



UNITED
NATIONS

HSP



UN-HABITAT

Governing Council
of the United Nations Human
Settlements Programme

Distr.
GENERAL

HSP/GC/19/2/Add.3
17 March 2003

ORIGINAL: ENGLISH

Nineteenth session*
Nairobi, 5 - 9 May 2003
Item 4 of the provisional agenda**

**Activities of the
United Nations Human Settlements Programme:
progress report**

**ACTIVITES OF THE UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME,
UN-HABITAT: PROGRESS REPORT OF THE EXECUTIVE DIRECTOR**

Addendum

Report of the Executive Director on the implementation of resolution 18/12

**Housing situation in the occupied Palestinian territories and establishment of a human settlements
fund for the Palestinian people in the occupied Palestinian territories**

Introduction

1. At its eighteenth session, in February 2001, the Commission on Human Settlements adopted resolution 18/12 on illegal Israeli human settlements in the occupied Palestinian territories. The resolution, inter alia, requested the Executive Director in its operative paragraph 4 to “organize a meeting on the establishment of a human settlements fund for the Palestinian people in the occupied Palestinian territories” and, in operative paragraph 5, to prepare a comprehensive report “regarding the housing situation in the occupied Palestinian territories and the problems posed by the Israeli illegal actions in this respect ...”. Pursuant to that resolution, the United Nations Human Settlements Programme (UN-HABITAT) undertook fieldwork in the occupied Palestinian territories during which discussions were held with many stakeholders from public institutions, civil society, the private sector and international organizations.

* In its resolution 56/206 of 21 December 2001, the General Assembly transformed the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme (UN-HABITAT), a subsidiary organ of the General Assembly. This session has been designated as the nineteenth instead of the first session of the Governing Council to signify the continuity and relationship between the Governing Council and the Commission on Human Settlements.

** HSP/GC/19/1.

K0360885 230403

2. Fieldwork in the occupied Palestinian territories was carried out in October and November 2002 by two teams of consultants, supported by a non-governmental research institution with extensive experience in the Middle East. Backstopping by UN-HABITAT staff included one joint mission with the consultants as well as headquarters support. Information was gathered mainly through consultative meetings with a wide range of stakeholders and a review of published reports and other written material. The stakeholders interviewed included: ministries of the Palestinian Authority; public and private organizations; Palestinian, Israeli and international non-governmental organizations; bilateral organizations; United Nations agencies and the World Bank.

3. The present report draws on the fieldwork carried out by the consultants and on other information available to the secretariat. It comprises two sections: Part One, which provides an assessment of the housing situation and housing needs in the occupied Palestinian territories;¹ and Part Two, which describes a special human settlements programme for the occupied Palestinian territories to be financed by a technical cooperation trust fund.² Part Two has benefited from the proceedings of an expert group meeting convened by UN-HABITAT in January 2003 to discuss the proposed human settlements fund. The expert group meeting was attended by international experts on human settlements from UN-HABITAT and other organizations. Part Two has also drawn from the outcome of a meeting of government representatives held on 20 February 2003 (see paragraph 53 of Part Two).

Development context

4. During the past two years, the stalemate in the Palestinian-Israeli peace process has turned into open conflict and hostilities have intensified. Following the occupation of the West Bank and Gaza Strip by Israel in 1967, Israeli settlements in the occupied Palestinian territories have expanded, increasing from 20 settlements in 1977 (3,876 settlers)³ to 128 currently (205,600 settlers),⁴ of which 121 are in the West Bank and 7 in the Gaza Strip.⁵

5. As a result of conflict and governance problems, human settlements conditions have continued to deteriorate. Restrictions on population movements and military operations in the occupied Palestinian territories have contributed to Palestinian unemployment. Poverty has deepened, with 55 per cent of the population in the West Bank and 70 per cent of those living in the Gaza Strip defined as poor.⁶

6. The existing conflict in the occupied Palestinian territories has had a negative impact on human settlements and a large number of houses and related infrastructure networks have been destroyed⁷. Since the start of the second intifada around 40,000 dwellings have either been damaged or destroyed.⁸

7. There is a serious human settlements problem exacerbated by conflict, poverty and the lack of Palestinian institutional capacity. It is estimated that around 59,000 new houses are needed to reduce overcrowding whilst another 71,000 dwellings require renovation or extension. The actual housing shortfall is even wider as account must be taken of the dwellings destroyed or damaged as a result of ongoing hostilities, as well as those pulled down because they do not have a building permit. The housing deficit will take many years to redress unless the recent level of housing production, averaging less than 10,000⁹ dwellings a year, is substantially raised.

8. The economy of the occupied Palestinian territories has hitherto depended to a large extent on the Israeli economy, with 96 per cent of Palestinian exports destined for Israel and labour flows into Israel (pre-intifada) accounting for up to one-quarter of total Palestinian employment. When security measures eased in 1998, 1999 and during the first part of 2000, the Palestinian economy experienced a 5 per cent yearly growth in gross domestic product, illustrating the potential impact of a conflict-free environment.¹⁰

9. Increasingly, the Palestinian state budget is used for salary expenses, and the proportion devoted to investments has declined. At the same time, donor focus has shifted from development to emergency issues. In spite of budgetary support by donors, the Palestinian Authority continues to face a financial deficit, estimated at \$371 million in 2001.¹¹

10. Industrial production dropped by at least 65 per cent in the first years of the intifada (2000-2001) resulting in a loss of \$556 million.¹² Moreover, imports have declined sharply, severely reducing the Palestinian Authority's tax revenue. Exports of agricultural products have fallen by 30 per cent of their potential value and manufactured goods for export had fallen by 24 per cent of their value by the end of 2001.¹³

11. Municipal authorities have also experienced financial stress. Financial transfers from the centre were never substantial but their levels have now dropped sharply. At the same time, local revenue sources have been eroded by the adverse political and economic environment.

Part One

HOUSING SITUATION IN THE OCCUPIED PALESTINIAN TERRITORIES

Introduction

12. This part, prepared pursuant to resolution 18/12 on illegal Israeli human settlements in the occupied Palestinian territories, provides an assessment of the housing situation and housing needs in the occupied Palestinian territories.¹⁴ It draws on fieldwork carried out in the occupied Palestinian territories in October and November 2002, and on other information available to the secretariat.

I. SCOPE

13. This part of the report deals with the Palestinian housing situation and tries to draw out the impact of Israeli settlements and associated problems on the housing situation in the region with a focus on:

- (a) The current housing situation with emphasis on the problems related to land, building permits, house demolition, housing costs, residential densities, access to infrastructure services, and environmental degradation;
- (b) Shelter delivery processes, including incremental housing construction in the occupied Palestinian territories, the need for a housing policy, and a description of the main housing institutions;
- (c) The key housing challenges;
- (d) Suggestions for the way forward.

II. ASSESSMENT

A. Current housing situation

1. Demographic trends

14. The 1997 population census showed that there were just over 2.8 million Palestinians in the Palestinian territory (table 1): 53 per cent lived in urban areas, 31 per cent in rural areas, and 16 per cent in refugee camps.¹⁵ About 64 per cent of the population lived in the West Bank and the remaining 36 per cent in Gaza. An additional 210,000 Palestinians resided in East Jerusalem. The current population is about 3.3 million, and projections show that this number will increase to more than 4 million by the year 2010¹⁶ (table 1). Women account for 49.5 per cent of the population and children (up to 15 years) for 46.8 per cent.¹⁷ The growth in the number of households, the main determinant of housing need, is estimated at more than 151,000 over the decade 2001-2010, averaging more than 15,000 households a year.

