

A Palestinian State from Theory to Practice: The Challenges Facing the Palestinians and Israel

Ephraim Lavie

Introduction

Since the end of the violence of the al-Aqsa intifada, Palestinians and their leadership, with the assistance of the international community and Israel, have turned their attention to social and institutional reform. Israel has supported and encouraged these efforts by the Palestinian Authority in the West Bank, for example, by removing roadblocks and easing restrictions on movement in the area. The declared objective of Prime Minister Salam Fayyad's program, "Ending the Occupation, Establishing the State," approved by the thirteenth Palestinian government for 2009-2011,¹ was to construct a Palestinian state from the bottom up: to strengthen the economic, social, and security foundations of the PA so that the Palestinian state would, by mid 2011, become a state de facto.² This in turn would demonstrate to Israel and the international community that the PA and the Palestinians are capable of taking responsibility for their stretch of land and their people. This would also prevent Israel from being able to claim that the Palestinians are neither ready for the establishment of a state nor are partners for a political settlement who can be relied on to fulfill and maintain commitments.

The Fayyad program is the first significant Palestinian attempt at state building, and it reflects a change in the national agenda: from the attempt to arrive at a political settlement in order to end the occupation to the attempt, independent of political negotiations, to construct a state from

Col. (ret.) Dr. Ephraim Lavie is the Director of the Tami Steinmetz Center for Peace Research and a research fellow at the Moshe Dayan Center for Middle Eastern and African Studies at Tel Aviv University.

the bottom up in a way that meets the requirements of the international community and Israel. The various PLO factions and organizations within Palestinian civil society have supported the program, understanding that establishing a Palestinian state requires the construction of democratic institutions and an economic system that can allow Palestinians to rule themselves after the end of the occupation. As part of the program, various reforms and development programs have been implemented, PA institutions and security apparatuses have been rebuilt, and a stable routine for the populace has been achieved.³

In tandem, PA President Mahmoud Abbas has worked to advance the establishment of a Palestinian state on the political level. On the eve of the renewal of the direct talks with Israel in September 2010, President Obama and Prime Minister Binyamin Netanyahu declared, independently of one another, that it was possible to arrive at a permanent settlement within the year. Obama also declared that the establishment of a Palestinian state was a national interest of the United States. The Quartet adopted the timeframe, which was congruent with the Palestinian government program to complete the process of building state institutions by

The Fayyad program, the first significant Palestinian attempt at state building, reflects a change in the national agenda: from the attempt to arrive at a political settlement in order to end the occupation to the attempt, independent of political negotiations, to construct a state from the bottom up.

September 2011. Many in the international community viewed the parallel progress of the two channels – the negotiations and the state building – as promising. However, the deadlock in the direct talks propelled Mahmoud Abbas to adopt a move that would force Israel to engage in negotiations on a state based on the 1967 borders. The main thrust of the move is to enlist the international community to recognize a Palestinian state within these borders, thereby wresting from Israel the exclusive ability to decide the fate of the territories and the future of the Palestinian people.

The Palestinian leadership has advanced on both the bottom up and top down tracks, i.e., building a Palestinian state and attaining international recognition. Key members of the

international community, including the Secretary General of the United Nations, have praised the Palestinians for their security-related and economic achievements and for their governmental reforms. Both the

World Bank and the International Monetary Fund have stated that the PA's economic institutions are ready for sovereignty. Many nations have announced that they recognize a Palestinian state within the 1967 borders, while others, including the United States and some European countries, have upgraded their diplomatic relations with the Palestinians.

The Palestinian strategy was not meant to supplant the political process to settle the conflict, rather to turn the Palestinians into an equal partner in negotiations that would be conducted along principles embraced by the international community. Should, against Israel's wishes, the Palestinian state be recognized by the UN as a state within the 1967 borders, or alternately, should the Palestinian attempt fail to have the international community force Israel to accept the 1967 lines as the basis for negotiations, the sides are liable to find themselves facing serious political and security challenges. This essay reviews the achievements to date in Palestinian state building, and analyzes the challenges the Palestinians and Israel will have to face in the various scenarios.

