

Ministry of Planning and Administrative
Development
General Framework of Preparation of the
National Development Plan 2014-2016

Contents

First: Foreword.....	3
Second: Background	3
Third: NDP 2011-2013	4
Economic development sector	4
Social development sector	4
Infrastructure sector	4
Governance sector.....	4
Fourth: NDP 2014-2016	6
□ Enhance national ownership of the NDP preparation process	7
□ Wide and effective participation at all levels.....	7
□ Result-based planning and budgeting	7
□ Realistic and achievable.....	8
□ Institutionalize the planning efforts and strengthen accountability and transparency	8
□ Gender sensitive.....	8
□ Respect for human rights	8
1. The time scope and geographic range of the plan.....	8
2. Population and demographic constraints	9
a. Population growth.....	9
b. Population’s geographic distribution	9
c. Population age structure.....	10
d. Immigration.....	10
3. Political situation	11
4. Economic constraints	11
5. Poverty, unemployment, and the social gap.....	12
Figure 1: Preparation of NDP 2014-2016	18
Timeframe for preparing the NDP 2014-2016: Tasks and who’s responsibility ... Error! Bookmark not defined.	
Annex 1	21
Annex 2	22

First: Foreword

As the end of the Palestinian National Development Plan 2011-2013 approaches, the Ministry of Planning and Administrative Development (MoPAD) starts to prepare a new National Development Plan (NDP) for 2014-2016. The preparation is based on the accumulated knowledge, expertise, and experience of planning that had been acquired from previous national plans. The purpose is to produce an effective tool to manage and support developmental work in Palestine, realize the aspirations of the Palestinian people of liberation and return, and the establishment of the State of Palestine.

This document defines the general framework of the new NDP. Once endorsed by the Council of Ministers (CoM), the document will constitute the key reference to the stakeholders and the planning teams in charge of NDP preparation. This document is also an important first step that aims to provide general directions and exhibit the outlines of the content of the national plan, especially,

- ❖ Benefit from the achievements of previous plans and build on such achievements especially the NDP 2011-2013.
- ❖ The legal and institutional framework of NDP preparation.
- ❖ The general policy principles that regulate the NDP.
- ❖ Key limitations that may affect the NDP preparation.
- ❖ General strategies and key components of the NDP.
- ❖ The approach, planning phases, and time frame that regulate NDP preparation.

Second: Background

In the context of enhancing connections between planning functions and setting up government's policies, allocation of resources, and budgets' preparation within an integral and organized process of decision-making, CoM decided on November 29, 2005 that it was necessary to integrate planning and budgeting in the medium term based on the concept of *medium term expenditure framework* (MTEF). Since then, the consecutive governments have developed appropriate tools and mechanisms to strengthen this approach in their planning and budgeting processes. The Palestinian Reform and Development Plan (PRDP) 2008-2010 constituted the actual start of this approach. It was based on clear policies agenda coupled with financial estimates of development projects and programs necessary for the implementation the policies. NDP 2011-2013 followed the PRDP. It added important improvements to national plans preparation especially that it uses strategic approach in defining national policies' priorities and their targets. It also defines sector strategies and interventions to achieve the priorities. NDP 2011-2013 also strengthens the comprehensive national dimension in the sense that it activates involvement of the entire components of the Palestinian community including the private sector, civic society organizations (CSOs), local governments, and other relevant institutions. This is accomplished through a concentrated and organized consultative plan to prepare the NDP. The previous NDP (2011-2013) developed a framework that regulated public accountability; it set up procedures to enhance transparency, performance appraisal, and control, including for the first time annual measurable sector indicators and targets.

The process of preparing the new NDP for 2014-2016 will focus on enhancing previous efforts and achievements; continue and develop and update such efforts and achievements within a general consensus

and viable commitment to the Palestinian ultimate vision and objectives of establishing the independent State of Palestine of full sovereignty within the 1967 borders of West Bank and Gaza Strip with East Jerusalem as its capital.

Third: NDP 2011-2013

The NDP 2011-2013 seeks to continue the building of institutions as part of the Palestinian inclination to establish the independent State of Palestine with East Jerusalem as its capital and to ensure safe, stable, and progressive future for Palestinian citizens. This is accomplished by implementing development projects at a comprehensive development level of four key sectors including governance, social, economic, and infrastructure. The process is guided by a number of principles such as social justice, equality between people, women's and youth's bigger role in contributing to state building. The government implemented the entire policies of the NDP 2011-2013 through the ministries and agencies.

Economic development sector: The policy agenda of the economic development sector sought to regulate and develop the Palestinian economy in partnership with the private sector. The NDP comprised commitments to more legal and institutional reforms and conducting negotiations that would ensure joining international trade agreements thus enhance the competitiveness of Palestine's products and services at local and international markets. The NDP also aimed to enhance local capacities and create favorable investment environment and to enhance the necessary rules to ensure sustainable economic growth, economic development projects to reduce dependence of foreign aid, and to increase reliance on national economy.

Social development sector: The policy agenda included development of social services, ensure an advanced level of delivery of basic services in the health and education sectors, provide basic social protection to alleviate the impact of poverty, and ensure sustainable and inclusive social services. Investment in education was among the cornerstones of the NDP. It also focused on creating more opportunities for women and youth to be effectively involved in the socio-economic development.

Infrastructure sector: The policy agenda included development of the quality of public services, including water, electricity, sewers, transport, and telecommunication since such services have major impact on improving standards of living. The NDP also sought to provide incentives to the private sector to invest in the public infrastructure projects. The NDP aimed also to enhance relevant regulating agencies such as those in charge of electricity and water services to ensure integral competition and consumer protection.

Governance sector: The policy agenda of the infrastructure sector included achievement of justice and equality among all Palestinian citizens, create stable environment that enhances citizens' confidence of equal and just treatment by the law, which an efficient judicial authority applies and the security agencies enforce. The NDP is also committed to upgrade the infrastructure of the administrative systems of the courts and train judges and staff. Safety and security and public order are among the priorities of the efforts to establish the independent State of Palestine in addition to the procedures of financial and administrative reforms, and increase monitoring by CSOs over government performance. These components are important to ensure success of transparent work of government agencies as well as the integrity of such agencies.