15. The average household size in 1997 was 6.4 persons with households in the Gaza Strip larger (6.9 persons) than in the West Bank (6.1 persons). There is generally little variation in size within both the West Bank and the Gaza Strip, but refugee camps have larger households than villages and towns.¹⁸

16. The demographic characteristics of the occupied Palestinian territories have been greatly influenced by Israeli policies and the expansion of Israeli settlements.¹⁹

Table 1: Population and households, projections for the years 1997-2010

Year	Population			Households					
	West Bank	Gaza Strip	Palestinian Territory	West Bank		Gaza Strip		Palestinian Territory	
				Total households	New households	Total households	New households	Total households	New households
1997	1,822,021	1,010,158	2,832,179	298,692		146,400		442,528	
1998	1,869,394	1,048,039	2,917,144	306,458	7,766	151,890	5,490	455,804	13,276
1999	1,917,998	1,087,340	3,004,659	314,426	7,968	157,586	5,696	469,478	13,674
2000	1,967,866	1,128,116	3,094,798	322,601	8,175	163,495	5,909	483,562	14,084
2001	2,019,030	1,170,420	3,187,642	330,989	8,388	169,626	6,131	498,069	14,507
2002	2,071,525	1,214,311	3,283,272	339,594	8,606	175,987	6,361	513,011	14,942
2003	2,125,385	1,259,847	3,381,770	348,424	8,829	182,587	6,600	528,402	15,390
2004	2,180,645	1,307,092	3,483,223	357,483	9,059	189,434	6,847	544,254	15,852
2005	2,237,341	1,356,108	3,587,720	366,777	9,295	196,537	7,104	560,581	16,328
2006	2,295,512	1,406,962	3,695,351	376,313	9,536	203,907	7,370	577,399	16,817
2007	2,355,196	1,459,723	3,806,212	386,098	9,784	211,554	7,647	594,721	17,322
2008	2,416,431	1,514,462	3,920,398	396,136	10,039	219,487	7,933	612,562	17,842
2009	2,479,258	1,571,255	4,038,010	406,436	10,300	227,718	8,231	630,939	18,377
2010	2,543,719	1,630,177	4,159,150	417,003	10,567	236,257	8,539	649,867	18,928

Source: Tiltne, A. A. and Magembe E.²⁰

2. Impact on Palestinian settlements

17. In 1977 there were 20 Israeli settlements (3,876 settlers)²¹ in the West Bank and Gaza Strip. Currently, there are 128 settlements, with 121 in the West Bank and 7 in the Gaza Strip.²² According to the Israeli Central Bureau of Statistics, there were 23,700 settlers in the occupied Palestinian territories in 1983 and 205,600 in 2001.²³ Although other sources give different estimates, they nonetheless confirm the general picture of rapid expansion of Israeli settlements.²⁴

18. The motives underlying the establishment of Israeli settlements have varied over time with the earliest settlements in the Jordan Valley created for security reasons. Some settlements were set up for historical reasons, others to meet the growing demand for cheap housing, and yet other settlements for other reasons. But whatever the underlying rationale, settlements have been located in areas that separate Palestinian population clusters. The many bypass roads that have been built during the past decade have reinforced this trend.²⁵ These bypass roads, whilst constructed to serve as safe passageways between settlements, major cities, and communication hubs in Israel as well as between the larger settlements, have impeded free Palestinian mobility and fragmented the West Bank.²⁶

19. The growth of settlements has had a severe impact on the housing situation in the occupied Palestinian territories and has been recognized by the United Nations Special Rapporteur as a violation of human rights norms, particularly economic, social and cultural rights. Israeli settlements growth has also been largely responsible for the depletion of water resources, giving rise to an inequitable distribution of water, and brought to the fore the critical issue of water rights for the Palestinian people.²⁷ It has been observed that: "Since the *Intifada* the water situation for Palestinians has deteriorated further. Closures have rendered it extremely difficult to truck water to villages that depend on the provision of water by tankers. Some households find themselves waiting two or three weeks to get water into their cistern".²⁸

3. Impact of controls over land and building permits

20. Since it administers only a very small proportion of land in the occupied Palestinian territories, as noted below, the Palestinian Authority has extremely limited influence over land-use planning, urban management and housing policy. Occupation policies have hindered the establishment of new Palestinian settlements on land outside the 1967 town boundaries, a serious problem given the need to accommodate population growth. Restrictions on settlements growth have:

- (a) Constrained urban development in the occupied Palestinian territories and the physical expansion of Palestinian cities;
- (b) Increased the demand for land in the existing urban centres, and thus raised land prices;
- (c) Made it difficult for low-income households to obtain land and improve their housing standards; and,
- (d) Raised residential densities.²⁹

21. Restrictions on the issuance of building permits to Palestinians are a particularly serious problem since houses built without approval are demolished, thus severely reducing housing supply. The severity of these restrictions depends on the zone in question. The Gaza-Jericho (Oslo I) Agreement (Cairo, 1994) and Interim (Oslo II) Agreement (Taba, 1995) divided the occupied Palestinian lands into different zones, giving the Israelis and Palestinians varying degrees of jurisdiction. The Gaza-Jericho Agreement defined the Gaza Strip and the West Bank town of Jericho as Palestinian autonomous areas, but Israel retained the responsibility for security in certain areas of the Gaza Strip (so-called ‘yellow areas’). The Interim Agreement divided the West Bank into three zones of control: “In six West Bank cities (in addition to Jericho) the Palestinian Authority gained civil and internal security control (Area A); in 420 villages the Palestinian Authority was made responsible for civil affairs, while Israel retained security control (Area B); in the remaining territory (Area C) Israel retained its exclusive control. [...] In all, Area A amounted to just under 2 per cent of the West Bank, Area B 26 per cent and Area C made up the remaining 72 per cent.”³⁰ By 1999, the area under Palestinian civil and internal control (Area A) had risen to 17.2 per cent.

22. For towns and villages in Area A, building permits are the responsibility of the Palestinian municipalities and are usually issued provided that the applicant has title to land. However, because land titling in the West Bank and Gaza is far from complete, legitimate owners cannot always document their ownership status. In Area B, it is more difficult to get building permits while it is extremely difficult to do so in the Israeli-controlled Area C. Israeli settlers, however, easily get permission to expand and receive rights to land for agricultural use and for security reasons.³¹ Building licenses are generally expensive, and will cost at least \$6,000 to \$10,000 and upwards to \$25,000 in Jerusalem.³²

23. The effect of restrictions on construction is well illustrated by the account in Box 1, narrated by the head of a village council:

Box 1

Building restrictions in Beit ‘Inan: Naji Jamhour, head of the village council³³

“Our current land is 12,000 *dunums* (3,000 acres). It belongs to the *waqf* [an inalienable Islamic endowment]. We have a population of 5,000. Before the 1948 war our village lands, together with Imwas and Yalu [villages razed after the 1967 war], stretched all the way down to the coastal plain. Our village is famous for its olive and almond trees. Technically we are in Area B [under joint Israeli and Palestinian control]. We suffer from planning restrictions. We cannot build, except on a very limited area – 750 out of the 12,000 *dunums*. If people build homes where they want them, the Israelis come and demolish them. The 750 *dunums* of agricultural land on which building is permitted is down the side of this steep valley. We may not build on top of the hill. Only Israeli settlers are allowed to build on hilltops.”

4. Damaged and demolished houses

24. “House and property demolition has emerged as a consistent pattern [in the occupied Palestinian territories]”.³⁴ In October 2001, during its invasion of areas under the control of the Palestinian Authority, Israel renewed its activity of demolishing houses as punishment, a policy it had abandoned in 1997. Such demolitions are carried out to punish Palestinians suspected of perpetrating attacks in Israel or against Israeli settlements. For instance, from 1987 to 1997, Israel completely demolished 449 houses and partially demolished another 62. According to B’Tselem (the Israeli Information Center for Human Rights in the occupied territories), the source of these data, it is not possible to determine accurately the scope of Israel’s destruction in the Gaza Strip; this is because in some of the areas where demolitions have taken place, mainly near the Israeli settlements, entry is prohibited ruling out thorough investigations. The United Nations Relief and Works Agency for Palestinian Refugees (UNRWA) has reported that the Israeli military has demolished 655 houses in the refugee camps of the Gaza Strip since the beginning of the intifada. The International Committee of the Red Cross has supported the UNRWA figures but the accuracy of such estimates has been contested by the Israeli military. UNRWA has further estimated that in the Jenin refugee camp alone 800 dwellings have been destroyed and many more damaged, leaving 4,000 to 5,000 people homeless.