State Building from the Bottom Up

The Security Apparatus

The Palestinian security apparatuses in the West Bank have been built, trained, and armed by the Americans. Young, dynamic, professional commanders who cooperate together and operate under the authority of the Prime Minister have been put in charge. The areas of responsibility have been redefined, and today the security apparatuses operate in a coordinated manner to implement a common policy in all law enforcement matters. There has been a significant increase in the number of officers with academic backgrounds, including those with legal training. Motivated both by state building concerns and a fear of Hamas, the commanders maintain security coordination with Israel. Their operational activities have significantly reduced the number of IDF incursions into Palestinian areas, which in turn has enabled them to cope with challenges independently. There are fewer signs of anarchy: illegal weapons have been confiscated, auto theft is down, and a significant improvement in the residents' personal sense of security has been achieved.⁴

The Judiciary

The traditional Palestinian judiciary has undergone comprehensive reforms. The number of judges has increased; administrative staffs in the legal system have undergone appropriate professional training; a program to integrate outstanding law school graduates into the legal system has been launched; and coordination and cooperation between law enforcement agencies – the Justice Ministry, the Office of the General Prosecutor, the High Judicial Commission, and the police force – have been expanded and regulated. These agencies are undergoing significant expansion and automation. The Justice Ministry has established new functions such as the Documentation Department, which supplies character references through an automated system, and the Mediation and Arbitration Department, which deals with public queries and provides arbitration licenses. As a result, the public's faith in the judiciary has grown, reflected by the rising number of people appealing to the courts.

The Economic System

In recent years, the Palestinian economy has been characterized by a higher growth rate, a rising GDP, and shrinking unemployment. It has seen positive budget balances that include a rise in income, in part a result of taxation, a drop in loans, and a growth in development expenses. The PA has improved its tax collection system; the banking system is more institutionalized and better organized;⁵ PA ministries have been connected to a computerized accounting system; and the annual budget is constructed on the basis of a common database among the ministries. By means of the shared database, the Finance Ministry controls the budget of the government ministries and publishes monthly income and expense reports on its website for public perusal.

The improvements in tax collection and in fiscal conduct in general are the most prominent expression of the PA's achievements in the economic realm. As a result of these accomplishments, the PA cut the total current deficit by nearly one half between 2008 and 2011, and this trend is continuing. Moreover, the still existing deficit stems almost entirely from the burden of financing government services in the Gaza Strip at a time when the PA has no way of collecting taxes there. The current budget for the West Bank in 2010 could have been balanced: had

it not been for the need to finance routine activities in the Gaza Strip in the amount of almost \$1 billion annually, the budget could have tripled or even quadrupled the investment budget for the West Bank.⁶

The PA is promoting construction, agriculture, and tourism as sources of employment and income. The modern city of Rawabi is under construction near Ramallah; new neighborhoods (al-Rihan near Bir Zeit and J'nan in Jenin) are being built; a national program for building tens of thousands of housing units in existing neighborhoods has been launched; and programs for long term mortgages for young couples have been approved. The agriculture budget has grown and large scale projects in rural areas have started, including soil improvement and expansion of artificial irrigation based agriculture. The new agricultural insurance law ensures that farmers are assisted and compensated for loss of land or income as a result of epidemics or droughts or even the erection of Israel's separation barrier. Greater security in recent years has resulted in increased tourism and the development of that economic sector. By contrast, industry lags behind and has not yet been significantly developed. Investors have so far avoided investing in productive sectors of the economy, preferring real estate and construction in the public sector.⁷ Thanks to French investments, the first industrial park in the area controlled by the PA was constructed in Bethlehem.⁸ There are plans for constructing industrial parks in Jenin, Bethlehem, and Jericho, as well as an information technology park in the al-Rihan neighborhood in Ramallah.⁹

Welfare and Social Services

The PA has improved its efficiency in social services, especially in welfare, health, and education. Accordingly, infant mortality is low, life expectancy is high, the number of teens in high school is 90 percent, literacy among young people is 94 percent, and more than half of the university students are women. The Social Affairs Ministry conducts a broad, progressive national program funded by the EU and World Bank to help families in need.¹⁰ Health services have been expanded: for example, a medical center in Ramallah has been established and construction has started on a modern medical facility in al-Rihan. The health system is cooperating with Egypt and Jordan on joint health programs (inoculations, disease identification, emergency treatment) and works to disseminate

information in order to improve the quality of life and prevent disease.¹¹ The World Health Organization has praised the scope, quality, and efficiency of medical treatment. The Education Ministry is investing in improving curricula and educational environments: schools are being equipped with labs, computers, and school lunch facilities. The Youth and Sports Ministry is promoting sports projects, establishing centers for training youth counselors, building playgrounds, refurbishing existing clubhouses and sports facilities, and running popular activities such as marathons. In the field of culture, the PA is establishing libraries and heritage museums and supporting existing cultural centers. The Culture Ministry runs art festivals throughout the PA and cultural activities in rural areas.

