly declined as a result of the import restrictions and the rapid population growth.
  
  - In 2011 less than one truckload of goods per day exited Gaza, less than 3% the average amount of exports during the first half of 2007.
  
  - Between November 2012 and the end of January 2013, a total of 91 truckloads left the Gaza Strip. The traded total is about half the volume exported between November 2011 and January 2012, and represents less than 5% of the quarterly average amount exported prior to the start of the Gazan blockade in 2007.

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1 The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) – Five years of blockade: The Humanitarian Situation in the Gaza Strip – June 2012
4 The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) database
- 35% of Gaza’s farmland and 85% of its fishing waters are totally or partially inaccessible due to Israeli declared security buffer zones leading to an estimated loss of 75,000 metric tones of farming land produce and severely undermining the livelihoods of 35,000 people due to decrease in fish catch.
- A severe fuel and electricity shortage results in outages of up to 12 hours a day.
- Some 90 million liters of untreated and partially treated sewage are dumped in the sea each day due to inability to expand and upgrade Gaza's sewage infrastructure.
- Over 90% of the water sources are unfit for human consumption without treatment.
- 600 schools for 441,452 students of which 85% are running on double shifts. Approximately 200 schools are needed in the coming two years.
- Growing housing needs: Some 71,000 new housing units are required to cover current housing needs representing approximately 23% of the total housing in the Gaza Strip.

**Operation Cast Lead**, as the Israeli army called its 22-day military operation against the Gaza Strip during the period (December 27th, 2008 – January 18th, 2009), which constituted one of the most violent episodes in the recent Palestinian history and has caused a major damage to the social and economic base of the Gaza Strip which are presented below.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Total Estimated Damage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>341,930,000</td>
</tr>
<tr>
<td>Education</td>
<td>32,091,522</td>
</tr>
<tr>
<td>Water and Sanitation</td>
<td>5,972,690</td>
</tr>
<tr>
<td>Housing</td>
<td>235,475,199</td>
</tr>
<tr>
<td>Energy</td>
<td>10,412,500</td>
</tr>
<tr>
<td>Transportation</td>
<td>14,877,650</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>1,583,941</td>
</tr>
<tr>
<td>Agriculture</td>
<td>268,961,000</td>
</tr>
<tr>
<td>Industrial, Commercial &amp; Service</td>
<td>139,757,160</td>
</tr>
<tr>
<td>Public and Legislative</td>
<td>81,991,832</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,118,175,844</strong></td>
</tr>
</tbody>
</table>

- **Operation Pillar of Defence**, as the Israeli army called its 8-day military operation against the Gaza Strip during the period (November 14 -21, 2012), has caused yet another significant damage to public facilities and infrastructures in the Gaza Strip and hence resulted in further deterioration in the living conditions of Gazans. Although an official, comprehensive and definitive assessment of the economic impact of this military operation is yet to be issued by the Palestinian National Authority (PNA), a number of local sources have estimated the economic losses and damage to infrastructure and land. At an aggregate level the Gazan Chamber of Commerce estimated the total damage to the economy (including health and social services) to be about US$300m. According to OCHA, 298 homes have been destroyed or sustained major damage. Public infrastructure was also damaged or destroyed including health facilities and clinics, schools, roads, bridges, universities, mosques, media and research centers, sports facilities, NGOs facilities in addition to security, police and government buildings associated with Hamas. This new reconstruction caseload highlights the need for a steady flow of construction materials.

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5 Shelter Sector Gaza: Shelter Advocacy Fact Sheet 4 – January 2012
6 UNDP “Gaza: Early Recovery and Reconstruction Needs Assessment”, May 2010
7 http://www.maannews.net/arb/ViewDetails.aspx?ID=541621
A BROAD LOOK AT THE CURRENT REALITY OF RECONSTRUCTION AND DEVELOPMENT OF THE GAZA STRIP


The Palestinian National Development Plan (NDP) 2011 – 2013 summarized the Palestinian government’s policy agenda, macroeconomic and fiscal framework, and accountability framework for 2011 to 2013. The NDP was the product of the second comprehensive tri-annual national planning process, following on from the Palestinian Reform and Development Plan (PRDP) 2008-2010. The NDP formulation was concurrent with critical time in the Palestinian history, specifically:

- The Program of the 13th Government of the PNA and its call to end the occupation and establish the State of Palestine.
- Operation Cast Lead which resulted in a total losses and damages estimated at around US$ 1.2 billion.
- The Palestinian National Early Recovery and Reconstruction Plan (PNERRP) for Gaza which requested about US$ 2.7 billion of which about $1.3 billion were for the reconstruction of the Gaza Strip.
- Sharm Al Sheikh Conference in March 2009, in which donor pledged at least US$ 4.7 billion in aid for both the Palestinian economy at large, and the Gaza Strip recovery and reconstruction in particular. Disbursement of the bulk of this amount is linked to progress on the Israeli-Palestinian peace process, which is in turn contingent on intra-Palestinian reconciliation.
- The continuation of the unprecedented blockade on all border crossings in and out of the Gaza Strip imposed by Israel since June 2007.

The NDP characterized the reconstruction and development of the Gaza Strip and East Jerusalem as the greatest and most pressing challenges in the PNA’s endeavor to ensure that all citizens enjoy the same opportunities, rights and freedoms. Furthermore, it reconfirmed PNA’s commitment to the PNERRP for Gaza, endorsed by the international community at Sharm Al Sheikh and continuing to work for its implementation both before and after independence.

Although around 27.6% of the pledges made at Sharm Al Sheikh were dedicated for the reconstruction of the physical damage resulting from the Israeli military assault, to date there has been no disbursement of these funds. Some attempts to address the urgent construction needs in the Gaza Strip were conducted by local and international community agencies however, these scattered attempts were challenged by the continued blockade, restrictions on building material and the problematic approval process applied to international organizations adopted after June 2010.

For example, it took two and a half years (since June 2010) to obtain the approval of the Israeli authorities on 73% of UN reconstruction program for Gaza. About 11% of this UN program, valued at US$ 52 million, has been rejected by the Israeli authorities, citing concerns about the proposed locations or the project donors. On average, response rate per project reached 10 months.

The Rafah Housing Project, US$ 20 million initiative funded by the Kingdom of Saudi Arabia and administered by the Saudi Fund for Development through UNRWA announced in 2005, consists of the construction of new shelters for over 800 homeless refugee families, three schools, a health centre, a mosque, a community centre, a market area and all related infrastructure works. UNRWA’s statistics indicate that over 16,000 persons in Rafah have lost their homes in the Gaza Strip as a result of IDF military operations during the second Intifada. Until early February 2013, works did not progress in this project due to the Israeli blockade and again representing a lost opportunity for alleviating some of the hardship in the Gaza Strip.

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9 http://electronicintifada.net/content/unrwa-inaugurates-saudi-funded-rafah-re-housing-project/2271
10 http://www.unrwa.org/etemplate.php?id=1615
Although most of the damage due to the two Israeli military operations on the Gaza Strip in 2008 and 2011 is concentrated in infrastructure, however other sectors have been hardly hit either directly or due to the effect of the damage in infrastructure. In the previous section, estimates of the damage in other sectors is outlined which require further attention by the international community. Most importantly, the damage to the private sector asset base is of great effect on the lives of Gazans. In addition, the blockade policy has left - at its peak - about 97% of the industrial sector inoperational. Several of the main sectors of Gaza’s economy rely on exports, including the textile, furniture manufacture and agriculture industries and hence were severely affected. If there is hope for Gaza reconstruction and improving the living conditions of its population, then it will have to be through private investments.

The current unemployment levels (above 30%) will not be resolved without the participation of the private sector through the creation of sustained jobs rather than short term humanitarian cash-work program. In addition to investment and financial assistance, there is a need to restore confidence at the private sector that their production will find a market. This can not be done under the closure policy imposed on the Gaza Strip.

GAZA STRIP RECONSTRUCTION AND DEVELOPMENT CHALLENGES AND PRIORITIES

Challenges facing the reconstruction and development of the Gaza Strip

1) Access to construction inputs: As discussed above, among other factors, the Israel comprehensive blockade in 2007 has deprived the Gaza Strip of development and as a result reconstruction and development needs and efforts are complicated. Access to inputs, mainly building material and related inputs, was and is still the major challenge facing reconstruction and development in the Gaza Strip. Six months into the enforcement of the blockade, only 14 basic commodities were allowed into Gaza, and exports had been almost totally banned. Construction had completely ceased as Israel completely banned the import of all construction materials. Unemployment had soared and inflation for some goods was running at 200% per month. The private sector was showing signs of lasting damage due to inability to access raw material and export.

