



CHILD POLICY
CIVIL JUSTICE
EDUCATION
ENERGY AND ENVIRONMENT
HEALTH AND HEALTH CARE
INTERNATIONAL AFFAIRS
NATIONAL SECURITY
POPULATION AND AGING
PUBLIC SAFETY
SCIENCE AND TECHNOLOGY
SUBSTANCE ABUSE
TERRORISM AND
HOMELAND SECURITY
TRANSPORTATION AND
INFRASTRUCTURE

This PDF document was made available from www.rand.org as a public service of the RAND Corporation.

[Jump down to document](#) ▼

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world.

Support RAND

[Purchase this document](#)

[Browse Books & Publications](#)

[Make a charitable contribution](#)

For More Information

Visit RAND at www.rand.org

Explore [the RAND Corporation](#)

View [document details](#)

Limited Electronic Distribution Rights

This document and trademark(s) contained herein are protected by law as indicated in a notice appearing later in this work. This electronic representation of RAND intellectual property is provided for non-commercial use only. Permission is required from RAND to reproduce, or reuse in another form, any of our research documents.

This product is part of the RAND Corporation monograph series. RAND monographs present major research findings that address the challenges facing the public and private sectors. All RAND monographs undergo rigorous peer review to ensure high standards for research quality and objectivity.

Helping a Palestinian State Succeed

KEY FINDINGS

This volume is based on the following studies:

BUILDING A SUCCESSFUL PALESTINIAN STATE

STUDY GROUP DIRECTORS

Steven N. Simon, C. Ross Anthony, Glenn E. Robinson, David C. Gompert, Jerrold D. Green, Robert E. Hunter, C. Richard Neu, Kenneth I. Shine

AUTHORS

Justin L. Adams, Adel K. Affi, C. Ross Anthony, Cheryl Benard, Mark Bernstein, David Brannan, Rachel Christina, Cynthia R. Cook, Keith Crane, Richard J. Deckelbaum, Kateryna Fonkych, Charles A. Goldman, David G. Groves, Seth G. Jones, Kevin F. McCarthy, Amber Moreen, Brian Nichiporuk, Kevin Jack Riley, Glenn E. Robinson, Michael Schoenbaum, Steven N. Simon, Anga R. Timilsina

THE ARC: A FORMAL STRUCTURE FOR A PALESTINIAN STATE

AUTHORS

Doug Suisman, Steven N. Simon, Glenn E. Robinson, C. Ross Anthony, Michael Schoenbaum

Supported by a gift from David and Carol Richards; by a gift from Guilford Glazer; and by RAND discretionary funds, which are provided by donors and earnings on research contracts



Primary funding for the research described in this report was provided by private individuals. Funding for *Building a Successful Palestinian State* was provided by a generous gift from David and Carol Richards. *The Arc: A Formal Structure for a Palestinian State* was initiated by Guilford Glazer and funded by his generous gift. This research in the public interest was also supported by RAND, using discretionary funds made possible by the generosity of RAND's other donors and the earnings on client-funded research.

Library of Congress Cataloging-in-Publication Data

Helping a Palestinian state succeed : key findings.

p. cm.

"MG-146/1."

ISBN 0-8330-3771-4 (pbk. : alk. paper)

1. Arab-Israeli conflict—1993—Peace. 2. Palestine—Politics and government.
3. National security—Palestine. 4. Palestine—Economic conditions. 5. Palestine—Population. I. Rand Corporation.

DS119.76.H457 2005

956.05'3—dc22

2005005258

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors.

RAND® is a registered trademark.

Cover design by Ph.D, www.phdla.com

Background image: Asalah Magazine. Porthole photos: (first three): Photos courtesy Pere Vidal i Domènech; (far right): "The Olive Tree: Hi Mama, I'm Home!" Photo courtesy Steve Sabella at www.sabellaphoto.com

Figures on pp. 16, 18, 21–23, and 25–26 courtesy Suisman Urban Design

© Copyright 2005 RAND Corporation

All rights reserved. No part of this book may be reproduced in any form by any electronic or mechanical means (including photocopying, recording, or information storage and retrieval) without permission in writing from RAND.

Published 2005 by the RAND Corporation

1776 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138

1200 South Hayes Street, Arlington, VA 22202-5050

201 North Craig Street, Suite 202, Pittsburgh, PA 15213-1516

RAND URL: <http://www.rand.org/>

To order RAND documents or to obtain additional information, contact

Distribution Services: Telephone: (310) 451-7002;

Fax: (310) 451-6915; Email: order@rand.org

Preface

The Palestinian Authority, Israel, the United States, the European Union, Russia, and the United Nations all officially support the establishment of an independent Palestinian state. Since the death of Yasser Arafat and the recent elections in Gaza and the West Bank, there has been interest in many quarters in renewing the peace process.

This document summarizes research conducted by the RAND Corporation to develop recommendations, based on rigorous analysis, about steps that Palestinians, Israel, the United States, and the international community could take if a Palestinian state were established to promote the state's success. This work is described in detail in two separate publications: *Building a Successful Palestinian State* and *The Arc: A Formal Structure for a Palestinian State*. A forthcoming companion report, entitled *Building a Successful Palestinian State: Security*, examines security issues in more detail.

In the first two studies, RAND developed initial cost estimates for implementing its recommendations. The estimates, summarized at the end of this document, suggest that the funding necessary to implement RAND's recommendations is within the capacity of combined international resources and private investors. Although RAND's analyses assume a peace accord, many of the recommendations in both studies could be implemented immediately.

This work should be of interest to the Palestinian and Israeli communities; to Palestinian government officials; to policymakers in the Roadmap Quartet (the United States, the European Union, the United Nations, and Russia); to foreign policy experts; and to organizations and individuals committed to helping establish and sustain a successful state of Palestine. It should also be of interest to the negotiating teams charged with the responsibility of establishing the new state.

Principal research for these studies was carried out from September 2002 through September 2004 by multidisciplinary teams of RAND researchers, working under the direction of the RAND Health Center for Domestic and International Health Security and the Center for Middle East Public Policy (CMEPP), one of

RAND's international programs. RAND Health and CMEPP are units of the RAND Corporation.

Primary funding for the projects was provided by private individuals. Funding for *Building a Successful Palestinian State* was provided by a generous gift from David and Carol Richards. *The Arc: A Formal Structure for a Palestinian State* was initiated by Guilford Glazer and funded by his generous gift. This research in the public interest was also supported by RAND, using discretionary funds made possible by the generosity of RAND's other donors and the earnings on client-funded research.

Contents

Preface	iii
Figures	vii
CHAPTER ONE	
Introduction	1
CHAPTER TWO	
Building a Successful Palestinian State	3
Approach	4
Defining Success	4
Conditions for Success	5
Security	5
Governance	5
Economic Development	5
Social Well-Being	6
Crosscutting Issues: Contiguity, Permeability, and Security	6
Contiguity of Territory	7
Permeability of Borders	7
Security	7
Key Findings from the Analyses	7
Governance	7
Internal Security	8
Demography	9
Water	9
Health	10
Education	11
Economic Development	12
Implementing These Recommendations	13

CHAPTER THREE

The Arc: A Formal Structure for a Palestinian State	15
The Shape of Palestine	16
Population Density and Options for Growth	17
Growth in Gaza	19
Linking the Cities	20
Fostering “Linear” Growth	23
New Neighborhoods	25
Costs and Direct Economic Benefits of Constructing the Arc	27
Social and Political Challenges of Absorbing Refugees	28

CHAPTER FOUR

Conclusion	31
Achieving Successful Development	31
Looking to the Future	32

Figures

1. A Natural Arc	16
2. Four Possible Population Distribution Models.....	18
3. Interurban Rail Line	21
4. Five Infrastructures	22
5. A Ladder of Linear Cities	24
6. Aerial View of “Arc”	25
7. Aerial View of Prototypical Municipal Area	26

Introduction

From September 2002 through September 2004, RAND conducted two studies that focused on the question of how an independent Palestinian state could be made successful.