Despite the limited resources especially in 2012, which were mostly allotted to public budget support and to reduce its debt – development had to pay the price for this – achievements were made in the various sectors. The achievements were documented in the biannual monitoring reports of the NDP, which MoPAD prepared, and to a limited extent in the quarterly reports of the government. Though the

achievements were not fully reviewed and assessed (the achievements will be examined by the new NDP), it is possible to mention a number of challenges and obstacles that the implementation process faced, most importantly,

- ❖ **Poor priorities definition mechanism for development projects:** The strategic sector plans included proposals for development interventions linked to policies and objectives of sector strategies. In any case, the proposed interventions were not linked to the available financial and human resources of the government agencies. They were based on a study of sector needs without defining the partial sector priorities. Upon the preparation of the NDP, which stemmed from the strategic sector plans, a clear list of development projects of national priorities linked to financial and human resources was not prepared.
- ❖ **Poor integration of development and recurrent budgets, [having two budgets]:** This made it impossible to define direct relationship between inputs, especially those for covering recurrent expenditure, and outputs and outcomes of the plan. This restricts the capacity to measure the effectiveness of using resources and reduces the effectiveness and transparency of the resource-allocation process in line with the plan's policy priorities.
- ❖ **Lack of sufficient financial resources for various sectors and interventions:** The proposed development budget of the NDP relied basically on expected donor funding. Funding from own-resources was unavailable to finance the proposed programs and interventions of the NDP.
- ❖ **Absent legislative authority:** This constituted an obstacle in the face of implementing institutional reforms, which required review and amendment of effective laws and regulations and enacting new laws and executive regulations.
- ❖ **The Israeli occupation constitutes an obstacle in the face of implementing many projects of different sectors:** This prevents implementing vital projects due to Israeli occupation's demand for permits.

In light of the above, the lessons learnt can be summarized in the following points

- ❖ **The need to develop mechanism for defining sector priorities:** NDP includes two of three key factors of the strategic management concept through preparing strategic plan and linking it to monitoring and evaluation framework. However, the NDP does not define programs and projects of national priority, which are linked to available financial resources. NDP stops at defining loose key interventions. Henceforth, MoPAD and MoF must work with relevant LMs on preparing list of selected projects -out of the proposed projects- of the sector and inter-sector strategic plans of national priority linked to the public budget. These projects contribute to achieving the desired targets. Moreover, it is necessary to work on promoting the prepared projects list among donor countries through the Aid Management and Coordination Directorate at MoPAD.
- ❖ **The need to review and develop mechanism for allocating the NDP resources** through integrating the requirements of recurrent and development expenses in one budget to be tightly linked to the government's policy priorities. This is conducted through adapting the bases of program budgeting in defining the MTEF and preparation of annual public budgets.
- ❖ **The need to review a mechanism for defining for the development budget of the NDP:** The proposed development budget of 2011 of the NDP totaled 501.3 million dollars. It was based on estimation of projected external aid while actual financing totaled 337 million dollars. The same applies to 2012 when donors support to development projects totaled approximately 314 million

dollars out of 873 million dollars. This shows that the projections of external aid were not based on the political reality of the Palestinian territories and the economic situation of the donor countries. Hence, the ceiling of projections upon preparation of the development expenditure framework must be linked to the local, regional, and international political and economic situations. It is also necessary to review the donors' financial support to development expenditure throughout the previous years to define the size of annual change; hence, the projection would be more realistic.

- ❖ **It is necessary to activate the legislative authority:** Institutional reform is key intervention in almost all sectors, according to the NDP. In most cases institutional reform procedures require drafting new laws and their executive regulations. The absence of the legislative authority, which is mandated to draft laws and the executive regulations of such laws means it would be difficult to realize the desired institutional reforms.
- ❖ **It is necessary to enhance institutional capacities to manage and implement development projects** through setting up a number of interventions such as provision of the human resources who are capable of managing projects, enhance the capacities of the local authorities in collecting fees for the services provided to the public, integrate all procedures for projects' bidding and purchases and administrative affairs. Also, enhance coordination with donors through establishment of integrated Palestinian procedures. It is necessary that all stakeholders coordinate continuously to ensure effectiveness and sustainability of projects.

Fourth: NDP 2014-2016

The new NDP 2014-2016 will continue to strengthen the consistency between budgeting and planning in a reasonable and logical manner that is directed toward ensuring outcomes. However, the government's procedures oftentimes tend to focus more on the budget and budget implementation than other processes especially in light of the current fiscal crisis. This NDP will operate like previous NDPs but with more focus on enhancing efficiency, effectiveness, transparency, and resource allocation to achieve the national policy priorities. This is done within a policy, strategic, and developmental framework that contributes to rationalization of decision-making and effective implementation of government plans. To this end, the coming NDP will define and explain the links between the different policy priorities and enhance integration between them. It will also explain how the various sectors will achieve them and define the sources and mechanisms for financing them leaving a reasonable margin of decentralized flexibility among the implementation parties (within reasonable total financial discipline) to deal with financial, political, and economic development upon implementation. In this context, the reform process of the structure and procedures of budget preparation – reform is conducted by MoF and MoPAD, which seeks to shift from item budgeting to program budgeting, will establish the right basis for this flexibility and to enhance the financial discipline. The NDP will focus on defining the priorities of national policy intervention and the required fiscal framework and give the opportunity to sectors to define the priorities of their annual executive plans based on available resources.

This NDP, like previous NDPs, will provide practical framework to monitor and evaluate the efficiency and effectiveness of managing the public sector in implementing policies and programs and managing the whole development process. This is done through pre-defining of desired outcomes and the monitoring and verification mechanisms; hence, taking the right decisions to ensure actual achievements on the ground.

Obviously, the NDP –with its key components- will take notice of the other initiatives, activities, and planning and policy studies. It will not be isolated from the accomplished and the underway initiatives,

activities, and planning and policy studies¹. It will benefit from the analyses of the plans and studies and build on them, be guided by their outputs, and be complementary to them. The new NDP, once approved, will provide the national policy framework that regulates the planning activities and intervention at the various sectors and levels during the next three years. The government agencies, international community, private sector, CSOs, national and international organizations will be guided by the NDP when they develop their programs and development interventions. The new NDP will also propose implementation and coordination mechanisms among stakeholders. This will ensure integration of activities, avoid duplication and repletion of efforts, and ensure maximum benefit from available resources.