With no outlet for exports and imports into the Gaza Strip, Gazans were driven to reroute their resources to exploit the one loophole to the blockade of trade that existed, the tunnels in the south of the Gaza Strip, and a new shadow economy known as the “Tunnel Economy” was created. By the end of 2008, estimates suggested that 90% of supplies to Gaza were arriving through tunnels from Egypt. In early 2010, between US$ 50 million and US$ 70 million worth of goods monthly – 80% of Gaza imports – were being smuggled through more than 1,000 tunnels which employed around 15,000 workers and 25,000 traders were involved in the tunnel economy. Recent estimates indicated that almost four times as much construction material (aggregate, steel bars and cement) reached Gaza through the tunnels than was officially imported through Israeli crossings in 2011 and the overall volume of the tunnel trade is estimated at four times the volume of the officially registered trade. A recent Concept

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11 The Portland Trust - The Private Sector in the Gaza Strip - 2012
12 www.merip.org/mer/mer261/gazas-tunnel-complex
14 Peace Research Institute Oslo - The Public Services under Hamas in Gaza: Islamic Revolution or Crisis Management? (2010, page 24)
15 OCHA - Fragmented Lives: Humanitarian Overview 2011 (page 30)
16 International Labour Office, 2012 - Report of the Director General – Appendix: The situation of workers in the occupied Arab territories (page 5)
Note published by Bir Zeit University\textsuperscript{7} indicated that as a result of the relief in demand from the tunnel import and service economy, Gazan GDP grew a total of 47\% between 2009 and 2011, while unemployment dropped to 32\% from a high of 45\% in 2008. Although this has relatively relieved Gaza from a long closure and hard times, the growth in GDP may not be sustained if this growth is not supported by growth in the economy productive base, mainly the industrial sector.

In June 2010 and following the “flotilla incident”, some restrictions were lifted to allow civilian goods into Gaza, although a ban was maintained on dual-use items. Basic building materials, including: cement, aggregates and metal bars, remained restricted. Only international organizations implementing projects pre-approved by Israel have been allowed to import the restricted materials. This approval and coordination mechanism has been problematic and led to significant delays in project implementation, which in turn have unnecessarily prolonged the hardship of Palestinian families in need of shelter rehabilitation or construction and other essential infrastructure.

In August 2012, Egypt started closing the tunnels after the attack in Sinai which resulted in killing 16 Egyptian soldiers. This action has lead to shortages in food, medicine, building materials and other goods. Imports of food are reported to have decreased by 31\% and building materials were down by 45\%. On the other hand, imports of goods through the Kerem Shalom crossing have since increased by 22\%, although this is insufficient to meet Gaza’s needs, according to the Gazan Ministry of Economy.

In December 2012, in the context of the Egyptian-brokered ceasefire reached between Hamas and Israel, Israel eased some of the restrictions on the import of building materials into the Gaza Strip. A daily quota of 20 truckloads, or approximately 800 tonnes, of building aggregates for use by the commercial sector were allowed into Gaza via the Kerem Shalom crossing. This quota constitutes about 15\% of the estimated demand for aggregates (5,000-6,000 tonnes a day), and less than 10\% of the average volume of aggregates that entered Gaza every day during the first five months of 2007, prior to the blockade. Coinciding with Israel’s easing of the restrictions on aggregates, Egypt began allowing the transfer of limited amounts of building materials, exclusively designated for a number of projects funded by Qatar, through the Rafah crossing\textsuperscript{18}. The volume, type, specification and time-frame of each shipment are coordinated between the Qatari representative office in Gaza and the Egyptian authorities. However, given the limited volumes and types of materials allowed through so far, the impact of these developments has remained minimal.

A recent UN report has concluded that without ‘sustained and effective remedial action’, including reconnecting Gaza with the West Bank, the deterioration of basic infrastructure in the Gaza Strip will render the region virtually uninhabitable by 2020.\textsuperscript{19} By then the population is expected to increase by 500,000 reaching around 2.2 million, intensifying problems in housing.