The first study surveyed a wide range of political, economic, social, and environmental challenges that a new Palestinian state would face, in order to identify policy options that Palestinians, Israelis, and the international community could adopt to promote the state's success. Building on RAND's first study, our second study explored options for addressing the housing, transportation, and related infrastructure needs of a burgeoning Palestinian population. The second study explicitly considers issues related to potential immigration to a new Palestinian state of a substantial number of diaspora Palestinian refugees.

This Executive Summary presents the highlights of both studies. Readers in search of more information should consult the respective volumes:

RAND Corporation, Palestinian State Study Group (Steven N. Simon, C. Ross Anthony, Glenn E. Robinson et al.), *Building a Successful Palestinian State*, Santa Monica, Calif.: The RAND Corporation, MG-146-DCR, 2005.

Doug Suisman, Steven N. Simon, Glenn E. Robinson, C. Ross Anthony, and Michael Schoenbaum, *The Arc: A Formal Structure for a Palestinian State*, Santa Monica, Calif.: RAND Corporation, MG-327-GG, 2005.

Building a Successful Palestinian State

Identifying the requirements for success is a pressing policy need if a new Palestinian state is established. A critical mass of Palestinians and Israelis, as well as the United States, Russia, the European Union, and the United Nations, remains committed to the establishment of a Palestinian state. The “Roadmap” initiative, which all these parties officially endorsed, originally called for the establishment of a new Palestinian state by 2005.¹ President Bush recently revised this timetable for the United States, calling for a new state by 2009. Although prospects for an independent Palestine are uncertain, recent history in nation-building clearly indicates that in the absence of detailed plans, such efforts almost always fail.

RAND explored options for structuring the institutions of a future Palestinian state, so as to promote the state’s chances of success. We did not examine how the parties could reach a settlement that would create an independent Palestinian state. Rather, we developed recommendations, based on objective analysis, about steps that Palestinians, Israel, the United States, and the international community can take now, and when an independent Palestinian state is created, to increase the likelihood that the new state will succeed.

Nation-building is a very difficult undertaking, even under less challenging conditions. Even if a peace is agreed to, significant distrust will remain between Palestinians and Israelis, and dissidents in both countries—and from the outside—are likely to try to disrupt progress toward a successful Palestinian state. Success will require good planning; significant resources; fortitude; major and sustained involvement of the international community; and courage, commitment, and hard work on the part of the Palestinian people.

¹ The full title of the Roadmap is *A Performance-Based Roadmap to a Permanent Two-State Solution to the Israeli-Palestinian Conflict* and can be found at <http://www.state.gov/r/pa/ei/rls/22520.htm>, as of February 2005.

Approach

In our analysis, we first considered the essentials of a successful new state, particularly the nature of the institutions that will govern it and the structures and processes that will maintain security. We then described the demographic, economic, and environmental resources on which a Palestinian state can draw and also identified factors that can limit the state's ability to use these resources effectively. Finally, we considered what a Palestinian state must do to ensure that its citizens are healthy and educated.

In each substantive area, we drew on the best available empirical data to describe the requirements for success, to identify alternative policies for achieving these requirements, and to analyze the consequences of choosing different alternatives. For most of the areas, we also estimated the financial costs associated with implementing our recommendations over the first decade of independence. Costs are presented in constant 2003 U.S. dollars, with no attempt to adjust the estimates for future trends in inflation or exchange rates. The costing methodology differed with the nature of the analytic questions and the availability of data.

These estimates are not based on detailed cost analyses. Rather, we intend them to suggest the scale of financial assistance that will be required from the international community to help develop a successful Palestinian state. More-precise estimates will require formal cost studies involving detailed needs assessments. Nor did we estimate the costs of all the major institutional changes and improvements in infrastructure that would be required for a successful Palestinian state.

Defining Success

In our view, “success” in Palestine will require an independent, democratic state with an effective government operating under the rule of law in a safe and secure environment that provides for economic development and supports adequate housing, food, education, health, and public services for its people. To achieve this success, Palestine must address four fundamental challenges:

- **Security:** Palestinian statehood must improve the level of security for Palestinians, Israelis, and the region.
- **Governance:** A Palestinian state must govern effectively and be viewed as legitimate by both its citizens and the international community.
- **Economic development:** Palestine must be economically viable and, over time, self-reliant.
- **Well-being of its people:** Palestine must be capable of feeding, clothing, educating, and providing for the health and social well-being of its people.

Conditions for Success

Security

The success of an independent Palestinian state is inconceivable in the absence of peace and security for Palestinians and Israelis alike. Adequate security is a prerequisite to achieving all other recommendations stemming from our analysis. An independent Palestinian state must be secure within its borders, provide for the routine safety of its inhabitants, be free from subversion or foreign exploitation, and pose no threat to Israel. Moreover, these conditions must be established from the moment of independence: Unlike infrastructure or industry, security is not something that can be built gradually.

Successful security arrangements range from protecting borders that surround the state to maintaining law and order within it. Success, even under the most favorable conditions, will probably require extensive international assistance and close cooperation among security personnel.

Governance

Good governance will be a key measure of the new state's success. From our perspective, that must include governance that represents the will of the people, practices the rule of law, and is virtually free of corruption. The government must also enjoy the support of the people. To gain that support, the new state must be seen as legitimate in the eyes of Palestinians and practice the good governance that is necessary to maintain public respect and support. The thoroughness with which democratic institutions and processes, including the rule of law, are established will be vital from the outset—indeed, they are already critical even before the state has been created.

Economic Development

An independent Palestinian state cannot be considered successful unless its people have good economic opportunities and quality of life. Palestinian economic development has historically been constrained, and per-capita national income peaked in the late 1990s in the range of “lower middle income” countries (as defined by the World Bank). Since then, national income has fallen by half or more following the start of the second intifada (“uprising”) against Israel in September 2000. An independent Palestinian state will need to improve economic conditions for its people just as urgently as it will need to improve security conditions.

Our analysis indicated that Palestine can succeed only with the backing, resources, and support of the international community—above all, the United States, the European Union, the United Nations, the World Bank, and the International Monetary Fund. Resource requirements will be substantial for a decade or more. However, the availability of such resources cannot be assumed. This limited avail-

ability of resources intensifies the need for the state to succeed quickly, especially in the eyes of those who might provide private investment capital.

During the period of international assistance, the Palestinian state should invest aid, not merely consume it. Ultimately, an independent Palestinian state cannot be characterized as successful until the state becomes largely self-reliant.

Social Well-Being

A fourth condition for the success of an independent Palestinian state is that the living conditions of its people improve substantially over time. Many observers have suggested that disappointment about slow improvement in living conditions under Palestinian administration after 1994—and sharp declines in some years—may have contributed significantly to the outbreak of the second intifada.

In addition to the conditions for success described above, the Palestinian health and education systems must be strengthened. Both systems start with considerable strengths. But both will also need considerable development, which will require effective governance and economic growth, as well as external technical and financial assistance.

In the area of health, the state can be seen as successful if it is able to provide its citizens with access to adequate primary, secondary, and tertiary care services while being able to carry out the essential public health functions of a modern state, including immunization programs for children. In education, all children need to be assured access to educational opportunities to enable them to achieve their potential while contributing to the economic and social well-being of the society.

Crosscutting Issues: Contiguity, Permeability, and Security

Our analysis identified three crosscutting issues that will strongly influence prospects for the success of a Palestinian state:

- whether the state's territory (apart from the separation of Gaza from the West Bank) is *contiguous*
- how freely people can move between Israel and an independent Palestinian state, which we refer to as "*permeability*" of borders
- the prevailing degree of *security* and public safety.

These issues affect all of the other issues examined in RAND's analyses. It is important to understand how they are interlinked, how they affect key goals, and how they might be reconciled.

Contiguity of Territory

Palestinian political legitimacy and economic viability will depend in large measure on contiguity of land. A Palestine of enclaves is likely to fail. Political and social development requires that Palestinians be free to move within and among Palestinian territories. Successful economic development requires that movement of goods within and among Palestinian territories be as free as possible.

Permeability of Borders

Permeability of borders is basic to the new state's near-term economic viability. Movement of people between Israel and Palestine will be crucial to the Palestinian economy by giving labor, products, and services access to a vibrant market and by encouraging foreign investment in Palestine. However, permeability must be balanced with security concerns for Israel.