25. In April-May 2002, a donor-led damage assessment exercise estimated at 40,000 the number of private dwellings damaged or destroyed since the start of the second intifada. Of this number, 2,800 housing units had been totally destroyed in military activities whilst the rest had sustained moderate or serious damage.³⁵ The number of damaged dwellings has continued to grow.

26. Dwellings are also demolished through administrative orders if they have been erected without formal approval, yet building permits are difficult to obtain. Insurmountable problems arise where new master plans are applied retroactively, and subsequently used as a basis for declaring dwellings non-compliant and therefore due for demolition.³⁶ Since 1987, 2,450 Palestinian houses have been demolished in the West Bank (including East Jerusalem) on the grounds that no building permits had been obtained. As a result, 16,700 Palestinians have lost their homes.³⁷ In 2002, it is further reported, 28,000 Palestinian dwellings in Jerusalem were under the threat of “administrative” destruction.³⁸

27. A notably punitive practice is the demolition of dwellings without prior notice. Indeed, it is reported that in most cases of demolition for lack of a permit “...authorities wait until construction is complete before coming to destroy the home, inflicting the heaviest possible material loss to the victim”.³⁹

28. The extent of damage, in financial and physical terms, has been documented by the Ministry of Planning and International Cooperation (MOPIC) and the Palestinian Central Bureau of Statistics (PCBS), based on unpublished data from the Ministry of Housing and Public Works (MOHPW) (table 2).

Table 2: Number of damaged buildings in the occupied Palestinian territories from 28/9/2000 to 20/8/2002 by governorate/district, building type and estimated value of damage

Governorate/ district	Estimated value (million USD)	Total	No. of damaged security buildings	No. of damaged public buildings	No. of completely damaged buildings	No. of partly damaged buildings
Palestinian Territory	260.4	39517	411	118	2639	36349
West Bank	204.5	31081	74	117	1911	28979
Jenin	46.0	3863	6	1	845	3011
Tulkarm	6.2	2141	4	22	20	2095
Qalqiliya	6.0	638	10	11	17	600
Salfit	4.6	423	1	1	6	415
Nablus	27.6	5502	14	26	874	4588
Ramallah/ AlBireh	17.1	4576	15	49	12	4500
Jericho	1.7	30	9	0	1	20
Bethlehem	18.6	7733	4	7	72	7650
Hebron	15.2	6175	11	0	64	6100
Gaza Strip	55.9	8436	337	1	728	7370
North Gaza	4.3	981	0	0	116	865
Gaza	29.0	1314	337	0	53	924
Deir Al- Balah	5.3	625	0	0	147	478
Khan Yunis	5.2	2686	0	0	133	2553
Rafah	12.1	2830	0	1	279	2550

Source: MOPIC

5. A widening housing deficit

29. In 1997, Palestinians lived in just over 401,000 dwellings but this stock is estimated to have grown to over 462,000 by the year 2002.⁴⁰ Because this housing stock is shared among 513,000 households, the current shortfall is around 51,000 houses. Estimates further show that 79,000 dwellings are inadequate and in need of renovation. This housing deficit is widened by the demolition of dwellings through administrative orders, as already discussed, as well as through Israeli military activity.

30. As the housing deficit is widened further by the effects of conflict, the Palestinian Authority might find it extremely difficult to meet its future housing needs if insecurity persists. It is estimated that dwelling output is down by 8,000 to 10,000 units a year as a result of the downturn in construction, itself the result of conflict. Yet around 15,000 dwellings are needed each year to meet household formation alone. The overall estimate of need is even higher as it must take account of the current housing deficit noted above.

31. Housing supply is also suppressed by inappropriate rent legislation which impedes housing transactions and turnover. The Jordanian Renter and Owner Law (No. 62) of 1953 is still applied in the occupied Palestinian territories. According to paragraph 4-1 of this legislation, the courts cannot issue a decision to force a tenant out of a rented dwelling even if the contract date has expired. Such a decision can only be taken where:

- (a) The tenant has not paid rent within 30 days of receiving an order from the owner or from the court;
- (b) The tenant has damaged the house or allowed others to do so;
- (c) The tenant has used the dwelling for illegal purposes;
- (d) The tenant has rented the property or part of it to others, or left the property vacant for more than six months;

(e) The owner needs the property to live in, and the tenant has found another comparable house for a similar rent in the same area, and the court has found it acceptable;

(f) The owner wants to carry out substantial renovations such as rebuilding the house, and has informed the tenant in a written statement six months in advance; and

(g) The tenant has built his own dwelling.

6. Closures and housing costs

32. Closures have been defined as a system of “checkpoints and road blocks dividing up the West Bank and Gaza Strip and making the flow of people and trade contingent upon Israeli approval”.⁴¹ As a result of closure policies, housing costs have increased, driven up by higher transportation costs and rising building material prices. According to the World Bank, housing costs increased by 12 per cent during the first 15 months of the second intifada.^{42, 43}

33. Notably, closure policies have seriously constrained the movement of personnel and raised the costs of supplying construction sites with building materials. In turn, the incentive to invest in housing and the construction sector has fallen sharply: the manufacture of construction materials has in recent years dropped to 65 per cent of capacity; and costs of delays and inflation in the cement industry have amounted to a \$230 million loss for Palestinian companies.⁴⁴

7. Dwelling types and house ownership

34. Apartments have become more common over the past decade, especially in urban areas, in spite of the traditional preference for detached houses. It is estimated that over 50 per cent of households live in multi-dwelling structures but there are substantial local variations, with less than 3 per cent of West Bank households living in such dwellings in contrast to over 16 per cent in the Gaza Strip.

35. More than 80 per cent of households in the occupied Palestinian territories own their dwellings. Although 90 per cent of households in camps own their houses, they do not have title to land, as camp lands are typically granted by the Palestinian Authority to UNRWA. The type of housing initially set up for refugee households in the camps (erected after the 1948 Arab-Israeli war) to replace tents were “shelters”, or small, detached dwellings. Most of the refugees who later moved into the camps have either purchased or built their own dwellings. UNRWA does not own the original camp houses, but refugees are free to use them as long as UNRWA has possession of the land upon which such housing is built. The stock of refugee housing in the camps has changed considerably over time and, where they have had the means and authority, camp refugees have replaced or modified their houses, and built additional dwellings.

8. Dwelling size and density:

36. Some 24-30 per cent of Palestinian households live in housing units with one-two rooms, while 40-50 per cent occupy dwellings of four or more rooms. Urban (non-camp) households reside in the largest dwellings (average of 3.5 rooms), followed by rural (non-camp) households (3.3 rooms), whilst camp dwellers live in the smallest houses (3.1 rooms). Urban households occupy the largest houses in terms of floor area (123 m²), again followed by rural houses (109 m²), with camp households having the least spacious dwellings (103 m²).

37. Room densities are somewhat lower in the West Bank (1.8 persons per room) than in the Gaza Strip (2.1 persons per room). On the whole, there is little variation in room densities across urban and rural localities. Nonetheless, living conditions in refugee camps are particularly cramped, as plots are small (and external space is limited), while pathways between houses are narrow. The continuing demolition of dwellings and the widening housing deficit may be expected to result in higher densities as the prevalence of doubling up by households increases.