Infrastructures

The PA seeks to reach a point at which it can provide half of its energy needs, and is encouraging the use of alternative energy production in the private and public sectors.¹² It is engaged in negotiations with the Israel Electric Company over the establishment of small power stations in Jerusalem, Jenin, Nablus, and Hebron.¹³ It established the National Water Commission, which coordinates activities of the various water agencies and is formulating a strategic plan for managing water and sewage infrastructures. With the assistance of the donor nations, there is new drilling for water, routine maintenance of existing infrastructures, improvements in the sewage system, and work to prevent flooding. The PA is building new roads and other infrastructures, and providing maintenance for existing infrastructures in rural areas. It is encouraging investments in information technology and communication, fields it views as critical to the economy and the modernization of the Palestinian state.¹⁴

Good Governance

The PA has enacted reforms to improve the quality and transparency of public management. It established an authority to combat money laundering, which created hotlines for the public to report on corruption and money laundering. In tandem, the PA has begun to investigate cases of forged documents and land ownership papers as well as embezzlement of public funds; some government ministries have

established ombudsman's offices; the Financial and Administrative Oversight Bureau has begun to receive the government's account ledgers from the Finance Ministry; the Monetary Authority has made public the criteria required to employ personnel in the banking sector, giving preference to applicants with academic degrees and practical experience; and various public agencies operate customer service websites, thereby increasing accessibility to the Palestinian government.

Challenges to Continued State Building

The PA's achievements to date in building the institutions and infrastructures of a state-in-the-making are impressive. In certain ways, the PA already functions as a state government. However, its ability to continue to implement the programs designed to establish sovereignty in practice and become a viable state is limited by relations with Israel. The limit on water resources has implications for every economic endeavor, especially agriculture; the inability to operate in Area C, for example the Jordan Valley, which represents the largest reserve of open spaces for residential and agricultural development, is significant; and the lack of territorial contiguity and control of Area C prevents the PA from any possibility of tangibly planning and developing infrastructures in the context of a national set of priorities.

Moreover, while the economic reforms have in fact contributed to economic growth, it is still clear that this growth is not the result of productive economic activity, rather the result of external donations and assistance. The rapid growth is a reflection primarily of two factors whose potential is nearly fully realized. The first is the immediate effect of Israel having eased security restrictions: on the one hand, this relaxed some of the rigid restrictions in place during the intifada, and on the other hand, it allowed the realization of some of the untapped production capacities within the Palestinian economy. The second element is the expansion of demand by the public sector, financed by external assistance. While this growth has been manifested in a significant improvement in private demand alongside public consumption and in the improvement in the population's welfare (expressed, for example, in increased housing investments), the primary productive sectors (industry and agriculture) continue to suffer both from Israeli restrictions and a paucity of investments because of investor concerns about the lack of long term

political stability. One of the clearest indications of this is the lack of growth in exports. In a small economy such as the Palestinian economy, export is a primary growth engine for the long term, and as long as there is no significant increase in exports there can be no sustainable long term development.¹⁵

This analysis is also expressed in economic forecasts in Prime Minister Salam Fayyad's new economic plan for 2011-2013,¹⁶ in which he relates to two possible future situations. The first is a scenario of overall change including, *inter alia*, opening the exports market to the world at large, canceling limits on importing dual purpose goods (to the West Bank), and extending permission to operate in Area C. In this scenario, rapid growth of 10-12 percent would continue for a year and unemployment would decrease. The second scenario is a status quo picture, in which growth would fall to 5 percent a year; the reduction in unemployment would stop; unemployment among young people would rise; and the business sector would experience no growth.