Security

Security is a precondition for successful establishment and development of all other aspects of a Palestinian state. One critical dimension of security is the confidence of Palestinian citizens that they live under the rule of law. A second key dimension is protection against political violence.

We concluded that none of the major conditions of success—security, good governance, economic viability, social welfare—can be realized unless Palestinian territory is substantially contiguous. In a territorially noncontiguous state, poverty would aggravate political discontent and create a situation where maintaining security would be all but impossible. In addition, a Palestine divided into several or many parts would present a complex security challenge since a noncontiguous state would hamper law enforcement coordination; require duplicative and, therefore, expensive capabilities; and risk spawning rivalries among security officials, as happened between Gaza and the West Bank under the Palestinian Authority. Greater border permeability is essential for economic development but significantly complicates security.

Key Findings from the Analyses

Governance

A successful Palestinian state will be characterized by good governance, including a commitment to democracy and the rule of law. A precondition to good governance is that the state's citizens view their leaders as legitimate. Ultimately, the new state's political support and legitimacy will depend on an array of conditions, including the form and effectiveness of governance, economic and social development, territorial size and its contiguity, the status of Jerusalem, and the freedom of refugees to resettle in Palestine.

Good governance will be more easily achieved if Palestine's borders are open, its economy prosperous, its refugee absorption manageable, its security guaranteed, and its early years bolstered by significant international assistance. Good governance will not be achieved without significant effort and international assistance and will most likely come by reforming the present government institutions and practices. At a minimum, Palestine must adopt actions that (1) promote the rule of law including empowering the judiciary, (2) shift some power from the executive to the legislative branches of Palestinian government, (3) significantly reduce corruption, (4) promote meritocracy in the civil service, and (5) delegate power to local officials. A pending constitution that recognizes the will of the people and clearly defines the powers of various branches of government must be wisely completed. Finally, the authoritarian practices and corruption that in the past have characterized rule under the Palestinian Authority must be eliminated.

Strengthening Palestinian governance will entail real financial costs, for instance for conducting elections, and for establishing and operating the legislative and executive branches of government. We did not explicitly estimate the costs of these institutional changes. However, in some instances, they are addressed in the analysis of the other sectors.

Internal Security

The most pressing internal security concern for a Palestinian state will be the need to suppress militant organizations that pose a grave threat to both interstate security (through attacks against Israel and international forces) and intrastate security (through violent opposition to legitimate authority). Public safety and routine law enforcement—administration of justice—will also need to be put on a sound footing as quickly as possible.

Assistance for the administration of justice would facilitate the emergence of an independent judiciary and an efficient law enforcement agency capable of investigating and countering common criminal activity and ensuring public safety. Both of these broad objectives would require funds for rebuilding courthouses and police stations, legal texts, computers, forensic and other training, and the kind of equipment that police need to carry out their day-to-day patrolling duties. A more comprehensive program aimed at accelerating the reform process and creating a sense of security for Palestinian citizens more swiftly would include deploying international police and vetting and recruiting judges, prosecutors, and police officers.

As in the realms of counterterrorism and counterintelligence, internal security requirements would demand restructuring the security services and up-to-date equipment, monitoring, training, and analytical support. Depending on the severity of the domestic terrorist threat and the speed with which Palestinian capacities develop in this area, a more intensive program might be needed.

We estimate general reconstruction costs related to internal security to be at least \$600 million per year, and as much as \$7.7 billion over ten years.

Demography

There are almost 9 million Palestinians, nearly 40 percent of them living within the boundaries of what is likely to become a new Palestinian state (the West Bank and Gaza). The population's fertility rate is very high. If there is large-scale immigration by diaspora Palestinians, the population in the Palestinian territories will grow very rapidly for the foreseeable future.

Rapid population growth will stretch the state's ability to provide water, sewerage, and transportation to Palestinian residents and increase the costs of doing so. It will tax the physical and human capital required to provide education, health, and housing and place a heavy financial burden for funding these services on a disproportionately smaller working-age population. A new Palestinian state will also be hard-pressed to provide jobs for the rapidly growing number of young adults who will be entering the labor force.

There are clear signs that Palestinian fertility rates are declining, but the rate of decline is uncertain. In the short run, births will certainly increase since the number of Palestinian women in the prime childbearing years will more than double. Over the longer term, fertility rates will begin to decline. How much these declines will lower the total fertility rate probably depends on the degree to which the education levels and labor force participation of Palestinian women rise.

There is also considerable uncertainty surrounding the number of diaspora Palestinians who might move to a new Palestinian state. The Palestinian Central Bureau of Statistics and the United States Census Bureau estimate between 100,000 and 500,000 returnees. Our own estimates, based on assumptions about which groups of Palestinians will be most likely to return and under what conditions, are somewhat higher. Ultimately, the number of Palestinians returning will depend upon the terms of the final agreement and on social, political, and economic developments in the new Palestinian state. These demographic realities greatly affect the likely economic and social development of any new state.

Water

A viable Palestinian state will need adequate supplies of clean water for domestic consumption, commercial and industrial development, and agriculture. These requirements are not being met today. Current water and waste management practices are degrading both surface streams and rivers and underground water resources.

Most of Palestine's water is provided by springs and wells fed by underground aquifers that are shared with Israel. Current water resource development provides only about one-half of the World Health Organization's per-capita domestic water requirement and limits irrigation and food production. In addition, current water use

is unsustainable: The amount of water that the Palestinians and Israelis extract from most of the region's aquifers exceeds the natural replenishment rate.

Options we examined for increasing the water supply included increasing groundwater use, accommodated by Israel's reduction in use; increasing rain and storm water capture; and increasing desalination capabilities where no other options exist. Demand can be managed through smart application of water efficiency technologies, water reuse methods, and infrastructure improvements.

We estimate a cost of more than \$4.9 billion for supplying water and sanitation for the decade through 2014. Improved water management strategies could reduce this amount by up to \$1.3 billion to \$2 billion.

Health

The health system of a future Palestinian state starts with many strengths, including a relatively healthy population, a high societal value placed on health, many highly qualified health professionals, national plans for health system development, and a strong base of governmental and nongovernmental institutions.

Important areas of concern include poor system-wide coordination and implementation of policies and programs across geographic areas and between the governmental and nongovernmental sectors of the health system, many underqualified health care providers, weak systems for licensing and continuing education, and considerable deficits in the operating budgets of the Palestinian Ministry of Health and the government health insurance system (the principal source of health insurance).

Our analysis focused on major institutions that the health care system would need in the first decade of an independent state. In addition, we identified several urgently needed programs for preventive and curative care.

We recommend that priority be given to initiatives in two areas:

- Integrating health system planning and policy development more closely, with meaningful input from all relevant governmental and nongovernmental stakeholders.
- Improving public and primary health care programs, including an updated immunization program, comprehensive micronutrient fortification and supplementation, prevention and treatment of chronic and noninfectious disease, and treatment of developmental and psychosocial conditions.

We estimate that the Palestinian health system could constructively absorb between \$125 million and \$160 million per year in external (international) support over the first decade of an independent state.

Education

The future state's education system begins with a strong foundation, especially in the areas of access, quality, and delivery. Access strengths include a commitment to equitable access and success in achieving gender parity, strong community support for education, and leadership that is supportive of both system expansion and system reform. Strengths in the area of quality include willingness to engage in curricular reform; strong interest in and resources for improving pedagogy; commitment to improving the qualifications and compensation of staff; and the perception of schools as a key location for developing students' civic skills and social responsibility. The system is relatively well managed and has solid data collection capabilities.

Nevertheless, the system faces notable challenges. In the area of access, these include rising levels of malnutrition, homelessness, and general poor health; inadequate facilities and supplies; unsafe schools and routes to schools; lack of special education options for students with special needs; lack of nonformal education options for school-age students; and the absence of lifelong learning opportunities. Quality challenges include a lack of clear goals and expectations for the system; limited relevance of secondary, vocational, and tertiary programs; limited research and development capacity and activity; low staff compensation and an emerging administrative "bulge"; and difficulty in monitoring process and outcomes. Delivery is hobbled by a severely underfunded and donor-dependent system, and the limited data on the system are not effectively linked to reform.