9. Infrastructure and social services

38. A small proportion of households do not have access to the key services: 1.2 per cent to piped water; 0.6 per cent to a sewage disposal system; and 0.8 per cent to electricity. But there are intra- and interregional differences, with towns having better access to public services than villages. Rural Gaza stands out as having a particularly poor provision of electricity. In general, the refugee camps of both regions are better served than other areas, as services tend to be organized by or through negotiated interventions of UNRWA. In spite of the high level of connection to infrastructure services, anecdotal evidence suggests that the quality of service is not satisfactory: in Gaza, for instance, the high and increasing salinity of ground water is a cause for concern; and whilst in Gaza City approximately 70 per cent of the housing units are connected to sewerage, the network suffers from serious defects and is badly in need of rehabilitation.⁴⁵

39. The impact of occupation on social services has also been adverse. It has been reported that health services are deteriorating, and high levels of mental stress have been noted.⁴⁶ The same source observes that attendance at Gazan mental health clinics has doubled since 2000. In a survey of 760 families in the Gaza Strip, almost nine out of ten reported a family member with psychological difficulties'.⁴⁷ It is also reported that school dropout rates are rising and that people are increasingly unable to pay the taxes that finance the building of schools and support education.⁴⁸

10. Environmental degradation

40. Conflict and occupation policy have contributed to the degradation of the environment on several fronts. One is the destruction of olive and citrus groves, a major concern to Palestinians. In particular, the construction of a 110-kilometre fence, for which a wide buffer zone has been set aside, can further destroy existing vegetation.⁴⁹ On another front, agricultural land has been degraded by the bulldozing away of top soil.⁵⁰ Other environmentally harmful acts include unrestricted dumping of solid waste on Palestinian land, pollution of land with untreated waste water, and the dumping of untreated industrial and chemical waste. It is reported that many Israeli settlements in the West Bank do not yet treat domestic or industrial waste and that measures have not been taken to solve this problem.⁵¹

B. Shelter delivery processes

1. Incremental housing construction

41. Incremental housing construction, relying on informal finance, accounts for the bulk of housing supply. Formal housing finance is out of reach for the majority as a result of the lack of collateral, high interest rates, and other loan conditions. Financing through cooperatives has grown, especially in East Jerusalem and the larger West Bank cities, but this option has largely been open only to middle and high-income households. In view of the severely limited access to formal finance there is a strong case for supporting informal/non-conventional financing mechanisms.

2. The need for a housing policy

42. There are severe limitations to the formulation of a viable housing policy as the Palestinian Authority has little control over land use planning and the granting of building permits. But when circumstances permit, a housing policy will be needed to provide a framework for:

- (a) Addressing the problems of house overcrowding and high densities;
- (b) Regulating and rationalizing land use;
- (c) Strategies to address land ownership rights, tenancy rights and mortgage lending;
- (d) Guidelines and principles for national and international resource mobilization and the growth of housing finance;

- (e) Improving access to basic services such as clean water, sanitation and solid waste disposal

3. The main housing institutions

43. A variety of public sector bodies, civil society organizations, private sector institutions and international agencies carry out activities which bear directly or indirectly on human settlements. These institutions are described here in brief and in some detail in Part Two of this report.

44. Public institutions with central roles in human settlements are: MOHPW, which has sponsored housing construction in the past, especially in Gaza; the Ministry of Local Government (MOLG), which is responsible for master planning; and municipal authorities, whose responsibilities include infrastructure services, physical planning, issuance of building permits and facilitating shelter delivery. MOPIC has an indirect remit for human settlements through its national and regional plans. Yet another important body is the Palestinian Economic Council for Development and Reconstruction (PECDAR) whose remit includes infrastructure projects such as roads, electricity grids, water and sewerage networks, and public buildings.

45. A number of civil society bodies are involved in shelter delivery, with the Palestinian Housing Council (PHC) playing a key role. The Housing Council is a not-for-profit organization established in 1992, since when it has provided soft housing loans to low- and middle-income households. It has financed up to 1,178 apartments in the Gaza Strip, 408 houses in the West Bank, 231 houses in rural areas, and 2,000 housing units in East Jerusalem. Its financial support comes primarily from international donors who have so far provided over \$95 million for housing development. The Housing Council has drawn criticism for not targeting low-income households. Other civil society bodies include:

- (a) The Cooperative Housing Foundation International, an American non-governmental organization funded by the United States Agency for International Development (USAID). Acting through local commercial banks, CHF has made 4,300 housing loans (1995-2002), successfully targeting households with modest incomes;

- (b) The Welfare Association, a humanitarian organization established in 1983 and registered as a not-for-profit foundation in Switzerland. This organization specializes in fund management and has a diverse and substantial project portfolio. Its housing projects target small-scale renovation of houses in the core of old Palestinian cities, especially East Jerusalem;

- (c) The *Waqf*, a well-established and renowned religious institution in the occupied Palestinian territories. Its main contribution is land for housing, typically leased out for long durations for a small charge;

- (d) Housing cooperatives.

46. International agencies such as the United Nations Development Programme (UNDP) and UNRWA have concentrated their efforts on water and sanitation, house repair and job creation. UNRWA reconstructs housing damaged during natural or manmade disasters, and rehabilitates dwellings of destitute families. The Bretton Woods institutions have focused on housing finance (World Bank and the International Finance Corporation (IFC)) and on the wider financial sector International Monetary Fund (IMF). The World Bank and the IFC have sponsored special institutional vehicles for mortgage finance in partnership with the private banking sector. These vehicles consist of the Palestinian Mortgage Housing Company (PMHC) and its two subsidiaries, the Palestine Housing Finance Corporation (PHFC) and the Palestine Mortgage Insurance Fund (PMIF). PMHC acts as a refinancing facility for PHFC (which issues mortgage loans) and for commercial banks involved in mortgage lending. PMIF insures mortgage loans. These financial intermediaries have had only a limited impact so far, owning a mortgage portfolio of a mere 100 houses and 50 loans in the pipeline (November 2002). This shortcoming points to the need for a funding mechanism which is able to address the housing needs of low-income households (see paragraph 113, programme element 6).

C. The key housing challenges

47. The crux of the housing challenge is the lack of adequate control over the limited land available to Palestinians. Actions which impact adversely on land in the occupied Palestinian territories include:

- (a) Expansion of Israeli settlements and building of bypass roads;
- (b) Closing off of land for military and other purposes;
- (c) Confiscation of Palestinian land;
- (d) Severe limitations on the granting of building permits;
- (e) House demolition;
- (f) Deteriorating access to basic services, especially water;
- (g) Environmental degradation.

48. Other challenges include the need to:

- (a) Introduce an appropriate balance between emergency and development activities;
- (b) Build institutional capacity especially at the municipal level;
- (c) Strengthen coordination among public sector, private sector, civil society and international institutions;
- (d) Formulate a housing policy;
- (e) Expand the scope and outreach of formal housing finance;
- (f) Develop an appropriate regulatory regime for housing finance and housing markets.

D. The way forward

49. A comprehensive national housing strategy is needed to provide a framework for human settlements interventions in the occupied Palestinian territories. Notwithstanding current and unforeseen future political constraints, it is important that the Palestinian Authority and other stakeholders in the occupied Palestinian territories should prepare a coherent policy and commensurate implementation strategy. MOHPW has clearly articulated its policy stance: “the Ministry should not be in the business of providing housing for the people, but rather act as an enabling agent and try to provide a friendly environment to the individual builder”.⁵² The present position of the Palestinian Authority of “staying out of house construction” roles has universal support in the occupied Palestinian territories.

50. Against this background, there is a need for the donor community and other international organizations, such as UN-HABITAT, to provide policy and capacity building support, building on previous policy initiatives in the occupied Palestinian territories. All national and local governmental as well as non-governmental institutions with an interest in human settlements should participate actively in the process. Naturally, MOHPW would assume the key coordinating role.

III. RECOMMENDATIONS

51. The following recommendations, derived from the foregoing assessment of the housing situation, are intended to assist the Palestinian Authority in responding to the challenges of human settlements in the occupied Palestinian territories:

- (a) Technical assistance: UN-HABITAT should provide long-term technical assistance for shelter delivery, and also sensitize the Palestinian leadership and the international community to the social and economic importance of housing, and its potential to contribute to peace-building and political stability;
- (b) Land titling: Current constraints notwithstanding, support should be given to the Palestinian Authority to facilitate land titling and registration of apartments;
- (c) Planning and building regulations: A framework should be agreed to optimize both the preparation of regional and local master plans and the granting of building permits;
- (d) Social housing strategy: Support should be provided to the Palestinian Authority for purposes of formulating a social housing strategy which responds to the housing needs of vulnerable groups;
- (e) Regulatory regime: Laws and regulations governing the operations of financial institutions ought to be reviewed so as to expand the scope and outreach of micro finance for housing;
- (f) Institutional capacities: Institutional capacities should be assessed with a view to:
 - (i) Strengthening funding mechanisms for human settlements development in the occupied Palestinian territories; and
 - (ii) Promoting coordination and cooperation between ministries and other agencies involved in human settlements development, as well as between central, regional and local levels.