The PA faces additional state building challenges. Most of its institutions still suffer from failures such as the lack of administrative and financial independence and persistent cronyism in the civil service; the Palestinian security structure has yet to fully implement reforms that would unite the security apparatus under a single command and construct uniform operational attitudes and methods; the judiciary suffers both from power struggles between its constituent parts as a result of unclear lines of authority and a lack of appropriate legislation;¹⁷ various factions continue to be a burden on the economy and the budget, such as the inflated structure of civil service pensions;¹⁸ local government suffers from poor income and failures in budget management¹⁹ and the large security services budget; and in terms of energy, the PA is dependent on Israel, which provides the PA with natural gas, gasoline, and most of its electricity.

Thus, turning the Palestinian entity into a viable state will require the leadership to continue to develop its independent capabilities by promoting the private sector, improving the efficiency of the civil service, strengthening the security apparatuses, and expanding law and order enforcement. To achieve these goals, the norms of good governance and efficient, transparent public institutions attuned to the needs of the populace must be maintained, and security stability – currently a

function of both Israeli military presence in the region and Palestinian security coordination with Israel – must be preserved. Clearly, in the absence of security stability, the Palestinian entity, even if recognized as a state by the international community, will not be able to continue to consolidate its rule. Undermined stability, whether the result of a crisis in relations with Israel because of the appeal to the UN, or the result of Salam Fayyad or Mahmoud Abbas disappearing from the political stage, or the result of Hamas growing in strength and/or severe power struggles within the PLO and between the various organizations, will reduce the prospects for the PA functioning as an efficient state and enforcing its authority independently within its borders. Developments such as these are also liable to reduce foreign aid and investments in the PA and even erase the state building achievements that have already been gained.

Therefore, the preference of the Palestinian leadership, once a Palestinian state is recognized, would presumably be to renew political negotiations in order to arrive at a permanent settlement. It will likely try to pressure Israel on this matter, but will not hurry to take unilateral steps in enforcing authority and realizing sovereignty that change the reality on the ground, out of concern about possible tensions that could lead to a collapse of security and economic relations with Israel. The desire to ensure continued international involvement and support for Palestinian state building will also serve as a restraining factor. At the same time, tensions between Israel and the PA are liable to arise as a result of the steps to delegitimize Israel, such as the call by UN members to level sanctions against it or to send a multi-national force to the region, or an appeal to the International Court of Justice on the status of the borders and the right of return.

The Political Process: Constraints on Turning to the UN

The effort of bottom up state construction coupled with a top down effort at political establishment and transition from a de facto state in Area A to de jure recognition of a state within the 1967 borders by September 2011 has met with support from the international community. However, while the bottom up process has made impressive achievements, the deadlock in the direct talks has suspended the possibility of reaching a political settlement that allows the establishment of a Palestinian state alongside Israel by the target date of September 2011.

The efforts made by the Obama administration to bring the sides to renewed negotiations did not yield any practical result. The Palestinian leadership was reluctant to conduct empty talks with a right wing Israeli government and therefore made them conditional on a freeze in construction in the settlements and on starting the talks from the point at which they ended under the Olmert government. It rejected Prime Minister Netanyahu's insistence about not returning to the 1967 borders and his demand for recognizing Israel as a Jewish state, and insisted on its own demands for negotiations on the basis of UN resolutions. In congruence with the position of the American administration that a viable Palestinian state is an American national interest, the Palestinian leadership continued to insist on arriving at a full and final permanent settlement and rejected ideas involving an interim state with temporary borders. Mahmoud Abbas affirmed repeatedly that he is prepared to declare publicly, in Arabic, his willingness to sign an "end of claims against Israel" clause as part of a permanent settlement with Israel.

The Palestinian leadership was disappointed that the American administration did not set out a basis for negotiations or proposals to bridge the gaps between the sides on the core issues, did not persevere in demanding that Israel cease construction in the West Bank, and even cast a veto on a Security Council resolution condemning Israel over this issue in February 2011. The leadership's recognition that the Palestinians' only hope to realize their national aspiration lies in non-violent efforts and close cooperation with the international community led it to pursue state building measures while taking a zero tolerance attitude to terrorism, even absent hopes in the political process with Israel. At the same time, the Palestinian leadership sought to capitalize on the widespread international recognition that the occupation must end and Israel must not retain its exclusive decision making capacity about the fate of the territories and the future of the Palestinian people. Accordingly, the Palestinians began enlisting international support that would pave the way to a UN recognition of the Palestinian state within the 1967 borders. On the basis of this recognition, the Palestinian leadership seeks to hold negotiations on a permanent settlement. Justification for going to the UN relies on the Partition Plan Resolution of the General Assembly of November 1947; the recognition of the Palestinians' right to a state on the basis of a 1974 General Assembly resolution; and the PLO's 1988

Declaration of Independence, which has been recognized by over 100 nations.