Our analysis examined ways in which access, quality, and delivery could be improved, with a long-term goal of positioning Palestine as a powerful player in the region's knowledge economy. We recommend an array of activities within three primary goals for the system over the next ten years:

- Maintaining currently high levels of access, while also working within resource constraints to expand enrollments in secondary education (particularly in vocational and technical education and the academic science track) and early childhood programs.
- Building quality by focusing on integrated curricular standards, assessments, and professional development, supported by long-term planning for system sustainability.
- Improving delivery by working with donors to develop streamlined and integrated funding mechanisms that allow school administrations to focus on the business of meeting student needs.

We estimate that the Palestinian education system will require between \$1 billion and \$1.5 billion per year in financing over the first decade of statehood if it is to operate at a level that will support national ambitions for development. (We do not distinguish between donor and national investments.) We recognize that these in-

vestment levels are substantial, both in absolute terms and relative to historical spending levels in Palestine (which averaged around \$250 million per year during 1996–1999). Our recommendations are based on international benchmarks for spending per pupil in successful education systems. We also offer options for reducing costs should it be necessary to do so.

Economic Development

We examined possible economic development trajectories in an independent Palestinian state during the 2005 to 2019 time frame, focusing on Palestine’s prospects for sustaining growth in per-capita incomes. Prerequisites for successful economic development include adequate security, good governance, adequate and contiguous territory, stable access to adequate supplies of power and water, and an adequate transportation infrastructure. In addition to the prerequisites, four critical issues—transaction costs; resources, including internal resources and financing and external aid; the Palestinian trade regime; and the access of Palestinian labor to employment in Israel—will primarily determine the conditions under which the Palestinian economy will function.

Since Palestinian territory has limited natural resources, economic development will depend critically on human capital, with stronger systems of primary, secondary, and vocational education as indispensable down payments on any future economic success. Other important conditions will include Palestinian access to Israeli labor markets and substantial freedom of movement of people and products across the state’s borders, including the border with Israel. However, brittle Israeli-Palestinian relations are likely to constrain cross-border movement of Palestinians into Israel for some time after a peace agreement.

Strategic choices made by policymakers at the outset of the new state will markedly affect its economic development. Decisions about *geographic contiguity*—the size, shape, and fragmentation of a future Palestinian state, the inclusion of special sites or areas, and control over land and resources—will determine the resources that the new state’s leaders will have to foster growth and the ease with which Palestinians can move and engage in business. Decisions about the degree of *economic integration* with Israel in terms of trade and the mobility of Palestinian labor will shape the Palestinian economy, the rate of economic growth, and prospects for employment.

We believe that a future Palestinian state could develop within the confines of four scenarios, determined by decisions about geographic contiguity (high versus low) and economic integration with Israel (high versus low). We estimated the levels of economic growth that might be achieved under each scenario, given specific levels of international investment. Not surprisingly, our analyses confirm the value for economic development of a high degree of geographic contiguity and of a high degree of economic integration with Israel. A highly contiguous Palestine—one with fewer impediments to the movement of goods and people—would have lower transaction

costs and a broader base of economic activity. A Palestine that has open borders and liberal trade policies with Israel would enable Palestinians to access lucrative employment opportunities in Israel as well as provide customers for Palestinian raw materials and intermediate goods exports.

Under each scenario except the low-contiguity/low-integration case, Palestine could reasonably surpass its 1999 per-capita gross national income by 2009 and double it by 2019. However, such economic growth presupposes very significant investment in Palestinian capital stock: Between 2005 and 2019, the Palestinian private and public sectors and the international community would have to invest about \$3.3 billion annually, for a cumulative total of some \$33 billion over the first decade of independence (and \$50 billion over the period 2005–2019).

Under any scenario, domestic private employment would have to grow at a substantial pace (perhaps at an annual average of 15 to 18 percent) between 2005 and 2009 to reach rates of employment last seen near the summer of 2000. These employment rates should be possible once Palestinian businesses are able to operate in a relatively unrestricted environment and are fully able to utilize available resources.

Our analysis also identified a number of best-practice policies to encourage economic development and growth in per-capita incomes. These policies should involve efforts to repair and invest in Palestinian infrastructure pertaining to transportation, water, power, and communications; this infrastructure forms the basis of any functioning economy. They should also involve efforts to nurture economic activity. Critical areas include fostering free trade between Palestine and elsewhere by minimizing the costs of commerce; joining with Palestine's neighbors to develop specific economic sectors; expanding access to capital through a program of industrial and economic development zones, reformed domestic banking policies, and an international insurance fund; and improving the business climate through increased transparency and accountability of Palestinian governance.

Implementing These Recommendations

Many of the recommendations we have described could be implemented immediately. All of these issues will be important to consider when a new Palestinian state is agreed upon.

The Arc: A Formal Structure for a Palestinian State

RAND's first study, *Building a Successful Palestinian State*, analyzed a wide range of political, economic, social, and environmental challenges that a new Palestinian state would face, and described policy options in these areas for facilitating the state's success. RAND's second study, *The Arc: A Formal Structure for a Palestinian State*, builds on the initial study by providing a detailed vision for strengthening the physical infrastructure of a Palestinian state. This vision is designed to address one of the key challenges described in RAND's first study: that of providing for the physical and economic well-being of Palestine's rapidly growing population by providing adequate housing, transportation, and economic opportunity.

The population of the West Bank and Gaza, currently around 3.6 million people, is growing very rapidly due to a high birthrate. Moreover, following independence, the population of Palestine is generally expected to expand further because of immigration. As a working estimate for the present analysis, we assume that the population will grow to approximately 6.6 million by 2020: approximately 2.4 million new people from natural population growth, plus net migration of approximately 600,000 people. We expect immigration to come principally from Palestinian refugees currently living in Lebanon, Syria, and Jordan. Thus Palestine's infrastructure, inadequate even for current needs, will soon be called upon to support perhaps twice as many people. (Palestinian demographic trends, including the issue of returning refugees, are discussed in detail in *Building a Successful Palestinian State*.)

Every nation-state has a shape, which is most immediately recognized by the contours of its international borders. But within those borders there is another shape we might call the nation's formal structure—the pattern of constructed human habitation and human movement, set in relationship to the natural environment. The potential formal structure of a new Palestinian state is the focus of RAND's second project.

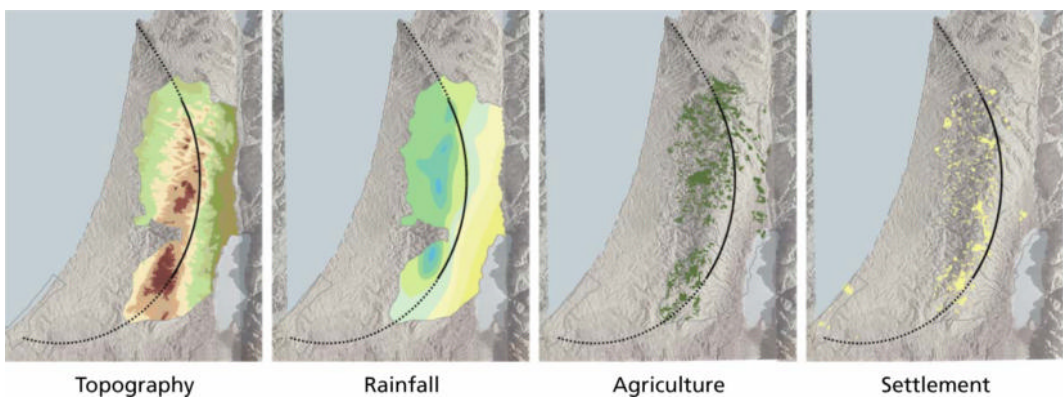
In addition to describing options for developing the physical infrastructure of a Palestinian state to meet the needs of its growing population, we also consider some of the key social and political challenges that will be presented by the return to the

new state of large numbers of Palestinian refugees and other immigrants currently living abroad.