Part Two

PROPOSED ESTABLISHMENT OF A HUMAN SETTLEMENTS FUND FOR THE PALESTINIAN PEOPLE IN THE OCCUPIED PALESTINIAN TERRITORIES

Introduction

52. This part has been prepared pursuant to resolution 18/12 on illegal Israeli human settlements in the occupied Palestinian territories. It draws on several sources: a consultant's report based on field research in the occupied Palestinian territories;⁵³ the proceedings of an expert group meeting held in January 2003; and other information available to the secretariat. The expert group meeting was attended by international experts on human settlements from UN-HABITAT and other organizations.

53. This part also draws from the outcome of the meeting of Government representatives and other participants called by the Executive Director on 20 February 2003 to review the technical report on the establishment of a human settlements fund for the Palestinian people in the occupied Palestinian territories. The Executive Director briefed the meeting on the preparatory processes leading to the preparation of the working document before the meeting. A detailed presentation was made by a representative of the Executive Director. Several representatives expressed views on the report. The need for a special human settlements programme financed by a technical cooperation trust fund of earmarked contributions, was supported by several representatives who indicated their intention to make financial contributions to such an initiative. Two representatives expressed the view that a human settlements programme in the occupied Palestinian territories is only likely to receive support if it is based on acceptance by all the parties involved.

I. SCOPE

54. The interlinked problems of conflict and poverty have deepened human settlements challenges in the occupied Palestinian territories. This section elaborates upon a framework for a special human settlements programme to address the most critical of these issues, with a focus on the following elements:

- (a) The existing institutional framework for human settlements;
- (b) The case for intervention predicated on the need to address existing gaps and constraints;
- (c) The case for a special human settlements programme for the occupied Palestinian territories;
- (d) The objectives, strategies, and priorities of the special programme;
- (e) Design of the special programme;
- (f) Sustainability of the special programme;
- (g) Operationalizing the special programme;
- (h) Main recommendations.

II. EXISTING INSTITUTIONAL FRAMEWORK

55. A variety of public sector bodies, civil society organizations, private sector institutions and international agencies carry out activities which bear directly or indirectly on human settlements in the occupied Palestinian territories.

A. The public sector

56. Institutions with central roles in human settlements are: the Ministry of Housing and Public Works (MOHPW); the Ministry of Local Government (MOLG), together with municipal authorities; the Ministry of Planning and International Cooperation (MOPIC); and the Palestinian Economic Council for Development and Reconstruction (PECDAR).

1. Ministry of Housing and Public Works

57. MOHPW was formed in October 2002 following a merger between the Ministry of Housing (set up in 1994) and the Ministry of Works. It plays a coordinating and planning role within the housing sector, in addition to drafting housing-related laws and regulations. During its early years, MOHPW was deeply involved in housing construction, especially in Gaza, acting mainly through the Palestinian Housing Council (PHC), discussed below. The Ministry also played a role in housing-related activities by private entrepreneurs and international donors. During the mid-1990s, the Ministry built a number of flats but this effort was criticized on the grounds of poor targeting.

58. As there is no official housing policy the Palestinian Authority finds it difficult to coordinate the housing sector and to establish priorities. But the Palestinian Authority is now preparing a policy paper to define its housing mandate, emphasizing its role as facilitator and coordinator.

2. Ministry of Local Government, and Municipal Authorities

59. MOLG prepares master plans in coordination with MOPIC and municipal authorities (discussed below). Although master plans are supposed to guide building activities, their use has been severely constrained by restrictions on land use by the Israeli authorities. As a result, there are instances where private homes have been built in areas set aside for public use, such as parks, or in areas protected as historical and cultural heritage sites.

60. It has recently been decided that MOLG should be decentralized, with the head office focusing on regional plans while district level offices will work with the municipalities on the preparation of local plans.⁵⁴ In common with other ministries, MOLG operations are hampered by the present restrictions on mobility, lack of resources and politically unpredictable circumstances.

61. Municipal authorities (and village councils) are regulated by means of the (Jordanian) municipal law of 1966. Municipal responsibilities include the supply of infrastructure services such as electricity, water, and sewerage systems. This mandate has been granted to all municipalities, applying to a lesser extent to village councils as these are not as well resourced.

62. The municipal tax base has diminished as a result of adverse economic and political circumstances and sharply declining transfers from the central Government. Municipalities have therefore been forced to rely almost entirely on their own income sources, in particular the sale of water and electricity. But in the face of deepening poverty, people have found it increasingly difficult to pay their bills, squeezing municipal budgets further. Yet additional financial resources are required to extend infrastructure services and to raise the quality of provision. The quality and coverage of urban services (water, sewerage and electricity) are inadequate and service networks are in need of major rehabilitation.

63. Prior to 2000, local governments in the occupied Palestinian territories received relatively little attention from the international donor community. The situation seems to be improving, partly as a consequence of a pragmatic donor response to Israeli closures and restrictions on mobility. Although donors have started to address some of the emergency needs it is still important to map the existing gaps.

64. Besides delivering infrastructure services, municipal authorities are in charge of land-use planning, issuing building permits, approving upgrading and renewal plans, and facilitating new construction. As in many other similar settings, municipal authorities have not been able to provide these services in an integrated manner.

65. Municipal authorities differ substantially in their capacity and competence. The cities of Gaza, Nablus and Ramallah have a high level of capacity for service delivery, land-use planning, and design review and approval. These municipalities are also able to articulate their priorities in discussions with donor agencies. But few others have this broad range of competence and the need for capacity-building stands out. Generally, lower levels of the Palestinian Authority do not appear to have benefited from the institution-building that has been carried out at the central level since the Oslo peace accord. Yet local authorities need to become more deeply involved in planning and decision-making in order to consolidate and improve the Palestinian Authority's development efforts. The United Nations Development Programme (UNDP) reports that the Palestinian Authority has not yet created "mechanisms to enable local councils to fulfill their potential role in the development and administrative processes".⁵⁵

66. Rapid urbanization has brought the housing challenge to the fore but there is a tacit understanding that housing supply is a private matter.⁵⁶ Even so, the policy of restricting building permits has intensified the housing pressure in the already built-up areas. Urbanization has also underscored the critical role municipal authorities ought to play in land-use planning, making it clear that sustainable urban development is not possible without Palestinian control over land and land use.

3. Ministry of Planning and International Cooperation

67. MOPIC has developed national and regional plans with broad guidelines for zoning and physical development, including housing. However, the use of these plans remains limited. Participation in plan preparation is inadequate and, in some cases, stakeholders do not even know of the existence of such plans. Although the capacity and competence to plan is well developed at MOPIC, this strength is not complemented by planning and implementation capacity at the municipal level.

4. Palestinian Economic Council for Development and Reconstruction

68. PECDAR is an implementing body that reports directly to the President of the Palestinian Authority. It carries out a wide range of infrastructure projects that are funded primarily by international donors. Typical projects include roads, electricity grids, water storage and delivery facilities, sewerage networks, schools and other public buildings. Although its role in housing is limited, PECDAR provides infrastructure services to newly built-up residential areas.

B. Private-sector institutions

69. The main private-sector institutions are the Palestine Mortgage Housing Company (PMHC) and commercial banks. PMHC, which began operations in 1998, is a refinancing facility for mortgage lending within the occupied Palestinian territories. It was created by the World Bank and the International Finance Corporation (IFC), in cooperation with the Canadian International Development Agency. PMHC shareholders include organizations from the public and private sectors, and the international community. It refinances its own subsidiary, the Palestine Housing Finance Corporation (PHFC) and commercial banks that wish to undertake mortgage lending. Another subsidiary, the Palestine Mortgage Insurance Fund (PMIF), insures mortgage loans.