Fifth: Policy principles of NDP preparation

In light of the above and to strengthen and develop the efforts and achievements of previous plans, the work on preparing the NDP 2014-2016 will be according to the following policy principles:

- ❖ **Enhance national ownership of the NDP preparation process:** As in the previous NDP, and in continuation of strengthening national ownership of the NDP, the new NDP will be prepared by national expertise from the different components of the Palestinian society. This will be accomplished within an organized and integral planning process that meets the aspirations of all and aims to enhance collective ownership of the NDP and enhance their commitment to it. Also, to ensure the widest possible agreement over the national objectives and priorities so the plan would be a real national plan that regulates and guides all development activities in the next phase.
- ❖ **Wide and effective participation at all levels:** Effective and wide involvement of all stakeholders in the NDP preparation phases is necessary to achieve consensus over the important decision on the key issues and challenges as well as the strategic directions and priorities. This will ensure stakeholders' participation in implementing the NDP and achievement of its objectives. This will also ensure using organized participatory approach, which was used in the previous NDP and ensure wide participation, coordination, and consultation among all stakeholders –including senior political levels and decision makers, public sector institutions, private sector, CSOs, and relevant international agencies- in defining the NDP's components, including formation of planning teams, data collection and analysis, reviewing and updating sector plans, and updating national policies agendas and defining their objectives and indicators. Moreover, propose key interventions and implementation priorities, set up estimates for necessary resources, and setting up the mechanism for implementing them and create their M&E mechanisms. In this context, it is necessary to benefit and activate the institutional formations including networks, institutional combination, or work groups that work on issues related to the NDP and its components, seek to engage them in the planning teams of the NDP through appropriate mechanisms.
- ❖ **Result-based planning and budgeting:** The new NDP will build on and develop what previous plans achieved including linking the policy and planning functions of the government with resources' allocation and budgeting. This will be through an organized and integral process of decision-making and involving the senior political levels and decision-makers in the different phases of the NDP preparation.

¹ Such as the national spatial plan, the national strategy to realize the MDGs, the Palestinian early recovery plan and restructuring of Gaza Strip, the strategic sector development plan of East Jerusalem, areas C plan, sector and cross-sector strategic plans, regional and local strategic plans, and many other policy studies conducted by Palestinian research centers and international agencies.

- ❖ **Realistic and achievable:** NDP preparation is not an end by itself. It is rather, as stated above, an effective tool to guide the decision-making process and to manage and support the development function in Palestine. The contents of the NDP are not more important than an achievable NDP that meets the national needs and priorities. Hence, the focus on the new NDP will be on making specific policies that are linked to realistic and achievable objectives and mechanisms that lead at the end to tangible results that can materialize through a reasonable financial framework taking into consideration the available and forecast resources within a specific timeframe.
- ❖ **Institutionalize the planning efforts and strengthen accountability and transparency:** Enhancing transparency and accountability mechanisms is among the most important procedures and directions of the government. They contribute to ensuring and verifying realization of the objectives of the NDP. The new strategic plan aims to institutionalize the planning efforts and make them sustainable with the state's institutions. This will be accomplished through establishment/activation of planning departments and monitoring the implementation of the plan and realizing its objectives and activities.
- ❖ **Gender sensitive:** The government of the state of Palestine believes in the importance of the roles of men and women in the development process and that every member of the society should get the opportunity to access available resources. Hence, the NDP will develop and continue what previous NDPs had achieved including gender integration in the national plans and budgets. This will ensure fair distribution of resources among the people and realize a good level of sustainable development and social justice. This is in line with the CoM's decision on gender integration in national plans and public budgets especially CoM's 2009 decision on adopting gender-sensitive budgets.
- ❖ **Respect for human rights:** One of the principles of the new NDP is enhancing commitment to respecting human rights and safeguarding the human dignity of the Palestinian people wherever they are. The state of Palestine shall conduct its mandates and commitments through applying human rights standards in a manner that allows promoting human rights levels in vital and basic areas and contributes to implementing Palestinian development plans in line with realizing social justice and the rule of law. The new NDP; therefore, shall be the value and ethical and practical framework that links political and civil rights to economic, social, and cultural rights. This means allying with the most marginalized and those in most need for care in the society especially children, women, the refugee population, people with special needs, and the less advantaged.

Sixth: Key restrictions of hypotheses

There is a group of key constraints that may affect the realization of development in Palestine whether in the near or distant future. Undoubtedly, exposing the constraints will contribute to forming the long-term Palestinian development vision and the features of the strategic directions and national plans on the medium term. The following include the most important demographic, political, economic, and social constraints that must be taken into consideration upon NDP preparation:

1. **The time scope and geographic range of the plan:** Like previous NDPs and based on a similar vision of ending the occupation and establishing the independent state, the new NDP will define a comprehensive strategic framework that updates the national policies' priorities and their interventions and the timeframe needed to achieve them within 2014-2016. This will include

the entire area of the state of Palestine within the 1967 borders, which was recognized by the most recent UN resolution; especially the so-called area C and East Jerusalem. It will also ensure exchange of relationships with neighboring countries, Arab countries, and the rest of the world. The NDP will be implemented through annual implementation plans of ministries and agencies of relevant sectors. The plans will be updated and their implementation mechanisms will be developed on regular basis in light of the M&E processes. The potential developments that may occur during the NDP's timeframe will be taken into considerations.