The Shape of Palestine

We began by examining current patterns of habitation in Palestine. Palestinian villages, towns, and cities are not evenly distributed across the West Bank but are grouped almost entirely in its western half. This clearly reflects topography and climate (see Figure 1). The region is cut in half from north to south by a slightly curving line, or “arc,” of mountain ridges. In some areas, the ridgeline reaches more than 3,000 feet above sea level, with more typical heights ranging between 2,000 and 2,500 feet. Because of the prevailing winds from west to east off of the Mediterranean Sea, the West Bank experiences the storm pattern typical of “West Coast Mediterranean” climate zones (from California to South Africa), whereby the rising elevation of the mountains causes most rain to drop on the westerly face of the ridgeline, leaving the eastern face relatively dry. The ridgeline also puts the eastern slopes in a “wind shadow,” making them not only dryer but also hotter. This helps explain why Palestinian habitation has remained generally in the west of the West Bank, with its significantly higher rainfall, arable land, and occasional cooling breezes. The notable exception to this pattern is the low-lying oasis of Jericho, whose plentiful and accessible underground water supply has sustained an ancient town in an otherwise inhospitably hot and arid territory.

Figure 1
A Natural Arc



The West Bank is divided down its middle by a slightly curving north-south line, or “arc,” of mountain ridges. The ridges divide the Mediterranean ecosystem to the west from the arid slopes on the east. Because rainfall is significantly higher on the western side, agriculture is concentrated there, along with the great majority of historic Palestinian settlements.

The *Atlas of Palestine*² identifies a family of 11 principal cities in the West Bank. They are, from north to south: Jenin, Tubas, Tulkarm, Nablus, Qalqilya, Salfit, Ramallah, Jericho, Jerusalem, Bethlehem, and Hebron. With the exceptions of Tulkarm and Qalqilya in the west and Jericho in the east, they are loosely arrayed along or near the path of the ridgeline arc. The three largest in population are Jerusalem (250,000), Hebron (154,000), and Nablus (127,000). The next two largest—Tulkarm and Qalqilya—are considerably smaller, with just over 40,000 each.

Many of these cities have been settled for millennia—notably Hebron, Bethlehem, Jerusalem, Jericho, and Nablus—and there are ancient roadways that connect them; indeed, the current path of Route 60, the north-south highway of the West Bank, follows quite closely the ancient route that linked these cities. However, Route 60 today is for the most part relatively narrow, winding, and slow, reflecting a historical preference for north-south travel along the flatter route along the Mediterranean coast and a general lack of investment in upgrading the West Bank's infrastructure. Future economic development in Palestine clearly requires the creation of rapid north-south transportation links for goods and people in the West Bank, and between the West Bank and Gaza.

The discussion of existing conditions cannot conclude without addressing the numerous Israeli settlements in the West Bank and the roads built to serve them. These constitute an essentially autonomous urban system, and their location and design depart from historical building patterns in the region. For these reasons, and because their ultimate political disposition is uncertain, we have chosen for the purposes of this study to set the question of Israeli settlements aside.

Population Density and Options for Growth

With more than 3.6 million people in just over 2,300 square miles, Palestine today has more than 1,400 people per square mile. This population density puts it near the top of the world's densest nations. Europe's densest country, the Netherlands, has 1,200 people per square mile, while Israel has 770 people per square mile and Lebanon 870. The world's densest large country, Bangladesh, has 2,200. If Palestine's population increases, as expected, to more than 6 million within the next 15 years, its density will reach 2,400 people per square mile, exceeding even that of Bangladesh.

High population density is often associated with overcrowding, poverty, disease, traffic congestion, economic anemia, and environmental degradation. However, high population density by itself is not necessarily a prescription for national failure. Indeed, there is something of a reverse correlation when measuring the density of cities as opposed to the density of nations. A growing body of thought and research sug-

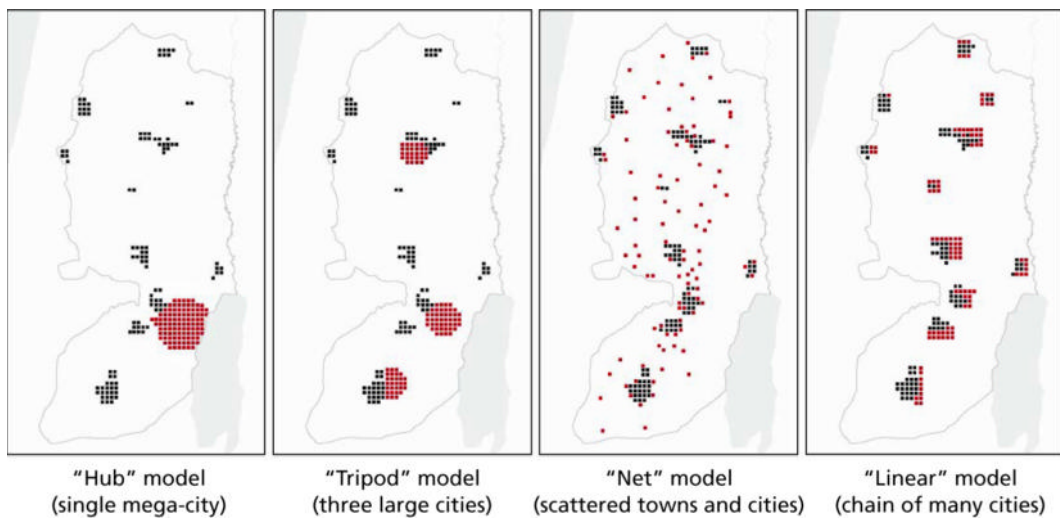
² *Atlas of Palestine*, Jerusalem (Bethlehem): Applied Research Institute, 2002.

gests that in a number of domains—sustainability, environmental performance, reduced energy consumption, livability, even social equity—cities with higher densities may perform better than those with lower densities.

While many cities in Australia and the United States—such as Houston, Phoenix, Adelaide, and Brisbane—have typical average metropolitan densities of around 3,000 people per square mile, thriving Asian and European cities such as Singapore, Paris, and Munich have densities at least ten times as high, averaging 30,000 people per square mile across their metropolitan areas. The successful high-density development of such cities is associated with compact urban form, high-density housing, and good public transportation. The current and projected high population density of a Palestinian state, if combined with certain patterns of higher-density urban development and public transportation, could be an asset in the search for a sustainable formal structure for the state.

Given the location, size, and linkages of existing Palestinian towns and cities, we can consider different options for expanding areas of Palestinian habitation to accommodate millions of additional people. There are many different models of urban distribution within a region; the study team chose to focus on four distinct models for consideration (see Figure 2).

Figure 2
Four Possible Population Distribution Models



The advantages and disadvantages of four different population distribution models were assessed. The first two were eliminated because of the lack of needed land and risk of overcrowding. The third model distributed benefits widely but had the highest cost with respect to linking infrastructure. The fourth had the widest distribution of benefit and greatest regional integration at the least cost for linking infrastructure, while corresponding most closely to the natural arc in the landscape.

The first is the “hub” model of a single mega-city. The creation of a new city has the potential advantages of centralized development and control on an open landscape, with many opportunities to create strong and positive symbols for the state. But it also entails tremendous logistical, political, and economic challenges. Moreover, the team believes that sufficient contiguous, buildable, and suitable land for such a city is most likely not available in the West Bank.

The second is the “tripod” model of three large cities, specifically Jerusalem, Hebron, and Nablus. Such an approach could mitigate some of the logistical, political, and economic disadvantages of the “hub” model. However, the team remains concerned that even dividing a new population of three million people to three areas may result in cities that are overly crowded and unable to support the demand, and that insufficient buildable land would be available to pursue this course successfully.

The third is a “net” model of scattered towns and cities. Distributing new growth more or less evenly all across the West Bank is attractive in concept, because it spreads the burdens and benefits of growth equally. But scattered development probably requires the most miles of infrastructure at the highest cost. Indeed so much connective infrastructure would be required that setting national priorities would be very challenging and expensive. Also, such distributed growth may encourage political “balkanization,” undermining larger regional and national institutions and initiatives.