This move has evinced official support for recognition of a Palestinian state within the 1967 borders among countries around the world. The possibility for significant political developments in this regard, as well as current regional and local circumstances, motivated Fatah and Hamas in April 2011 to reach a compromise agreement through the mediation efforts of the Egyptian Supreme Military Council.²⁰ Both movements responded to an initiative that recognized their right to continue their respective rules of the West Bank and Gaza Strip until presidential, Legislative Council, and Palestinian National Council elections are held, and to postpone dealing with security issues and other disputed questions until after the elections. The Palestinian leadership rejected claims made by Israel and some in the international community that the reconciliation represents a hindrance to negotiations over a permanent settlement. It stressed that any Palestinian government established after the reconciliation would be a government of technocrats that would act according to the views of the Chairman of the PA regarding the political process.

The general principle that President Obama laid out as an outline for Israeli-Palestinian negotiations (May 2011) did not change the picture from the point of view of the Palestinian leadership. While it welcomed his statement that any solution would be based on the 1967 borders and that there must be a sovereign Palestinian state with territorial contiguity, it also realized that the United States would not force Israel to accept a strategic decision to part from the territories and recognize the legitimate rights of the Palestinians. Therefore, the Palestinian leadership continues, at least for now, to prepare for a formal appeal to the UN in September. At the same time, it is aware of the reservations of the donor nations about its decision to receive recognition as a UN member nation, which is liable to change the security situation and annul what has been achieved by the massive resources invested to date in state building. The leadership is concerned lest the move prove to be an error and leave the Palestinian entity in a continued state of occupation and without defined borders. Mahmoud Abbas already declared that should Israel be prepared to renew the negotiations on a permanent settlement “on a shared, accepted, real basis” (in Arabic: *ussuss mushtarika, makhbula wasa’hiha*) and freeze

construction in the settlements, it would be possible to concede the step of going to the UN.

Thus if the Palestinian leaders feel that the United States will cast its veto in the Security Council or if key European nations refuse to lend the Palestinians their support in the General Assembly, they will likely avoid making the move. In such a case they are likely to suffice themselves with an international commitment, as proposed by France, whereby the political process would be based on the 1967 borders with agreed upon land swaps, as spelled out by President Obama. Should Israel reject this proposal, the Palestinian leadership would then be able to appeal to General Assembly and request recognition as a state and membership, or to the Security Council with a request to adopt a resolution based on Obama's principles.

Ramifications for Israel

This past year, the Palestinian demand to freeze construction in the West Bank on the one hand, and the Israeli demand that Israel be recognized as a Jewish state and the Palestinians concede the right of return on the other, prevented a practical chance for conducting meaningful negotiations. The reconciliation between Hamas and Fatah added yet another impediment. However, the political freeze did not interfere with the process of constructing the nascent state. The donor nations, the International Monetary Fund, and the World Bank have overseen the implementation of development programs and reforms, and the Quartet has congratulated the PA for its state building activity. The achievements of the PA have reinforced the position of EU nations that it is necessary to meet the deadline that was set for ending the negotiations on a permanent settlement, i.e., September 2011.

In terms of international law and the UN, Israel and the Palestinians are obligated to negotiate in good faith on the basis of Security Council Resolution 242 of November 1967 in order to resolve their conflict. The Palestinian leadership has repeatedly declared its intention to ask the UN to recognize a Palestinian state in the 1967 borders and affirmed its own commitment to negotiations with Israel to achieve a peace agreement, including a "just solution" to the Palestinian refugee problem on the basis of General Assembly Resolution 194.²¹ The international community supports the Palestinian position and feels it reflects sincere

intentions to end the conflict. Experts in international law even view this as an irreversible legal obligation that would be binding on any future leadership, i.e., there could be no territorial demands beyond the borders to be determined through negotiations, and the return of refugees would be of a scope and under circumstances agreeable to Israel. As such, the Palestinian leadership thereby legally defines the outside limits of its demands.²²

By contrast, Israel's position casts it as the recalcitrant party in the international tribunal of public opinion. This is liable to make it hard for the United States and West European nations, seeking to strengthen their image as bearing the standard of democracy and human rights, to oppose the Palestinian appeal to the UN. In order to stop the process, Israel would do well to respond to an initiative presented to the sides by a third party, such as the French proposal, or to engage itself in a political move that would allow the sides to extricate themselves from the dire scenario they never meant to reach and renew their bilateral talks. Not stopping the Palestinian recourse to the UN is liable to create a new political and security reality that is not at all convenient for Israel.