2) **Inadequate level of financial support:** Several pledges have been made for the reconstruction and development of the Gaza Strip, however, the current realities on the ground and the momentum to engage and pressure for realizing these commitments are sacred and in adequate. For example: to date there has been no disbursement of any of the 27.6\% of the pledges made at Sharm Al Sheikh for the reconstruction of the Gaza Strip.

\textsuperscript{7} Bir Zeit University – Concept Note: The Impact of Tunnel Trade on the Private Sector in Gaza
\textsuperscript{18} Prior to, the; Between January and September 2005, Rafah Crossing served both as a passenger and imports terminal. A monthly average of 900 truckload of goods entered Gaza via this crossing which came to an end in November 2005 with the signature of the Access and Movement Agreement (AMA) between Israel and the PNA.
3) **Human resources gap:** The stoppage of work in the construction sector, mainly for the years 2007 – 2010, has caused construction workers either to remain unemployed or to seek employment in other sectors outside their line of work and hence not utilizing their skills. As a result, they have been forced to perform unskilled jobs leading to loss of skills. In addition, no new workers have been trained to acquire new skills. With the relative ease of restriction on imports through the Gaza crossing with Israel and the availability of construction material coming through the tunnels, the construction sector was forced to work with available workface given their skill level and is finding it more difficult to hire needed skilled workers. With the expectation for increasing demand on skilled work to meet the employment needs for the reconstruction and development of Gaza, intensive vocational training is required to upgrade contraction workers skills and train new workers to inject the construction sector labor force with new blood.

4) **Other resources:** The damage sustained by the Gaza Power Generation Plant at the start of the second Intifada and the lack of fuel to operate the remaining turbines coupled with an old distribution network has caused severe shortages in electrical power in the Gaza Strip. As a result many, if not all, private sector establishments use their own generators for the supply of needed electricity. This is also constrained by the lack of fuel available to operate these generators. Although fuel availability has improved since tunnels started to bring in fuel from Egypt, there is still a problem in the inconsistent supply of this fuel. At times of fuel shortages, fuel prices on the black market increase tremendously adding another burden to the operation of the private sector. A recent UN report\(^20\) said that “Palestinians in Gaza face regular power cuts as provision of electricity remains well below demand”. As the report continue to say that the cuts affect every aspect of Palestinian life including private sector, homes, services, etc. Water is another problem facing the Gaza Strip in general and the private sector in specific. According to the same UN report, Gaza depends almost completely on the underlying water aquifer which is not re-charged with the same amounts of current abstraction. With the decline in ground water and the infiltration of sea water to the ground aquifer and thus increasing salinity, the ground water of Gaza will no longer be usable by 2016 and the aquifer will be beyond repair by 2020. The lack of development efforts, the continued blockade which restricts the import of material needed for infrastructure activities especially sewage handling projects, sewage will also continue to seep into the aquifer aggravating the problem even further.

5) **Organizational gap:** The duplication of authority created by the internal political division has created dual planning efforts for the reconstruction and development of the Gaza Strip. Although the planning effort is driven by actual needs on the ground, the priority setting by the two governments (Gaza and Ramallah) is different. For example: Ramallah government focuses on construction of infrastructure related projects such as water and sanitation, energy and waste water and storm water treatment, while the government in Gaza focuses more on reconstruction of damages public infrastructure cites.

**Opportunities**

The Qatari Fund for the reconstruction of Gaza announced in mid October 2012, will bolster economic activity, especially in the construction sector. Total support is estimated at USD 450 million over three years for development, infrastructure and education projects, which is considered the biggest injection of reconstruction aid for the Gaza Strip since the 2008/09 military operation. The Qatari fund will be used to implement 24 projects involving the construction of Sheikh Hamad bin Khalifeh Al Thani city (around 3,000 housing units), rehabilitation of three main roads (Al Rashid coastal road, Karameh Street and Salah Eddin Road) and a hospital.

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The effect of the Qatari fund will expand beyond the actual physical infrastructure to other aspects of Palestinian lives. According to some estimates, the Qatari fund will create around 30,000 of direct and indirect jobs in the Gaza Strip. Furthermore, the building of the 3,000 housing units will be provided with complete health and education facilities to help the residents of these units. It is also expected that part of the fund will be used to build a center that will provide artificial limbs for those injured during the latest Israel offensives on the Gaza Strip.