2. **Population and demographic constraints:** The population dimension is one of the key constraints of the options of the Palestinian people to ensure comprehensive and sustainable development especially that it faces many challenges such as lack of natural resources, including water and energy. Other challenges include lack of financial and investment resources required to develop the infrastructure, create jobs, and develop human resources. There are other challenges such as management of community resources –the community has become more sophisticated components due to the occupation that controls the land, the people, and the resources. The occupation imposes a closure and movement restraints in the Palestinian territories and across the borders, including people and goods' movement. The following points include the most important population features of the Palestinian society that need to be considered during preparation of the new NDP:

- a. **Population growth:** The annual rate of population growth in the Palestinian territories in mid 2012 registered 3.0 percent in the West Bank and 3.6 percent in Gaza Strip². These rates are expected to stay the same during the next four years, which constitute a challenge to the development process in general and the capacity of the economic and social system in specific. These growth rates threaten to undermine the development achievements because they comprise pressure on the basic services such as education, health, social protection programs, and housing opportunities. Population growth also burdens the natural resources and infrastructure services. This may cause drop in the quality of the services and their coverage levels especially that the unemployment and poverty rates among the Palestinian people are high already. This requires setting up appropriate social and economic policies to face the consequences of the increase at the different levels and all sectors.
- b. **Population's geographic distribution:** This constitutes another challenge in the face of development. 61.6percent of the Palestinian citizens live in the West Bank and 38.4 percent live in Gaza Strip. The refugee population is 44.2 percent of the total population³. The spatial distribution of the localities in the West Bank differs from Gaza Strip. For instance, 22 percent of the West Bank population –including East Jerusalem- is concentrated in three main cities (out of 524 localities) of a population of 100,000 each. Moreover, 26.5 percent of the population are distributed on 396 small localities with a population of no more than 1,000 each. This fragmentation is prominent at the areas where most of the population relies on agricultural activity such as in Hebron and Jenin governorates, compared to other governorates, which constitutes a serious challenge to provision of basic services in these areas and enable their residents to earn a living and reduce poverty.

The population distribution in Gaza Strip constitutes a different development challenge due to the small area (365 square kilometer for 1.6 million people), which makes Gaza Strip the most densely populated place ever. Two-thirds of Gaza Strip population live in four crowded localities (out of 33 localities) of more than 100,000 people, which constitutes pressure on the

² Palestinian Central Bureau of Statistics, *Palestinians at the End of 2012*, December 2012

³ Ibid

available resources (especially land and water), reduces the ability to provide housing and basic social services and infrastructure, and exacerbates social problems, poverty, and unemployment.

These two types of population distribution in the West Bank and Gaza Strip require more efforts to achieve balance between population growth and population spatial distribution on the one hand and available resources on the other. This is accomplished through rationalizing population distribution within the capacity to meet population needs and support the basis of the economic and social system and integration of the West Bank and Gaza Strip. Also, through enhance the capacity to provide the basic needs and the infrastructure to the population. The geographic divide between the West Bank and Gaza Strip and the disparity of needs and challenges require a certain amount of decentralized approach in managing the development process in both regions and ensuring the unity of the Palestinian homeland under one political and administrative system.

- c. **Population age structure:** The population pyramid shows that the Palestinian society mostly consists of young people. The base of the pyramid, which comprises young people under fifteen, expands. This age group constitutes high percentage compared to other age groups. It was estimated at 40.2 percent at the end of 2012⁴. Future expectations show that this age group will relatively gradually diminish due to the drop in fertility rates; however, it will remain the largest in the Palestinian society for many years to come. This means more burdens to the breadwinners, which would have negative impact on the social and economic wellbeing of the population and high rates of unemployment. It may also lead to difficulties in providing the needed basic services to household members such as education, health ... etc.

Alternatively, there is a steady increase in the 15-59 age group (the working age group), which is expected to continue throughout the next two decades. This increase is a growth opportunity if well invested to ensure sustainable economic growth and ensure more social justice. To this end, focus needs to be on investment in human resources through training, support of education, and vocational education so that the outputs would meet market needs. Also, the focus must be on strengthening the privates sector to create more jobs for young men and women and enhance their contribution to economic growth, ensure development, and gain its benefits.

- d. **Immigration:** The Palestinian society is known for immigration and expulsion. The Palestinian society, like the rest of the societies is subject to international immigration for social and economic reasons as well as migrating from one locality to another within the country. However, the Palestinian society is also subject to forced migration such as the forced migration from land occupied in 1948 and the forced migration in the aftermath of the 1967 war. The Palestinian society is also subject to forced exile by Israeli authority. The Israeli occupation has throughout the years of occupation and during the Gulf War in 1991 been sending Palestinians into exile. There is also the forced migration Israel conducts through the building of the security fence, expulsion of East Jerusalemites, and control of the freedom of movement.

The steady immigration, which is mostly among the young males of the population, as a result of the political and economic conditions, affects negatively the human capital and leads to loss of qualified and trained labor force. Such labor force is important for the labor market

⁴ Palestinian Central Bureau of Statistics, *Palestinians at the End of 2012*, December 2012

in the state building phase. There has been an increased migration from rural areas to urban areas. Ramallah and Al-Bireh are the main attractions for West Bank migrants. In 2007, the total migration registered 13,500 or 41 percent of the population of the two cities, due to availability of jobs. The two cities are also the center of the ministries and government agencies and international organizations. This requires setting up policies that focus on development in rural and marginalized areas and ensure balance between the geographic areas of Palestine.

3. **Political situation:** Political factors have since the start of the 20th Century played prominent role in influencing the development process in the Palestinian territories. The Palestinian situation is a rare example of this influence. The factors comprise big challenges and difficulties that affect the daily life of the Palestinian people, undermine their capacity to naturally grow and prosper. The impact of the factors can be seen directly or in their influence on the economic and social variables, which define the characteristics of the current Palestinian society and its future. Hence, it is of great importance to take the political issues and their outcomes and requirements into consideration upon preparing the NDP.

A policy paper was prepared in this context to prepare NDP 2011-2013. The paper explained the Palestinian-approved political standpoint and the policies towards political issues such as Jerusalem, the security fence, areas C, borders, refugees, and water. The paper also provided guidelines and directions to ministries and agencies on integrating these issues in the sector and cross-sector strategies and setting up the right interventions in line with the general national directions.

The abovementioned policy paper will be reviewed as part of the preparation of the 2014-2016 NDP. It will be updated to fit the political changes, if necessary. Perhaps add new political issues such as the political and administrative division, the reconciliation process, UN upgrading the Palestinians status to a non-member observer state. This is to ensure consistency of the official Palestinian standpoint on these issues and its reflection in the NDP and ensure reflecting it in the policies and interventions to be adopted in a unified manner.