The fourth is a “linear” model of a chain of multiple cities. The geography and population distribution of the West Bank suggest connecting most of the major cities along a single trunk line, which could cover much of the population relatively efficiently. The chain of cities could provide focus and direction for new economic development while helping to revitalize the principal existing historic centers. By encouraging each urban area to grow in a linear—or “branch”—form to link to the national trunk line, compact and sustainable urban form is favored over undirected and unbounded growth. The approach relates growth to existing topographic and habitation patterns, with the potential to create a strong national symbol through the connective infrastructure itself, rather than exclusively through expensive and possibly wasteful individual architectural monuments. The disadvantages of this approach are that it may favor central areas of the West Bank at the expense of the eastern and western zones and that, if incorrectly implemented, it may create too much urban development along the line of the arc itself. On the basis of this analysis, the team selected the “linear” model as having the most promise for further investigation.

Growth in Gaza

In developing plans to accommodate substantial population growth in Palestine, one obvious step is to propose minimizing the burden of growth in Gaza. Although Gaza

will clearly experience substantial natural population growth over the next decades, the population density there is already 9,200 people per square mile. Because of this high initial population density, the relative scarcity of open land, and Gaza's physical separation from the West Bank, we decided that urban planning in Gaza required a substantively different approach than the vision we developed for the West Bank. Efforts in Gaza should therefore focus on the construction of the new international airport and seaport, the linkage of the ports to the West Bank via the transport facilities of the Arc, the development of new infrastructure for seaside tourism, and the physical and economic rehabilitation of the urbanized areas of Gaza. Population and urban growth, on the other hand, should be directed to the West Bank.

Linking the Cities

The "linear" model puts an emphasis on the existing chain of cities along the central spine of the West Bank. Population growth and urban development would be directed to this line. The immediate question raised is how the cities would be linked to each other.

The historic centers of most of the cities are already linked by the roadway called Route 60. This route, however, is inadequate for the future needs of the state. Traffic on the road is necessarily slowed as each metropolitan area is approached and entered. For those traveling longer distances, the route itself may disappear on the south side of the city, only to reappear on the north.

The need for a north-south link and the presence of the north-south arc in the topographic landscape create the intriguing prospect of a major new project parallel to the path of the arc. The primary function of such a project would be to provide the major transportation link for the West Bank (see Figure 3) via frequent, reliable, and high-speed rail service between the primary cities of the West Bank and ultimately to the international airport and cities in Gaza. The total length of this link from Jenin south to Hebron would be approximately 70 miles, while the extension to Gaza would be an additional 60 miles.

The construction of the transportation line would invite the concurrent parallel construction of other needed lines for electricity, natural gas, telecommunications, and water (see Figure 4). A national linear park could weave back and forth across the line as influenced by the landscape. The ensemble could have great symbolic power for the new nation. We call the entirety simply the "Arc."

While a rail line would be the centerpiece of the national infrastructure, rail cannot provide all the needed types of transport. On the passenger side, there will always be a demand for swift automobile linkages via highway—not only for those residents who can afford a car but also for tourists, dignitaries, government officials,

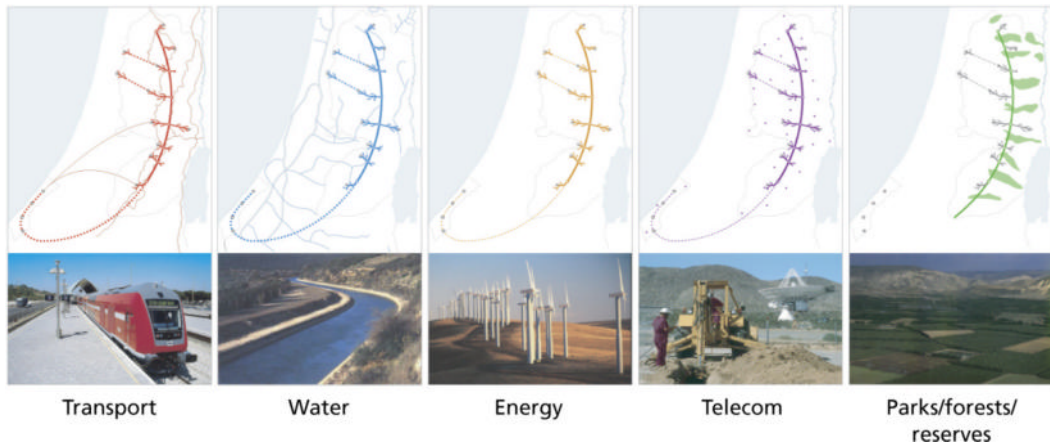
Figure 3
Interurban Rail Line



The critical infrastructure along the Arc is a fast interurban rail line linking almost all the primary cities of Gaza and the West Bank—including a stop at the international airport—in just over 90 minutes. The rail line makes public transportation a national priority while establishing the “trunk” of the national infrastructure corridor.

etc. The demand will also exist for the providers of emergency services, security and military units, and service and repair vehicles of all kinds. Also, although the Arc should include capacity to move freight by rail, a significant percentage of freight is likely to be carried by truck, from small shipments in vans to shipping containers directly offloaded onto tractor-trailers. This freight traffic will require good roads as well. To address these needs in a way that is consistent with the Arc’s broader devel-

Figure 4
Five Infrastructures



The Arc is the proposed trunk line of the Palestinian national infrastructure corridor, linking Gaza and the West Bank. It includes the rapid rail line, a national water carrier, energy generation and transmission, telecommunications lines, and a national linear park. Each of the infrastructures has east-west lateral branches that create the framework for linear development in each urban area and the boundaries for the national open space system of parks, forests, reserves, and farmlands.

opment goals, we suggest the creation of a toll road with fewer rather than more lanes and with very limited exit and entry points, perhaps one or two for each urban center.

An international airport connecting Palestine to the rest of the world is also assumed to be of critical importance in building both the identity and economy of the new state. We have further assumed that for reasons of security, the major Palestinian airport will necessarily be located in Gaza, rather than the West Bank. A parallel need will be for an international seaport, located south of Gaza City. The Arc's rail and road links will provide rapid access for passengers and freight to and from the airports and seaports for all parts of Palestine.

Finally, while the transportation infrastructure of the Arc is initially intended to address internal linkages, it can ultimately provide the backbone for land travel and transport between the international capitals of Amman, Beirut, Cairo, and Damascus—and eventually Haifa, Tel Aviv, and Be'er Sheva. International points of entry would be found at Jenin, Tulkarem, Qalqilya, south of Hebron, and east of Jericho. Infrastructure investment could be focused on linking these perimeters to the trunk of the Arc.