The reconstruction and paving of the roads, especially Salah Eddin Road which connects the north and south of Gaza, will improve local transport and thus facilitate the transport of finished goods and agricultural products within the Gaza Strip and from border crossings to the center of towns.

The United Arab Emirates (UAE) announced a fund of US$ 100 million for the construction of a new city to accommodate released political prisoners from Israel Jails. The project will construct around 1,300 housing units with supporting infrastructure such as primary school, community center and mosque. Furthermore, few days ago the UNRWA and the United Arab Emirates Red Crescent (UAERC) have signed an agreement worth US$ 8 million for the construction of four schools in the Gaza Strip. This contribution will help to alleviate the effects of overcrowding in schools in Gaza, where most have to work on a double-shift system. The nine months project will accommodate 1,000 pupils in each school and hence will help to alleviate the effects of overcrowding in schools in Gaza and hence create a better learning environment for thousands of Gazan schoolchildren.

On 4 February a delegation headed by the vice-chairman of the Saudi Development Fund, Yousef Al-Bassam, visited the Gaza Strip and pledged US$ 34 million to restore 7,000 homes and US$ 54 million to build 1,100 homes and six schools.22

CONCLUSION AND THE WAY FORWARD

The main cause of the socio-economic and humanitarian plight of the Palestinian people is the Israeli occupation, where Israel has established a regime of occupation, which has manifested itself in a series of unlawful and internationally prohibited measures.

Although the challenge in the Gaza Strip today is not solely about reconstruction and development, it is about responding to life-threatening challenges in a durable manner and enabling Gazans to exercise basic human rights that they are currently being deprived of, namely right to free movement and right to work. Still reconstruction and development of the Gaza Strip is critically important for the future viability of the Palestinian economy and for Gazans. However without a significant breakthrough on the issue of access and movement, the complete lifting of the blockade and an adequate level of financial support from the international community the reconstruction and development of the Gaza Strip will remain challenging.

Geographically, Gaza provides an important trade corridor to Egypt and North Africa, and strategic access to the Mediterranean Sea. Under conditions of a permanent status settlement between Israel and the Palestinians and a fully reconstructed Gaza Strip, the future trade and transport infrastructure in Gaza will be vital to sustaining and expanding the Palestinian economy. Therefore, the need to identify opportunities to address and cope with the current challenging environment through recognizing alternatives has become more pressing.

This paper and based on the above provides the following recommendations for realizing the reconstruction and development of the Gaza Strip:

1. **Immediate ending of the unjust blockade against the Gaza Strip**: There is an international consensus that something must be done to lift or ease Israel’s blockade of the Gaza Strip, yet

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little has been made to date to effectively materialize efforts into results. Reconstruction and development of the Gaza Strip can not be realized without the firm commitment towards the immediate ending of the blockade.

2. **Ending the division and achieving the national reconciliation.**

3. **Supporting Palestinians election results**

4. **Re-opening of all crossings that were shut down since 2007** to enable an effective response to reconstruction and development needs of the Gaza Strip and guarantee a steady flow of raw materials for rehabilitating the whole Palestinian economy.

5. **Increasing the capacity of the currently operating crossings:** This is especially true given the limited capacity of the Kerem Shalom crossing (up to 350 truckloads a day) of imports and (up to 3 truckloads a day) of exports for limited items approved by Israel.

6. **Focus towards development principles:** Direct the focus of future interventions towards development principles that seek to build on humanitarian programs and catalyze sustainable development opportunities and avoid falling into another cycle of pure humanitarian setting.

7. **Identify niches to better direct coordination efforts:** Coordination among the various players international and local to efficiently utilize and mobilize the various efforts for damages and needs assessments, priorities setting and interventions planning for reconstruction and development.

8. **Transition to strategic projects:** Start the implementing strategic projects that will support private sector growth such as water desalination, electricity generation, sewage treatment and new roads.

9. **Capacity building and development:** upgrade construction workers skills and train new workers to inject the construction sector labour force with new blood through intensive vocational and rehabilitation programs. Furthermore train professionals and rehabilitate specialist technicians in all sectors to contribute with high efficiency in the reconstruction.

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