70. The objective of PMHC is to create a privately owned and commercially viable financial infrastructure to facilitate the flow of private capital for housing delivery. Its funding comes from a long-term loan by the World Bank and IFC. This financing arrangement makes it possible for borrowers to obtain fixed-interest-rate loans of long duration, thus protecting them from the risks associated with loans whose interest rate changes periodically (i.e., variable interest rate loans) to reflect changing conditions in the financial market.

71. PMIF provides cover against loan defaulting, insuring loans over their full term on a commercially viable basis. Insurance reduces the lender's risk and encourages investments in the Palestinian mortgage market. Loan insurance also allows the participating lenders to reduce lending rates, to extend loan periods, and to use higher loan-to-value ratios.⁵⁷ Additionally, Palestinian borrowers face more relaxed collateral requirements than are traditionally found in the occupied Palestinian territories.

72. By design, PMHC does not deal directly with the public leaving it to private banks to manage lending activities. Banks re-finance their mortgage lending with loans from PMHC at an annual interest rate of 5.5 per cent. In turn, banks now commonly charge annual interest rates ranging from 8.5 per cent. To qualify for a loan a borrower is required to have a monthly household income equivalent to about \$850.⁵⁸

73. PMHC has a staff of nine full-time employees. Its portfolio of about 100 loans has an insured value in excess of \$5 million and an additional \$3 million has been committed to cover 50 new loans (November 2002). This loan portfolio is not significant in light of the substantial need for housing in the occupied Palestinian territories. Although PMHC has the potential to expand its mortgage lending, its activities have slowed substantially with the onset of heightened conflict and economic recession.

Banking sector

74. Commercial banking in the occupied Palestinian territories is relatively new, having started only eight years ago. Most of the banks are either Palestinian-owned or have their headquarters in neighbouring Arab countries. There are 23 banks in the West Bank and Gaza Strip, 12 new Palestinian banks and 11 foreign banks, the majority of which (eight) are Jordanian.

75. Commercial lending is strict, to ensure sustainability, and the poor do not have access to housing finance from the banking sector. Indeed, commercial banks are not yet an important channel for housing finance although their role is expected to expand through the intervention of PMHC.

76. All commercial-bank liabilities (savings and deposits by households and firms) are short term, and long-term deposits are generally not available. Because of the current state of insecurity and economic uncertainty, there is inadequate confidence in the banking system, making it difficult for banks to attract long-term deposits.

C. Civil-society organizations

77. The civil society sector is strong and vibrant, and has well established ties with public officials. However, there are relatively few organizations that are active in the human settlements sector. Exceptions are the Palestinian Housing Council (PHC), the Cooperative Housing Foundation (CHF) and smaller non-governmental organizations that focus on particular areas of housing. Additionally, there are loosely organized housing cooperatives which sponsor multi family dwellings.

1. Palestinian Housing Council

78. PHC, a not-for-profit organization established in 1992, provides financial assistance to those in need of housing. PHC has administered and supported various programmes to construct new dwellings, finish uncompleted houses and upgrade housing units of poor quality. It is administered by a board whose members represent a broad constituency of local stakeholders, including non-governmental organizations. PHC has provided financial assistance for 1,178 apartments in the Gaza Strip (\$34,000 per dwelling unit), 408 houses in the West Bank (\$41,000 per unit), 231 houses in rural areas (average loan of \$11,700) and 2,000 houses in East Jerusalem (\$16,500 per unit). International donors remain the major source of financing and, to date, PHC has invested approximately \$96 million in housing projects in the occupied Palestinian territories.⁵⁹

79. In the Gaza Strip, apartment buildings financed by PHC have been used to house the Palestinian police force and civil servants. This particular programme has drawn criticism for not targeting low-income households. But, in cooperation with the Welfare Association, PHC recently provided 85 poor families (in old city centres) with grants averaging \$2,800 for the rehabilitation of their houses.⁶⁰ PHC officials have also expressed interest in site and service projects, a better means of targeting the poor (because of the low project cost per beneficiary).

80. Lending criteria require title to land, evidence of a building permit, and a minimum income as defined by PHC. There is also a loan ceiling. Whilst these conditions enhance financial sustainability, they also tend to exclude low-income households from receiving financial assistance.

81. After the outbreak of the second intifada, many people found it increasingly difficult to repay their loans. This setback and the lack of enforcement of loan recovery through the legal system have weakened the financial position of PHC.

2. Cooperative Housing Foundation International

82. CHF is an American non-governmental organization that manages several programmes in the West Bank and Gaza Strip. The CHF home improvement programme started in 1995 in the Gaza Strip with the aim of assisting poor families to finish or improve their dwellings. CHF operations are funded by the United States Agency for International Development (USAID) and are expected to achieve financial sustainability through the use of small affordable loans, strict beneficiary selection, and prudent loan management. From 1995 to 2002 CHF disbursed 4,300 loans of an average value of \$4,000. Local commercial banks contribute capital towards CHF projects, and also manage lending activities on behalf of the Foundation.

83. To obtain a loan, an applicant must:

- (a) Own the dwelling and the land on which it is built;
- (b) Have a steady income exceeding a certain amount (\$200-\$800 per month depending on the loan size;
- (c) Operate a bank account for the direct deposit of salaries with the bank managing the loan on behalf of CHF; and,
- (d) Produce two guarantors with regular income and a bank account in the same bank as the applicant. CHF gives fixed interest (9 per cent annually) loans up to 10 times the applicant's salary, with repayments limited to not more than one third of salary. It has achieved a 99 per cent repayment rate, and links this success to applying strict criteria for borrower selection, and diligent follow-up with beneficiaries and banks. In common with other lenders, CHF has suffered from the lack of enforcement of legal claims but its use of strict lending conditions and transparent loan recovery methods has moderated losses.

84. CHF's lending concept fits in well with the traditional process of incremental house building in the occupied Palestinian territories. Its loans are typically small and of short maturity, but repeater loans can be obtained. These loans have been very popular and although borrowing has dropped somewhat since October 2000, there is still a substantial demand. Following its success in the Gaza Strip, the CHF home improvement loan programme is now expanding to the West Bank. This kind of lending has great potential in the Palestinian situation and can be highly beneficial, especially in the short and medium term.

3. Housing cooperatives

85. An increasing number of housing cooperatives have been formed in the occupied Palestinian territories, especially in East Jerusalem and the larger West Bank cities. Typically, they are formed by groups of people with similar housing needs who combine their resources by saving money in a “jamiyya” (savings club). Members jointly buy land, acquire building permits, mobilize funding, organize construction, and secure the necessary infrastructure services to build a multi family dwelling. These cooperatives are usually made up of middle- and high- income people with a common bond: similar professional backgrounds; long-term neighbours; or groups of friends.

86. There is neither an umbrella organization for housing cooperatives nor a regulatory framework. Typically, a cooperative is wound up after individual units have been built and purchased, leaving behind no mechanism for post-sale management. Since each cooperative operates independently, there is practically no transfer of experience from one cooperative to another. Housing delivery would benefit were cooperatives to live beyond the initial construction, making it possible for experience to be transferred. The proposed special programme for human settlements development in the occupied Palestinian territories, discussed later, could act as a vehicle for institution building of housing cooperatives (for low-income shelter) and knowledge transfer.

4. Welfare Association

87. The Welfare Association is a membership organization that was established in 1983 by a group of prominent Palestinian businessmen and intellectuals to provide humanitarian and development assistance to Palestinians. It is registered as a not-for-profit foundation in Switzerland. The organization specializes in fund management and has a diverse and substantial project portfolio. In addition to its own small fund, the Welfare Association draws in substantial funds from the Arab Fund, the Islamic Bank, USAID, and the World Bank. Housing activities target the poor and include small-scale renovation of houses in the core of old Palestinian cities, with the objective of preserving the urban heritage. Interviews confirmed that the Welfare Association has a solid reputation for its professional capabilities and its firm roots in the occupied Palestinian territories.