The Palestinian leadership, which has raised very high expectations in Palestinian public opinion and has stressed repeatedly its determination to appeal to the UN, is well aware that a group of Western nations, headed by the United States, Germany, and Italy, opposes the unilateral move. It is also aware that the international community is worried about a change in the security situation that could cancel the state building achievements and weaken the pragmatic camp, and contribute to the strength of Islamic elements. The fact that the Palestinian leadership has hurried to accept the French proposal to convene an international conference and respond to the American call to renew the direct talks immediately on the basis of the principles outlined by President Obama is indicative of its desire to find an honorable way out of the UN strategy.

Barring this recourse, the Palestinian entity is likely to be recognized as a state by many key nations, even if its path to UN membership is blocked. Such recognition may be granted either explicitly or implicitly, with or without the establishment of relations. In terms of international law, it would mean recognizing the existence of a state called Palestine. The validity of interim agreements may be unclear, and it will then be necessary to determine which of these agreements the sides are interested

in maintaining, especially regarding the economy. Assuming that Israel wants to avoid a confrontation, it will have to arrive at understandings and arrangements with the Palestinian state that will ensure the stability of the region and a return to the negotiating table.

Should the attempt to achieve recognition of the Palestinian state within the 1967 borders fail and the attempt to force Israel to accept the 1967 borders as the basis for renewed negotiations come to naught, a crisis of expectations among the Palestinian public is liable to develop, which could spark a popular grassroots revolt. Such an uprising would likely be reinforced by the Palestinian opposition, which feels that it is precisely the economic and security calm that has allowed Israel to drag its feet. As was the case previously, the Palestinian public that once again realizes that its leadership has failed to end the occupation in political ways may demand to have its say and take to the streets, drawing inspiration and encouragement from the popular uprisings in the region. A similar development is also likely to occur should the appeal to the UN succeed but in practice not change reality on the ground.

For its part, Israel will find it hard to respond to a popular uprising with aggression and collective punishment, out of concern for world public opinion. In its distress, it will be forced to examine unilateral policy alternatives, such as implementing a disengagement from the West Bank, determining the borders independently, and completing construction of the separation barrier.

Notes

- 1 The Fayyad program includes nine chapters detailing the national objectives and political principles of the future Palestinian state, as well as chapters dealing with government plans for constructing institutions and economic and social development. See http://www.mop-gov.ps/issues_main.php?id=13.
- 2 *Haaretz*, "Palestinian PM: We'll Form De Facto State by 2011," August 25, 2009.
- 3 For more on this and the uprooting of corruption as part of the struggle for national liberation, see Salam Fayyad in *al-Ayyam*, December 6, 2009, <http://www.al-ayyam.ps/znews/site/template/article.aspx?did=128183&date=12/6/2009>.
- 4 See the PA report submitted to the Ad Hoc Coordination Committee of the Donor Nations in April 2010, Report of PNA to the AHLC (henceforth, Report to the donors, April 2010), http://www.mop-gov.ps/new/publishing_details.php?pid=48, April 13, 2010.