4. **Economic constraints:** Economic and financial indicators show a setback in the economic and financial situation of the PNA. The indicators also show the burdens of the PNA in realizing development objectives. Among the burdens the high unemployment rate, which registered 21 percent in 2011 and the high poverty rate, which registered 22 percent in 2010. There are also the major downturns in the economic growth rates. The GDP of the Palestinian territories was 6,323 million dollars in 2011. It registered a growth of 9.9 percent in comparison with 2010. In 2012; however, the GDP was slow and dropped to 5.5 percent. The 2011 high increase was due to high growth in Gaza Strip, which registered 23.0 percent as a result of the construction projects that were funded by international agencies -compared to 5.2 percent in the West Bank. Most of the growth was in the services sector rather than production sectors. However, the growth did not positively reflect in the rate of participation in the labor force, which registered 40 percent – a low indicator in comparison with other indicators. The drop in the growth rates is due to the fluctuation in the external support for the PNA and the increase in public debt, which totaled 2,203.5 million dollars or 21.1 percent of the nominal DGP in 2012. Trade deficit also rose in 2012 to approximately 26.7 percent of the GDP, which reflected the extent to which the Palestinian economy is exposed to external economies especially Israeli economy. The projections of MoF show that the drop in GDP growth will continue as long as the economic and political situation in the Palestinian territories remains as it was in 2012. It will further drop to 5 percent in 2013, 4.4 percent, 3.6 percent, and 3.1 percent in 2014, 2015, and 2016 respectively.

Therefore, the most important challenges facing the Palestinian policy-makers are to stop the deterioration and move on despite the prevailing financial deficit and economic hardship. The focus needs to be on developing capacities and available resources since they are the basic engine of enhancing national development and to create the appropriate environment to attract investments and activate the public sector and help it acquire an open economy that produces goods and provides distinguished and value-added services and enjoys high competitiveness at local and international markets. This would expand the production base and reduce unemployment and poverty rates.

5. **Poverty, unemployment, and the social gap:** The issues of poverty, unemployment, and expanded social gap are still major challenges in the face of the national planning process to ensure comprehensive and sustainable development in the Palestinian society despite the efforts to enhance social cohesion and achieve social justice and equality among all citizens and bridge the gaps resulting from sex, age, population categories, localities, and geographic areas. Poverty rates are still high especially in Gaza Strip. Poverty rate, according to monthly consumption patterns, registered 25.8 percent; however, the disparity between the West Bank and Gaza Strip in this regard is big registering 17.8 percent and 38.8 percent for the West Bank and Gaza Strip, respectively. Moreover, 12.9 percent of the impoverished people suffer from extreme poverty including 7.8 percent in the West Bank and 67.1 percent in Gaza Strip, which doubles the burdens of the social protection programs and increases demand on the basic social services.

The disparity in poverty rates does not stop at regional levels (West Bank and Gaza Strip), it also engulfs localities. The residents of the refugee camps are the most vulnerable to poverty at 35.4 percent followed by urban areas at 26.1 percent and rural areas at 19.4 percent. There is difference in poverty rates between households headed by women, which constituted 11.1 percent of the Palestinian households in 2011. The poverty rate among households headed by females registered 25.0 percent compared to 25.9 percent for households headed by males. Moreover, there is a large gap in the share of the impoverished people in consumption compared to the rich. The most impoverished 10 percent of the population consumed 4.4 percent of the total monthly consumption of Palestinian households compared to 21.3 percent for the richest 10% of the population in 2011.

Because poverty is connected to unemployment in the Palestinian society, there is huge difference between the households whose breadwinner is employed and those with unemployed breadwinners. Poverty rates, based on monthly consumption patterns, for unemployed breadwinners' households is 33.0 percent compared to 24.4 percent for employed breadwinners' households. Poverty rates among household members with unemployed breadwinner registered 48.4 percent compared to 21.9% among household members with employed breadwinner. Unemployment among male and female youth in the Palestinian territories registered 19.2 percent and 28.4 percent, respectively. The highest rates of unemployment were among the age group of 15 to 24 at 35.2 percent, including 32.2 percent for males and 53.5 percent for females. This makes many young people consider immigration; hence, loss in human resources, which are considered the cornerstone in the process of achieving economic growth. Additionally, women's participation in the labor market is low despite the increase in the number of women who occupy senior positions in the private and public sectors and NGOs – such increase rose to 16.6 percent in 2011 compared to 14.7 percent in 2010 – whereas males' occupancy of senior positions registered 68.7 percent and 66.8 percent in 2011 and 2010, respectively. This requires more efforts to address the disparities that are based on sex, age, localities, or other categories. Therefore, the government needs to establish the appropriate environment for the private sector's growth since it constitutes main source of employment and creation of new jobs. The government

also needs to reduce unemployment rates, which would reduce poverty rates in the Palestinian society.

Seventh: General strategies and key components of 2014-2016 NDP

The preparation of NDP 2014-2016 faces a number of challenges and national priorities that require utilizing different strategies to deal with each of them. The strategies may seem different and conflicting, which requires using a realistic approach that balances between them in a harmonious way within the available resources and the general political, economic, and social context.

Strengthening national sovereignty over the state of Palestine is number one of the priorities. This is in line with the UN upgrading of the Palestinians status to a non-member observer state, which requires following “**growth and expansion**” strategies, including all components of political, diplomatic, media, economic, social, and institutional activities. The activities aim together to strengthen and expand Palestinian control over the entire land and resources within the 1967 borders especially the so-called area C and East Jerusalem. The control and expansion shall aim to develop the Palestinian economy. The reform process shall continue as well as the development of the establishments of the future state. The services delivered by the state shall also be expanded and enhanced in quality. The Palestinian economy shall be strengthened and developed. The poverty and unemployment rates shall be reduced. High quality social services shall be developed, which will improve the living standards and ensure better level of social justice to all citizens wherever they are. The social services are the cornerstones of protecting the social cohesion of the Palestinian community and the establishment of the future state of Palestine. Moreover, the focus should also be of implementing the big development projects, which the state needs in order to control its resources and borders –or at least prepare studies and grounds for implementing such projects.

There is a need to conduct research on the dimensions of the UN upgrading of the Palestinians status to a non-member observer state and build on such dimensions by enhancing the diplomatic and political activities of Palestine with its new status at official and unofficial levels. The official level includes activating international relations, conventions, agreements, and Palestine’s membership in international agencies. This level also includes political and legal activities in order to strengthen the state and confront the Israeli occupation and its measures and hold Israel accountable for violating international conventions and laws. The unofficial level activities include strengthening relations with Palestinians in diaspora and Palestinian refugees and mobilize efforts to establish the independent state of Palestine. Moreover, unofficial activities include active international and grassroots support to the Palestinian people, resist the occupation, and establish relations with friends, NGOs, and international supporters (individuals and organization) who support the Palestinian people and their rights.