Fostering “Linear” Growth

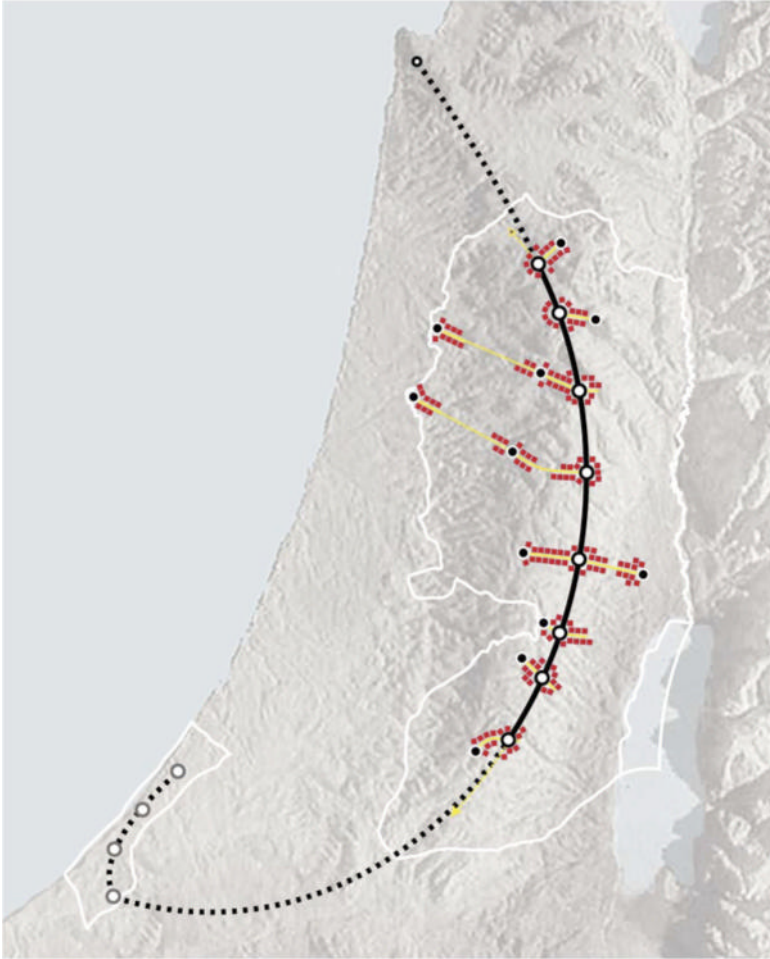
Conventional practice would locate each new station along the Arc in the historic center of each existing city. However, the Arc concept intentionally sets each station area at a considerable distance—anywhere from 2 to 15 miles—from the historic center (see Figure 5). This is done for a number of reasons. First, since there is virtually no existing rail infrastructure in the Palestinian towns and cities, the costs and disruption from intruding the rights-of-way and infrastructure needed for intercity rail would be unacceptably high. Second, the presence of the station in the middle of the existing center would encourage greater concentrations and crowding in settings that are already fairly well built up; the pressure to destroy historic buildings and precincts in order to build denser and higher would only grow with time. Third, a station in the historic center would create pressure for radial growth around the center, creating ever greater problems of access from periphery to center as the city enlarges. By contrast, the proposed remote location of the station encourages a regulated, linear form of expansion from the historic center along a new artery equipped with public transit designed to meet the demands of long-term growth.

A perennial problem for developing countries in particular is the tendency toward excessive centralization—for one urban area to become a mega-city that drains investment and economic growth from all other urban centers. One of the goals of the Arc concept is to minimize the differences between the different cities in order to encourage investment and growth more equitably along the line of the Arc and therefore throughout the West Bank and Gaza.

The strategy of locating the new station area at a distance from the historic core is predicated on the construction of a new connective boulevard system between them (see Figure 6). The boulevard may be a single roadway or a hierarchical system of parallel paths of different size and function. The boulevard structure organizes the growth from the historic core toward the station, since in the short term the core is likely to swell, even overcrowd, as the first wave of refugees returns. Pressure to expand can be directed along the sides of the boulevard, where new neighborhoods can be developed.

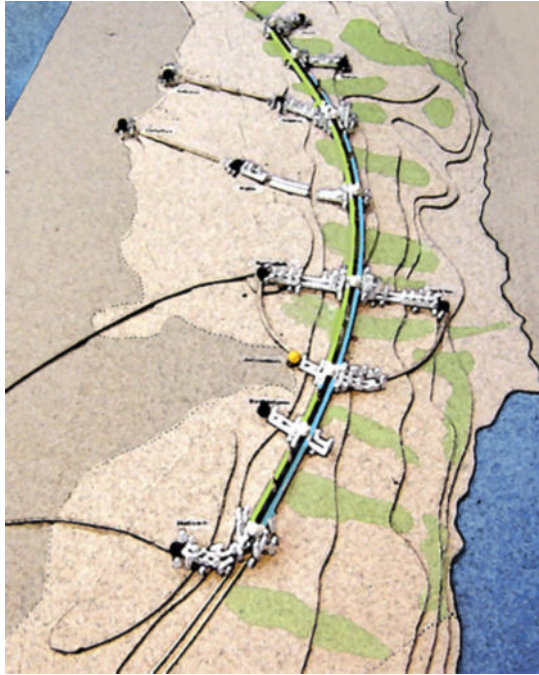
The Arc concept offers the promise of a system of national open space that could be developed by merging two existing environmental systems: the extensive landscape of agricultural fields, terraces, groves, and the farms and villages associated with them and the collection of protected forests and nature preserves already designated throughout the West Bank. The particular character and uses of open space would require careful study, but conceptually, it ought to be possible to take a brief walk or bike ride along the linear park within the metropolitan area of, say, Nablus or Bethlehem; or, more ambitiously, to undertake a hike or ride along the full extent of the Arc.

Figure 5
A Ladder of Linear Cities



Each rail station along the Arc is strategically sited to create an east-west line of urban growth between the historic center and the new station area. The line between the two poles is established with the construction of a transit boulevard (typically from 5 to 15 kilometers in length) served primarily by rapid bus transit and taxis. Along the boulevard, new neighborhoods can be developed sequentially to accommodate as many as 3 million people in the next 15 years. The pattern creates the locations—and the boundaries—for long-term urban growth, assuring protection of the national open space system.

Figure 6
Aerial View of "Arc"



Aerial view showing the Arc within the West Bank, including the infrastructure trunk lines, the lateral boulevards or "branches" between the new station areas (white dots) and historic centers (black dots), and the parks and reserves of the national open space system.

New Neighborhoods

At the heart of the Arc concept is the settling of several million people in new neighborhoods along the flanks of the new transit boulevards. Here the sequential, ongoing creation of new neighborhoods can be calibrated to the pace of population growth and refugee return.

In addition to housing, the new neighborhoods would include shops, markets, schools, clinics, mosques and other religious structures, small parks, and cultural facilities (see Figure 7). Typical building heights might range from two to six stories. These neighborhoods can extend away from the boulevard for some distance, typically up the slopes of the defining hillsides. This distance should not be more than $3/4$ of a mile—or a 15-minute walk—from the boulevard in order to encourage tran-

Figure 7
Aerial View of Prototypical Municipal Area



Aerial view showing a prototypical municipal growth pattern along the transit boulevard (blue), starting from the historic center (upper left) and extending to the new station area (lower right). Also visible are historic Route 60 (along the top), and the new rail, water, energy, road, and park infrastructure along the line of the Arc.

sit use and discourage dependence on the automobile. Jobs should be found at virtually all points along the boulevard, although the nature of the jobs will vary from district to district.

Along the connecting boulevards themselves, uses could include newer housing, commercial areas, office buildings, midsize hotels, government agencies, consulates, schools, and cultural facilities. Buildings would probably be taller than in the neighborhoods behind and might include mid-rise elevator buildings or even, where appropriate, high-rise buildings. Typical heights might be from five to ten stories.

Based on a very preliminary review, it is our belief that there is sufficient buildable terrain for a boulevard between each of the new stations and historic centers to accommodate the two million new residents at the proposed average density of 30,000 people per square mile. Another one million new residents would be housed through increased density in the built-up areas around the core and/or through some voluntary location in the smaller towns.

It should be stressed that while these numbers reflect demographic estimates through 2020, the Arc is intended to create a framework that can absorb Palestinian

population growth and urban development over the long term. The combined tactics of urban density, public transit, and protected open space should be capable of supporting a sustainable, livable environment for generations.

Costs and Direct Economic Benefits of Constructing the Arc

As with the development options described in *Building a Successful Palestinian State*, the construction of the key elements of the Arc will require very substantial investment of economic resources. At the same time, the employment associated with such major infrastructure development projects is important in its own right, in addition to the longer-term economic and social benefits of these projects.

We focus on construction costs in two areas: transportation—specifically a railroad and highway along the main length of the Arc, “boulevard” roads connecting the historical population centers to the train stations located on the Arc, the train stations themselves, and transit stations along the boulevard roads—and housing—for immigrants to a new Palestinian state. For reasons we discuss in *The Arc: A Formal Structure for a Palestinian State*, the cost estimates exclude the cost of land acquisition, whether for roads, railways, stations, or housing. All costs are reported in nominal (i.e., current-year) U.S. dollars.

We estimate that construction of the main sections of the Arc railway, from Tulkarm in the north to Gaza in the south, to be approximately \$3.3 billion, including rolling stock. The main highway along the Arc would cost approximately \$2.1 billion, while construction of the connecting boulevard roads would be approximately \$275 million. Construction of the main rail and road stations on the Arc and the smaller stations along the connecting boulevard roads would be approximately \$300 million. Thus we estimate the total costs of the core rail and road infrastructure of the Arc to be around \$6 billion.