- 5 Dozens of bank branches have opened, especially in rural areas, and a national payment system has been instituted to improve inter-bank money transfers, along with a mechanism overseeing and following up on bad checks. Similarly, a banking efficiency process involving reductions and mergers is taking place as required by regulation.
- 6 See data and illustration of reducing the budget deficit in the Progress Report of the International Monetary Fund's Ad Hoc Committee of April 13, 2011, in the table appearing on p. 34: "Macroeconomic and Fiscal Framework for the West Bank and Gaza: Seventh Review of Progress - Staff Report for the Meeting of the Ad Hoc Liaison Committee," Brussels, April 13, 2011, <http://www.imf.org/external/country/WBG/RR/2011/041311.pdf>. See also Yitzhak Gal, "'The Gates of Gaza' and the Economic Power of Hamas," in *Iqtisadi: The Middle East Economy* 1, no. 3 (2011): 8-17.
- 7 Avi Issacharoff, "An Economic Boom in the West Bank? Not Yet," *Haaretz*, April 13, 2010.
- 8 See "Bethlehem: Cornerstone Laid for New Industrial Zone with French Financing," *Port2Port* online, April 15, 2010, <http://www.port2port.co.il/Index.asp?CategoryID=95&ArticleID=68024>.
- 9 Report to the donors, April 2010.
- 10 I.e., The Palestinian National Cash Transfer Program (PNCTP), which represents the merger of two assistance programs: the EU's Special Hardship Case (SHC) and the World Bank's Social Safety Net Reform Project (SS-NRP). These two programs provide more than \$50 million annually to some 57,000 poverty stricken households. The merger of the programs created a unified database. According to the World Bank, the program is one of the most advanced programs in the Middle East and North Africa. See "Palestinian National Cash Transfer Program (PNCTP) in West Bank and Gaza," May 2, 2011, at <http://www.devex.com/en/projects/palestinian-national-cash-transfer-program-pnctp-in-west-bank-and-gaza>, and "West Bank and Gaza Social Safety Net Reform Project: Palestinian National Cash Transfer Program (PNCTP)," ReliefWeb report at <http://reliefweb.int/node/369039>, September 27, 2010.
- 11 Information campaigns are underway on smoking cessation, obesity, and the importance of physical activity.
- 12 Most homes have solar panels providing some 15 percent of electrical needs; agreements on building green schools and programs to harness the region's solar power have been signed with the Italian government; Rawabi is being planned as an energy-efficient city.
- 13 See Amiram Barkat, "Israel Electric Company to Establish Four Power Stations for the PA," *Globes*, December 6, 2009, at <http://www.globes.co.il/news/article.aspx?did=1000519913>.
- 14 In recent years, there has been growth in this sphere contributing towards the GDP. One of the manifestations is the significant growth in the number of households with a computer at home and in the number of internet users.

In early 2010, the PA launched the Electronic Government project, connecting all government ministries and PA institutions and branches into a single computerized network. In tandem, the Palestinian Electronic Market, the first of its kind in the Arab world, was launched, enabling the sale and purchase of goods over the internet.

- 15 Early indications that the effect on growth and employment of the two elements noted above is close to being tapped out can be found in the UNRWA report "Labour Market Briefing: West Bank – Second-Half 2010," at <http://www.unrwa.org/userfiles/201106082849.pdf>.
- 16 The plan is entitled "The 2011-2013 National Development Plan: Establishing a State and Building the Future." See at http://mopad.pna.ps/web_files/issues_file/ArabicNDPforwep.pdf.
- 17 The fact that the Legislative Council has not functioned in recent years because of the intra-Palestinian split has delayed the passing of laws, such as the Law on the Courts, and generated the consequent backlog in the court system. See the opinion by an EU control delegation on the court system in <http://www.haaretz.co.il/hasite/spages/1084632.html?more=1>.
- 18 The public pension plan covers some 140,000 civil servants and security personnel and allows early retirement. According to World Bank recommendations, the PA must enact changes in the pension system that would include raising the retirement age, canceling early retirement, and reducing the funds accumulated.
- 19 Most of the local authorities are hard pressed to provide public services as required because of inefficient tax collection, low income, and failures in budget management. Most authorities are operating with a deficit of more than 50 percent of the budget. Routine expenses such as salaries consume most of the income, leaving very little for public investments. This requires the government to cover, for example, the local government electric bills to the Israel Electric Company.
- 20 See Ephraim Lavie, "The Challenge of the Palestinian Authority: State Building Without Governmental Legitimacy," *Strategic Assessment* 14, no. 1 (2011): 65-79, [http://www.inss.org.il/upload/\(FILE\)1304500855.pdf](http://www.inss.org.il/upload/(FILE)1304500855.pdf).
- 21 Mahmoud Abbas. "The Long Overdue Palestinian State," *New York Times*, May 16, 2011, <http://www.nytimes.com/2011/05/17/opinion/17abbas.html>.
- 22 See Eyal Benvenisti, "Abbas' Commitments," *Haaretz*, May 18, 2011, at <http://www.haaretz.co.il/hasite/spages/1228295.html>.