5. Religious organizations

88. The “Waqf”, a Moslem charity, is a well-established and renowned institution in the occupied Palestinian territories. Its main contribution to housing is to make available some of its lands for special purposes, based on its own priorities. In many instances, it leases out land for long periods (30 years) for a nominal rent.

6. Other bodies

89. There are other agencies whose operations have a bearing on human settlements, with a focus on institutional support, capacity-building and development at the local and central levels. Examples are the long-standing effort by the Norwegian Agency for International Development (NORAD) to strengthen the planning capability of MOPIC, and support by FINAID to a local non-governmental organization, the Applied Research Institute Jerusalem (ARIJ), to develop environmental planning methods. Some of these initiatives are channelled through the Palestinian Authority; others are joint ventures with international and local agencies; and yet others are individually organized on a project basis. Notably, the Arab Studies Society has specialized in developing master plans, successfully promoting Palestinian housing interests in East Jerusalem.

D. International organizations

1. United Nations Relief and Works Agency

90. The main role of UNRWA is to reconstruct dwellings damaged during natural or man-made disasters, and to rehabilitate and maintain dwellings of families eligible for poverty support. Since the initial construction of shelters for refugees, the stock of refugee housing in the camps has changed considerably – a necessity given that the population has increased while the camp boundaries have not changed. Where they have had the means and authority, camp refugees have replaced and modified their dwellings, and added others to the housing stock.

2. United Nations Development Programme and other institutions

91. Emergency issues are a major priority for United Nations agencies and donors working in the occupied Palestinian territories. Particular attention is given to water, sanitation and shelter. Notably, UNDP has plans to provide emergency assistance through the Palestinian Water Authority with the total United Nations support estimated at over \$18 million. Within shelter, only the needs of those whose homes have been damaged or demolished are being addressed. It is projected that shelter repair and construction will create 10,000 jobs, with the total resource requirement estimated at more than \$30 million. As already pointed out, other important agencies are the Bretton Woods institutions (World Bank and IFC) which focus on housing finance, and on the wider financial sector (IMF).

E. Housing finance and housing markets

1. Housing finance

92. Informal housing finance dominates the housing sector and mortgage lending plays only a marginal role. Informal channels outside of financial institutions are the norm, with loans and other financial assistance coming from family and friends. With the exception of families with high incomes, Palestinians build their houses incrementally on a self-help basis. Typically, a household saves money over a number of years before constructing a first floor, or extending its own house vertically or horizontally. Construction costs are often paid from savings, oftentimes held in the form of: gold or other non-financial assets; deposits in a bank; or cash with informal savings clubs (*jamiyya*). Informal loans are generally in small amounts, repayable over a short period; thus a single house will take several years to complete. There is considerable scope for developing the *jamiyya* further as a source of housing finance, especially for lower-income groups. Saving clubs contribute to resource mobilization, enabling families to build up the equity which could later serve as collateral in the formal financial market. Local savings clubs also contribute to the community building process.

2. Housing markets

93. Daily economic activity in the occupied Palestinian territories has been severely affected by closures, curfew, an economic slump, and political insecurity and instability. No housing market can function properly in such an adverse environment and severe imperfections will remain until peace is restored. Other obstacles that hamper the smooth operation of the housing market include:

- (a) The lack of enforcement of orders issued by the courts with regard to evictions and other claims by property owners;
- (b) A limited supply of land for new construction;
- (c) An inadequate system of issuing land titles and building permits;
- (d) The inability of municipalities to enforce planning regulations as a result of their extremely limited control over land.

III. PROPOSAL

A. The case for intervening

94. There is a strong case for intervening in the human settlements sector of the occupied Palestinian territories to respond to a range of existing gaps and constraints; raise the profile of human settlements activities; and contribute to peace-building by improving living conditions. Gaps and constraints to be addressed include but are not limited to:

(a) Severe capacity constraints which limit the ability of central and local authorities, civil society organizations and the private sector to address human settlements problems. Although impressive progress has been made in institution building since the Oslo Agreement there are critical capacity gaps which undermine programme implementation and coordination;

(b) The inability of municipal authorities to respond adequately to the challenges of human settlements planning including land management, land-use planning, zoning, environmental planning, and other aspects of urban management;

(c) The lack of a clear human settlements focus among the large number and variety of non-governmental organizations and international agencies in the occupied Palestinian territories. Indeed, hardly any of these agencies address urban planning and management issues at the municipal level, nor do they support innovative shelter-delivery schemes for the poor;

(d) The lack of an effective framework for delivering land to Palestinian households, making it difficult to assure land and housing rights. Notably, there are major obstacles which severely limit access to land and obstruct the granting of building permits;

(e) The limited remit of the specialized housing finance institutions, which does not go beyond mortgage lending. This narrow mandate and the demanding conditions which typically govern mortgage lending do not enable these institutions to address the shelter needs of the poor;

(f) The lack of an integrated approach to human settlements as interventions tend to be sectoral;

(g) The limited use of participatory approaches to human settlements development and management.

95. It is proposed that a special human settlements programme, described below, should be implemented in the occupied Palestinian territories to address these gaps and constraints.

B. The case for a special human settlements programme

96. Local officials in the occupied Palestinian territories strongly believe that there is a need for a coherent response to human settlements challenges. To meet these challenges, a programmatic approach is proposed as it offers the following advantages:

(a) It allows intervening agencies to work with and through existing organizations, avoiding the high costs associated with creating new institutions;

(b) Start-up programme costs can be kept low, allowing activities to be phased in and scaled up progressively as experience is acquired and resources mobilized;

(c) The occupied Palestinian territories would be able to draw on the extensive programmatic experience of UN-HABITAT in conflict, post-conflict and stable environments;

(d) Exit strategies, once objectives have been accomplished, would not be difficult to formulate and implement.

97. In view of the rapidly changing conditions in the occupied Palestinian territories, it would not be prudent to create in the interim, a financially autonomous institution to address human settlements challenges. Indeed, it would be more cost-effective to take advantage of existing institutions and structures for purposes of channelling both financial and programme assistance to the occupied Palestinian territories. In the circumstances, it is recommended that a special human settlements programme, financed by a technical cooperation trust fund of earmarked contributions, should be formulated to respond to the human settlements challenges facing the occupied Palestinian territories. An initial funding of \$5 million is proposed for the trust fund. The trust fund would draw its resources from donors and would be designed to grow with the gradual expansion of the special human settlements programme. In the longer term, as the political and economic environment evolves, other options could be explored, including the establishment of a full-fledged Palestinian reconstruction fund for human settlements.

98. The special human settlements programme would:

- (a) Act as the driving force for elevating human settlements issues on the development agenda;
- (b) Act as the principal instrument for ensuring a coherent and effective response to human settlements issues;
- (c) Build local capacities, especially at the municipal level, to respond to human settlements challenges.

99. The programme would collaborate with international agencies (within and outside the United Nations system) as well as with local public and private organizations to accomplish a wide range of human settlements activities such as:

- (a) Supporting policy formulation and implementation;
- (b) Supporting the efficient delivery, via municipal authorities, of infrastructure services: water supply, sewerage, solid waste and drainage;
- (c) Developing a sustainable housing market by promoting shelter delivery through the private sector;
- (d) Supporting housing reconstruction and rehabilitation;
- (e) Supporting efforts to address the housing needs of the poor and other vulnerable groups.

Reconstruction fund for the occupied Palestinian territories

100. With the return of peace, it will be critical to reconstruct both physical and institutional infrastructure in the occupied Palestinian territories in order to reverse the damage inflicted on human settlements by many years of conflict. As already pointed out, this fund could evolve from the proposed technical cooperation trust fund, building on the years of experience that will have been acquired during the transitional period. The reconstruction fund would serve as a coordinated financing mechanism to enable a variety of donors to support human settlements reconstruction and sustainable development. The fund could be set up as a financially independent body with its own governance structures, including a governing board and a secretariat. The Palestinian Authority and other key local stakeholders would be involved fully in all activities leading to the establishment of the fund.