The Israeli occupation continues to control large areas of the Palestinian territories in the West Bank, including East Jerusalem. It continues to impose a strong siege over Gaza Strip and continues to build the security fence and settlements. The Israeli occupation continues to confiscate Palestinian land and isolate East Jerusalem and force its population out. Israeli troops and settlers continue to violate Palestinian people’s rights as they go on to kill, detain, force people out and destroy their property. The purpose of the Israeli occupation is to terrorize people and force them to surrender, weaken the infrastructure and economy, threaten achievements, and undermine the role of the state’s establishments. Under these circumstances, the NDP needs to set up appropriate strategies to enhance the foundations of resistance and steadfastness of the Palestinian people, empower people economically and socially, and maintain and safeguard people’s rights and interests. The NDP needs to end connections with the Israeli occupation and create effective Palestinian alternatives and strengthen them. The aim is to end the occupation and establish the independent sovereign state. Additionally, the NDP must follow strategies that seek to reconstruct the infrastructure and institutions, which the occupation has destroyed throughout the years of

occupation especially in Gaza Strip, including infrastructure and institutions. The aim is to reduce the gap in the development process between the two regions of the homeland.

However, the political and administrative divide and its outcomes of deepening the social tension and political polarization still overshadow the Palestinian situation and constitute serious threat to the unity and future of the Palestinian people. Undoubtedly, ending the divide is purely political. The future of the Palestinian cause depends on the ability of the political elite and the Palestinian people to reconcile as soon as possible and enable the Palestinian political system to regain unity, legitimacy, and role to achieve independence and liberty and fully sovereign independent state. Ending the division is a direct procedural function. It requires forming national conformity government of competent people. Elections are then conducted under such government. Reconciliation comes at the medium stage. It includes a complete package of procedures preceded by approved initial phases and mechanisms. The heart of the package is to restructure the political system on democratic unwavering and stable basis. The system needs to be strengthened in the political life and national relations within a unified and stable legitimate representative framework for the entire establishments of the Palestinian state, including the security apparatuses and state and governance agencies that stem from comprehensive conformity. The political system regulates the national function strategies, forms, and tools to combat the occupation, gain liberation, and build the independent state. Hence, it is necessary that the NDP is up-to-date with the political activities, which is achieved through setting up appropriate strategies that contribute to establishing the supportive environment for achieving reconciliation among all parties. It is also important to focus efforts on reviewing and developing the system of ethics and values of the Palestinian community and enhance the quality of the political, social, cultural, and economic life. This is accomplished through strengthening the Palestinian democratic experience, promoting a dialogue based on multiplicity, tolerance, accepting the others, peaceful solutions to conflicts under the rule of law, respect for human rights, protection of public liberties especially freedom of expression, belief, and organization.

Palestine has been undergoing a serious financial crisis leading to debt increase, drop in economic performance, and impoverishing large categories of people. The Israeli government's blackmail policy and withholding of Palestinian tax revenues exacerbate the crisis. The aid that arrived to Palestine, including from the Arab financial safety net, had been insufficient. The crisis is expected to go on with its negative impact on the Palestinian development process in the medium run, which requires using "contraction" strategies that help end the crisis and ensure financial stability through reducing budget deficit, taking austerity measures in public spending, increase revenues, continue internal reforms, develop self-reliance, ensure sustainable economic growth, and empower the establishments of the state of Palestine to conduct their duties to enhance people's steadfastness, meet their commitments, and ensure provision of quality basic services.

In conclusion, addressing the aforementioned challenges requires the NDP to follow a general balanced approach that considers the political, economic, and social changes. The approach needs to match between the priorities and requirements of reconstruction, growth, and expansion on the one hand and the priorities of contraction due to the expected limited resources on the other. This is achieved through following integral strategies that focus on the most urgent basic issues that can be addressed within the framework of available resources on the medium term with the biggest impact on realizing the aspirations of the Palestinian people, including liberation, establishment of the independent state and a better life. Hence, the 2014-2016 NDP will focus on realizing the following general policy directions, which will constitute a general framework for the NPA in the coming phase. The drafting of the NPA and its priorities in their final shape requires benefiting from the sector strategies, which will be reviewed and updated during the coming months:

1. Gain control over the land of the state of Palestine and its resources and develop them.
2. Complete institutional structuring of the state and enhance its functions and capacities to deliver high quality services.
3. Restructuring the effective democratic political system and enhance societal peace that is based on respect for human rights.
4. Enhance the independent national economy and activate the Palestinian private sector.
5. Combat poverty and unemployment; also, enhance social justice.
6. Enhance Palestine's official and unofficial participation in the Arab, regional, and international activities.

Eighth: Approach and methodology

MoPAD conducted a quick review of the approach of NDP 2011-2013 preparation in the context of preparing and launching NDP 2014-2016. The review was in participation with relevant government agencies. The purpose of the review was to learn from the previous planning experiences and experiments and build on them to develop an approach and mechanisms that are more appropriate and effective. The general assessment of the process of preparing the previous plan concluded that it was a successful example that can be followed considering the then available capabilities and difficulties. Most importantly, the process was nationally-led using mostly own resources. The process utilized the available resources at LMs and agencies in preparing the NDP. It was the first experiment to use a systematic approach to prepare sector and cross-sector strategies as basis for NDP preparation. The review concluded that it was important to follow the same approach, which integrated top-bottom and bottom-top approaches. The approach needs to be enhanced regularly as well as the necessary planning and institutional skills and capacities of all partners. Hence, top-bottom and bottom-top planning requires the government to have general directions that lay the foundations for all government agencies and sectors for a general framework to set up their plans and strategic directions and at the same time allow the agencies and sectors to define their priorities at the institutional and sector levels providing that they are in line with the main general directions.