With respect to housing costs, we assumed that most Palestinians will rely on their own efforts and resources to build or improve housing. At the same time, we recognize that a substantial influx of immigrants may have sufficiently large effects on local housing markets that donors may want to mitigate these effects. We therefore include an estimate of the costs of constructing new housing for returnees. Assuming the same density of residents per dwelling as currently exist in Gaza and the West Bank (6.4 people per unit) and our working estimate of 630,000 new immigrants over ten years, an additional 100,000 housing units would be needed to house this influx. At an estimated average cost of \$25,000 per housing unit, this totals \$2.5 billion.

The construction of transportation infrastructure and housing would employ Palestinian construction workers, increasing employment and family incomes. We have estimated the potential number of construction jobs generated by this spending

by dividing the total value of projected construction spending in dollars by an estimate of gross construction output per worker in dollars derived from employment and national income accounting statistics from neighboring Arab states. Based on a total investment of \$8.5 billion, roughly 530,000 person years of construction labor would be needed to complete the projects described here, based on Jordanian data. Using analogous data for Egypt, where labor productivity in construction is lower than in Jordan, we estimate that employment would run 800,000 person years. Assuming that the main Arc projects would be built over a five-year time span, we thus estimate that the necessary level of financial investment would employ 100,000 to 160,000 Palestinians per year over this period.

We emphasize that these cost and employment estimates are approximate. We intend them as a frame of reference for considering the scale of financial assistance that will be required from the international community to help develop a successful Palestinian state. More-precise estimates will require formal cost studies involving detailed needs assessments. Moreover, neither of the RAND reports discussed here includes the costs of all the major institutional changes and improvements in infrastructure that would be required for a successful Palestinian state.

Social and Political Challenges of Absorbing Refugees

As we have described, the Arc concept was designed to help address the physical and economic needs of the Palestinian population, now and in the future, without particular regard to whether population growth is due to natural increase or to immigration of refugees. At the same time, it is clear that the absorption of large numbers of immigrants will challenge a new Palestinian state in ways that go beyond the physical accommodation of additional residents, and there is considerable value to considering these challenges explicitly.

As part of the Arc project, we therefore consider a series of important social, political, and economic challenges that the Palestinian state will face as it addresses the issue of absorbing substantial numbers of new immigrants, who are likely to come principally from the Palestinian refugee communities in Lebanon, Syria, and Jordan.

The most basic challenge will eventuate in the form of a series of dilemmas:

- The legitimacy of the new government will depend in part on its success in resettling the bulk of Palestinian refugees. Yet the influx of a large number of refugees will strain the institutions of the state in a way that will challenge its ability to provide good governance, and thus its legitimacy.
- Moreover, a government striving to establish its legitimacy may have to ask the current nonrefugee population of Palestine to accept minority status once large numbers of returning refugees join the current refugee population.

- The new government will have an interest in ensuring social cohesion at the national level, which calls for dispersing returnees in a way that does not perpetuate societal cleavages. Yet returnees will want to settle where their families are already located and might oppose a government that seeks to disperse them.
- The new government may not be able to confine its resettlement efforts to refugees returning from abroad. The large number of refugees that have been living in camps within Palestine for several generations, plus the many displaced persons, who are all but refugees without the legal title, are likely to demand equal treatment. This will burden the new government with even greater responsibilities.
- Finally, the new government will have to overcome the deep skepticism that returnees from Lebanon, Jordan, and Syria harbor toward state authority, even as they must wean these communities from their dependence on the state.

In practice, it was outside the scope of the present analysis to develop detailed policy options to address all of these issues. Moreover, the social and political nature of these issues means that they are best addressed locally, in ways that reflect national preferences and the realities of the settlement terms under which an independent Palestinian state is created. At the same time, we think that the detailed consideration of these issues that we provide in *The Arc: A Formal Structure for a Palestinian State* will help stimulate discussion and planning about these issues, so that they can be addressed rapidly and effectively as circumstances require.

Conclusion

Achieving Successful Development

If a state of Palestine is created, it is essential that it succeed. The purpose of RAND's analysis is to describe steps that Palestinians, Israelis, Americans, and the international community can take to ensure that a new independent Palestinian state is successful.

An independent Palestinian state will begin with many strengths. These include a population that is devoted to the success of their state and, according to polls, willing to live side by side and in peace with Israel. This population is relatively healthy and well-educated, compared with those of other countries in the region with similar levels of economic development; moreover, both the health and education infrastructures have proven themselves to be flexible and adaptive, even in the face of severe social, political, and economic strain. Particularly notable is the strong degree of gender parity in education outcomes. In health, education, and other areas, a Palestinian state will be able to draw on a strong base of governmental and nongovernmental institutions and on many highly qualified professionals.

At the same time, the new state will face significant challenges. Most fundamentally, the state must achieve security within its borders, provide for the routine safety of its inhabitants, be free from radical subversion or foreign exploitation, and pose no security threat to Israel—conditions that have been lacking since at least the start of the second intifada in 2000. The state must establish and maintain effective governance, rather than the corrupt and authoritarian rule that has prevailed since 1994. The state will have a large and rapidly growing population, with a very high dependency ratio (i.e., the ratio of children and elders to workers) and the likely immigration of large numbers of Palestinians from abroad; and it will start with a physical infrastructure that is inadequate to meet the needs of its current population, let alone accommodate a large number of returning refugees. And Palestine will face the tremendous challenge of achieving substantial and sustained economic growth.

In our view, the implementation of policies and programs along the lines of those recommended in *Building a Successful Palestinian State* and *The Arc: A Formal Structure for a Palestinian State* is necessary, if insufficient, for the success of an independent Palestinian state over its first decade. Such implementation, in turn, will require strong political and financial commitments from the international community.

As a frame of reference for the magnitude of funding that may be required from international donors to ensure successful Palestinian development, we considered the cases of Bosnia and Kosovo, two areas where the international community has recently invested very large sums for post-conflict reconstruction. Like the West Bank and Gaza, these two entities suffered considerable damage from conflicts. Both Bosnia and Kosovo have attracted considerable international interest and assistance; and both have had some success in creating democratic governments and revitalizing the local economies.

In the chapter on economic development in *Building a Successful Palestinian State*, we describe scenarios of economic growth that assume levels of capital investment of around \$3.3 billion per year, or some \$33 billion over the first decade of independence (this would include most or all of the specific investment needs we describe in our analyses). In per-capita terms, this represents an annual average of approximately \$760 per person. For comparison, this represents about 2.5 times the amount of international aid per capita provided to the West Bank and Gaza in 2002 (approximately \$300), less than twice the per-capita amount provided to Kosovo in the first two post-conflict years (\$433), and only slightly more than the per-capita amount provided to Bosnia in its first two post-conflict years (\$714).

Thus there are recent precedents for providing levels of international aid per capita that approach what we estimate will be needed in Palestine. At the same time, the level of international commitment we describe is higher (in per-capita and absolute terms) and is sustained over a longer period of time than the assistance provided to Bosnia, Kosovo, or other major international aid efforts in recent times. Achieving this commitment will require concerted international cooperation.

Looking to the Future

At the time of this writing, the prospects for establishing an independent Palestinian state are uncertain. U.S. attention, without which a negotiated settlement between Palestinians and Israelis seems unlikely, has been focused primarily on Iraq. Nevertheless, a critical mass of Palestinians and Israelis—as well as the United States, Russia, the European Union, and the United Nations—remains committed to the goal of establishing a Palestinian state. And recent events, including the death of Yasser Arafat and the election of Mahmoud Abbas as his replacement, may yet turn this eventuality into a more imminent reality.

Our analyses are motivated by a firm belief that thoughtful preparation can facilitate peace. Certainly, when peace comes, such preparation will be essential to the success of the new state, as recent U.S. experience in Iraq and Afghanistan helps illustrate. Our work is designed to help Palestinians, Israelis, and the international community prepare for the moment when the parties are ready to create and sustain a successful Palestinian state.