The review also concluded that NDP 2014-2016 needed to continue the strategic approach of the previous NDP with respect to basing the defining of national policies and their targets on strategic sector plans and to establish strong relationship between transitory priorities and interventions on the medium term and the long term vision and objectives. Hence, the NDP preparation will start with reviewing the previous sector plans and updating them in accordance with their achievements and the changes that had taken place. The review will analyze the general performance of each sector to define its policies and strategies achievements during the previous period. Moreover, the review will establish new sector policies and strategies whenever necessary. The sector reviews will examine the institutional and financial arrangements and provide specific insight and recommendations to develop the sector's performance and update future interventions. The sector reviews will be the basis for defining the strategic objectives and policy priorities of the new NDP.

The review of the NDP preparation process shows that it is necessary to strengthen the participatory and reconciliatory approach, which was used in the previous NDP in the sense that it was based on wide range of focused and organized negotiations among the stakeholders from the public and private sectors as well as specialists. The participation and consultation mechanisms at sector level were effective and successful in most cases. However, there were discrepancies in the level of readiness and capacity of partners to

effectively contribute to the preparation of the sector plans. Such contribution relied on the capacities of the participants themselves rather than the agencies they represented. Some partners had only informal contribution. Therefore, clear guidelines, directions, and standards need to be followed to form teams, select partners when preparing the new NDP, and develop appropriate consultation tools. The last includes workshops and meetings and use of technology (website) to allow the public to participate and support the NDP. Despite adopting the participatory approach in general, the process of preparing sector and cross-sector plans was more participatory than preparing the NDP. This requires finding appropriate framework comprising all stakeholders and establish consensus among them at national level upon preparing the new NDP.

The PNA sought in the previous NDPs to link the NDP preparation procedures with MTEF. It has recently restarted the development of program budgeting as key tool in enhancing the linkage. The LMs and agencies will be more capable of providing logical justifications for their allocations in the public budget. The new NDP will strengthen the linkage and integration of the NDP and program budgeting, which allows reading of projected revenues at the medium term and more realistic allocation of resources on the various sectors according to national policies priorities. This will enable the government to run its resources rationally; hence, strengthen transparency and accountability. This requires more coordination between MoF and MoPAD in the process of allocation of resources to achieve better level of linking NDP with program budgeting.

Having more than one effective player may lead to conflict of interests among them. It may also lead to competition, which would make it difficult to arrive to a consensus over the priorities and objectives that define the NDP as well as its executive activities and the financing priorities. We recommend the negotiated planning approach to reduce such risks as well as defining the cooperation and coordination mechanisms, which should be clear and defined and agreed and committed to by all stakeholders right from the start. It is also necessary to establish negotiation points that enhance conciliation, joint work, and coordination during preparation and implementation of the NDP.

The approaches; however, cannot be effective unless we have M&E mechanism to enhance transparency and accountability levels. Hence, we must review and assess the interventions of the government during the past years on the basis of performance indicators of the previous NDP at all sectors to define progress and establish new targets for the coming phase.

Ninth: The legal and institutional framework of NDP preparation

The Palestinian Basic Law refers to the mechanism of preparing and endorsing the NDP. Article 59 stipulates, “The PLC shall endorse the NDP; the law shall define the method of its preparation and submission to the PLC.” Considering the current dysfunctional status of the PLC, absence of a regulatory law for the NDP, the mandates of CoM in the Basic Law - especially Article 69 – CoM’s decisions concerning the NDPs, and MoPAD’s mandate to lead and coordinate NDP preparation, the legal tool to preparing NDP 2014-2016 shall be based on a decision by CoM to call for NDP preparation and endorsement once completed.

The NDP will use the existing institutional formations. MoPAD will lead and coordinate NDP preparation at the national level. The following technical teams shall be formed in order to facilitate coordination among stakeholders, strengthen participatory approach, and ensure conciliation among all stakeholders:

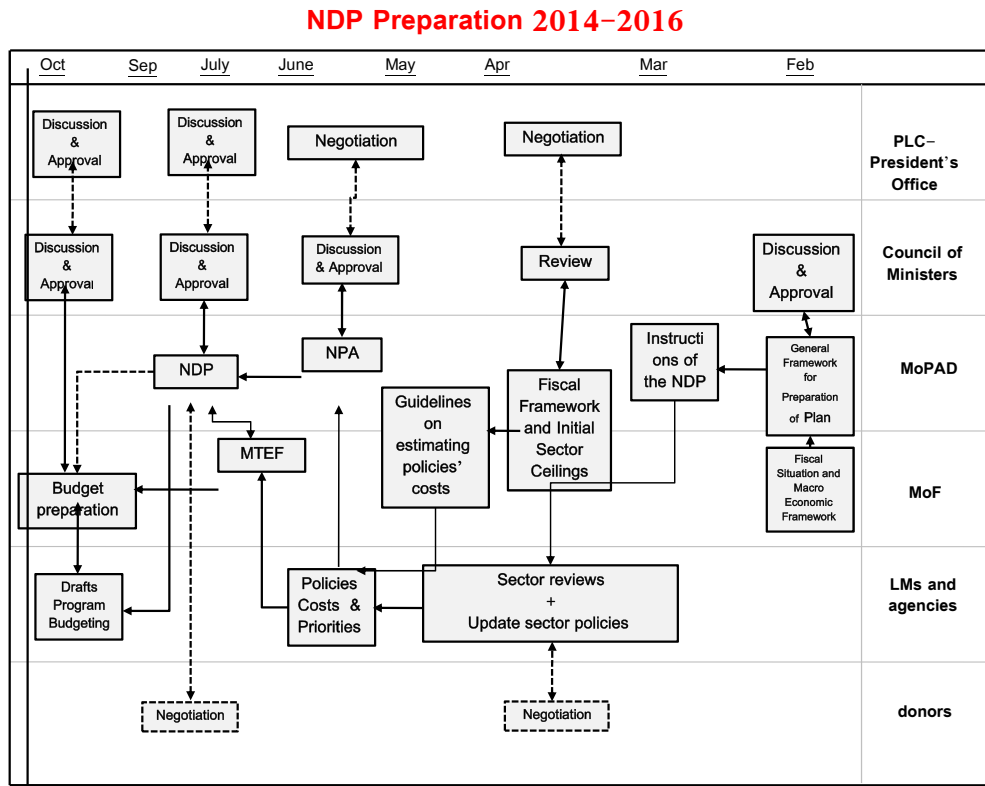
1. **NDP national Advisory committee:** The committee shall comprise political and professional personalities capable of providing directions on plans and policies and programs to achieve agreed objectives.

2. **Activate the national sector strategies groups:** LMs will form national committees comprising representatives from the public and private sectors and NGOs. The committees shall review and update the strategic plans and set up policies, interventions, and their fiscal framework.
3. **NDP national coordination group:** This group consists of the heads of the national sector groups. It discusses and coordinates the process of integrating the cross-sector issues with the various sector plans.
4. **Activate technical groups:** While the sector strategies national groups take charge of the coordination procedures of reviewing and updating the strategies, the technical teams will provide the researches and data necessary for reviewing the old strategies and preparing updated draft sector strategies and submitting them to the national team. The technical groups comprise senior technical staff at LMs and representatives from stakeholders in the civic society, private sector, and international organizations. The groups may also comprise international consultants and/or experts, if necessary.

Tenth: Planning phases and timeframe

Figure 1 shows the general direction of the NDP 2014-2016 with its components, which is linked to the timelines of MTEF/public budget preparation in order to tighten the linkage between planning and program budgeting.

Figure 1: Preparation of NDP 2014-2016



Revised PNDP and Budgeting Milestone Plan

Milestone		Responsibility	Date
1.	Policy Note for the preparation of PNDP 2014-2016	Ministry of Planning and Administrative Development (MoPAD)	28/02/2013
2.	Issuing Guidelines for Sector Reviews	MoPAD	02/04/2014
3.	Approval of Policy Note for the preparation of PNDP 2014-2016	Cabinet of Ministers	02/05/2013
4.	Issuing Guidelines for Updating Sector Strategies	MoPAD	23/05/2013
5.	Setting-up National Advisory Committee for PNDP	MoPAD	30/05/2013
6.	Draft Sector Reviews	Line ministries and agencies (LMAs)	30/05/2013
7.	Financial Report about existing fiscal situation and preliminary fiscal estimates for next year	Ministry of Finance (MOF)	01/06/2013
8.	Appraisal of Draft Sector Reviews	MoPAD	06/06/2013
9.	Final Draft of Sector Reviews	LMAs	13/06/2013
10.	Draft sector strategic objectives and policies	LMAs	20/06/2013
11.	Appraisal of draft sector strategic objectives and policies	MoPAD	27/06/2013
12.	Applying the New Program Budgeting Guidelines	LMAs (with assistance from MOF and MoPAD)	13/05 – 27/06/2013
13.	Budget Circular	MOF	01/-7/2013
14.	Cross-sector consultations about sector strategic objectives and policies	MoPAD	20/06 – 02/07/2013
15.	Synthesis of cross-sector consultations about sector strategic objectives and policies	MoPAD	06/07/2013
16.	Macro-fiscal framework and sector ceilings	MOF + MoPAD	13/07/2013
17.	Revised sector strategic objectives and policies	LMAs	13/07/2013
18.	Draft National Policy Agenda	MoPAD	01/08/2013
19.	Draft National Policy Agenda consultations	MoPAD	20/08/2013
20.	Final draft National Policy Agenda submitted to Cabinet of Ministers	MoPAD	2013/09/05
21.	Approval of National Policy Agenda	Cabinet of Ministers	24/09/2013
22.	Preparation of Program Budgets according to new guidelines	LMAs (with assistance from MOF and MoPAD)	01/07 – 30/09/2013
23.	First draft of sector and cross-sector strategies	LMAs	10/10/2013
24.	Budget negotiations	MOF + MoPAD with LMAs	01 – 17/10/2013
25.	Appraisal of draft sector and cross-sector strategies	MoPAD	17/10/2013

	Milestone	Responsibility	Date
26.	Approval of sector and cross-sector strategies	LMAs, National Planning Teams	24/10/2013
27.	Medium Term Macro-economic and Macro-fiscal Frameworks	MOF and MoPAD	17/10/2013
28.	Draft PNDP 2014-2016 submitted to Cabinet of Ministers	MoPAD	31/10/2013
29.	Draft 2014 Budget submitted to Cabinet of Ministers	MOF	31/10/2013
30.	2014 Budget endorsed by Cabinet of Ministers and forwarded to PLC for approval	Cabinet of Ministers	07/11/2013
31.	Draft PNDP 2014-2016 consultations	MoPAD	21/11/2013
32.	Final PNDP 2014-2016 submitted to Cabinet of Ministers	MoPAD	28/11/2013
33.	PNDP 2014-2016 endorsed by Cabinet of Ministers and forwarded to PLC for approval	Cabinet of Ministers	15/12/2013
34.	Budget Committee reviews 2014 Budget and endorses it to PLC for approval	PLC Budget Committee	07/11 – 15/12 2013
35.	Discussion and approval of 2014 Budget	PLC	16 – 31/12/2013
36.	Discussion and approval of PNDP 2014-2016	PLC	16 – 31/12/2013

Annex 1

List of proposed sector strategies distributed among the four general sectors

Cross-sector strategies	Led by
Social sector	
Culture and heritage	Ministry of Culture
Basic education	Ministry of Education
Higher education	Ministry of Higher Education
Social protection	Ministry of Social Affairs
Health	Ministry of Health
Infrastructure sector	
Energy	Energy and Natural Resources Authority
Environment	Ministry of Environment Affairs
Transport	Ministry of Transport
Water and wastewater management	Palestinian Water Authority
Housing	Ministry of Public Works and Housing
Economic sector	
National economy development	Ministry of National Economy
Agriculture	Ministry of Agriculture
Tourism and antiquities development	Ministry of Tourism and Antiquities
Telecommunication and information technology	Ministry of Telecommunication and Information Technology
Employment	Ministry of Labor
Governance sector	
International relations	Ministry of Foreign Affairs
Justice and rule of law	Ministry of Justice
Security	Ministry of Interior and National Security
Media	Ministry of Information/Media Council

Annex 2

List of proposed cross-sector strategies

Cross-sector strategies	Led by
Gender	Ministry of Women Affairs
Youth	High Council for Youth and Sports
Administrative development	Ministry of Planning and Administrative Development
Public finance management, fiscal, banking, and financing policies,	Ministry of Finance
Local governance and administration	Ministry of Local Government