C. Objectives, strategies and priorities of the special human settlements programme

1. Objectives

101. The main objectives of the proposed special human settlements programme would be to:

- (a) Work with partners to assist in mobilizing domestic and international financial resources for human settlements development and management in the occupied Palestinian territories;
- (b) Build the capacity of local institutions, enabling such institutions to find solutions to human settlements challenges.

2. Strategies

102. In conflict environments, the case for interlinking emergency and development activities is well acknowledged and supported by the development community. In other words, emergency and development interventions overlap and there are no sharp boundaries between these two types of activity.

103. The occupied Palestinian territories is faced with the pressing need to respond to both emergency and development problems in its human settlements.⁶¹ In the circumstances, the proposed programme will have to devise a strategy which responds appropriately to both emergency and development issues. Since current support by the international community is skewed in favour of emergency needs, the programme could concentrate its efforts on development interventions but in coordination with the ongoing and proposed emergency operations of other organizations.

104. This overall strategy, which responds to both emergency and development challenges, will need regular testing and validation in the context of actual - and rapidly changing - conditions in the occupied Palestinian territories. For example, while the programme might not have a direct role in the replacement of destroyed infrastructure, as there are other agencies more directly concerned with such a task, it could contribute indirectly by building the capacity of municipal authorities to respond to infrastructure needs. There could also be a solid case for demonstrating, in collaboration with UNRWA, how to upgrade destroyed settlements. These arguments point to the need for the proposed programme to remain adaptable, responding flexibly and quickly to field conditions, while at the same time maintaining a development focus.

105. The main advantage of the approach recommended here, which blends immediate responses with development activities, is that it has the potential to quickly demonstrate the impact of the programme without undermining the programme's development goals. Notably, immediate responses would provide an entry point, build credibility and enhance resource mobilization. One example is targeted training in urban planning and management, which could be followed by full-fledged capacity-building (including demonstration projects) programmed to start when conditions in the occupied Palestinian territories permit.

3. Priorities

106. Priorities should be established through local stakeholder participation to include:

- (a) Capacity-building for good governance at central and municipal levels to support:
 - (i) Sustainable environmental planning and management including the preparation of local plans for Palestinian neighbourhoods;
 - (ii) Formulation and implementation of strategies to accelerate land delivery;
- (b) Institutional coordination of human settlements activities;

- (c) Supporting the sustainable delivery of shelter affordable by the poor;
- (d) Mobilizing resources to support human settlements interventions.

107. Among the many needs there are two that stand out. The first is the limited capacity of local authorities to deal with human settlements development. It will therefore be critical to build municipal capacity to respond to human settlements challenges especially through land delivery, land-use planning, service delivery and urban management.

108. The second area of need is to develop sustainable mechanisms for delivering affordable housing to households with low incomes. The main strategies will be to:

- (a) Support the acceleration of land delivery through policy and legislative reforms as well as technical assistance to improve cadastres and land registration;
- (b) Implement upgrading pilot projects and disseminate the lessons learned;
- (c) Support the informal housing finance sector, applying lessons of micro finance from similar settings, as well as lessons from ongoing interventions by housing cooperatives.

109. To uplift living conditions in the occupied Palestinian territories, other bottlenecks and issues which will need to be addressed include imperfections in the housing market stemming from institutional, legal and political constraints, and the needs of vulnerable groups such as children, single mothers and the elderly.

110. While the need for physical infrastructure services is substantial, such activities are presently supported by a range of international agencies including the European Union, the World Bank and UNDP. There are unmet needs, however, and a careful mapping of current assistance levels would reveal potential areas of intervention by the special human settlements programme, with a focus on municipal services and shelter.

D. Design of the special human settlements programme

111. Programme design should take account of the severe political and economic constraints facing the occupied Palestinian territories. This constrained setting will influence the structure of the programme and its ability to address the priorities identified above. Critical information gaps which will need to be addressed ahead of programme design are: institutional mapping, whose objective would be to document all the important institutions active in human settlements and their current and programmed operations in the occupied Palestinian territories; and socio-economic data, to be collected largely from secondary sources, so as to develop a robust profile of income and poverty levels.

112. Initially, a two-year programme is proposed with subsequent phases anticipated subject to the outcome of an evaluation to be carried out at the end of the first phase. Programme design would be guided by the following factors:

- (a) The need to start with limited but visible interventions;
- (b) The need to develop interventions which respond to different scenarios within the relief to development paradigm;
- (c) The opportunity which “Area A” offers as an initial area of operational focus, in view of the Palestinian Authority’s planning latitude in that zone. This geographical focus would enable the Palestinian Authority to acquire experience to be replicated in other areas as conditions change.

113. The programme's proposed initial fund allocation is as set out in the following table:

	Programme element	Budget in US\$
1.	Institutional capacity-building: assess institutional capacity, identify gaps, build capacity, train staff, etc.	2,000,000
2.	Set up an institutional coordination mechanism	250,000
3.	Support research institutions in collection of socio-economic data at central and municipal levels through the creation of local and central urban observatories	1,000,000
4.	Support the drafting of a Palestinian human settlements policy (adequate shelter and sustainable human settlements policies)	250,000
5.	Establish the institutional framework for a GIS-based cadastre for "Area A" territories	500,000
6.	Implement housing and settlements upgrading pilot projects, and support micro finance for housing	1,000,000
	Total	5,000,000

114. The development objective of the institutional capacity-building component is to strengthen the current Palestinian institutional capacity for human settlements management. The immediate objective of this project element is to review and assess the current institutional capacity, identify where capacity gaps exist, and build capacity through institutional reform and training of staff. Project beneficiaries are central and local authority policy makers. The ultimate beneficiaries will be Palestinian local authorities in the "Area A" zone.

115. The development objective of creating institutional coordination mechanisms is to rationalize the institutional frameworks for human settlements interventions with a view to maximizing the impact of the programmes of the various central and local entities involved in human settlements development. The immediate objective is to integrate the various programmes of external assistance entities - both in the relief and developmental spheres - with the activities of Palestinian public and non-governmental agencies at the central and local levels. The ultimate beneficiary will be the Palestinian Authority through enhanced coordination, effectiveness and impacts of central and local level human settlements interventions.

116. The development objective of the third programme component is to build up a solid socio-economic database at the central and local levels as a tool for decision-making. The immediate objective is to enlist academia, local authorities and interested representative groups from civil society in the establishment of local urban observatories and a national urban observatory with a view to collecting a comprehensive set of relevant socio-economic data (cross-section and time series data) and create broader-based consultative mechanisms for enhanced human settlements decision-making processes. The ultimate beneficiaries will be the Palestinian Authority, governorates, and local authorities through improved decision-making processes informed by reliable local and central level data.

117. The development objective of the fourth programme element is to help the Palestinian Authority develop coherent frameworks for housing and human settlements interventions through related housing and human settlements policies, anchored in other macro-level policies. The immediate objective is to pave the way for the development of draft policies for the "Area A" zone. The ultimate beneficiaries will be the Palestinian Authority through the development of housing and human settlements policies that will guide future intervention in the housing and human settlements sectors.

118. The development objective of establishing an institutional framework for a geographical information system (GIS)-based cadastre for "Area A" territories is to enable the Palestinian Authority to create and maintain a comprehensive, complete and accurate cadastre. The immediate objective is to provide the Palestinian Authority with an accurate tool for land management in the "Area A" zone. The ultimate beneficiaries are the Palestinian people at large, through the provision of title deeds and the commensurate access to formal housing credit facilities on the basis of collateral.

119. The development objective of implementing housing and settlements upgrading pilot projects is to address the enormous backlog in housing and human settlements upgrading. The immediate objectives are: to help reduce the accumulated caseload of upgrading needs in “Area A” through pilot projects that develop local level capacity and upgrading methodologies; and, to mobilize resources to support micro finance for housing. The ultimate beneficiaries will be the Palestinian people at large through a scaling-up of the pilot projects to cover increasingly larger parts of “Area A”.

E. Sustainability of the special human settlements programme

120. In the short-term, programme activities might be difficult to sustain especially if the current levels of conflict, economic insecurity and poverty persist. But these initial activities will lay the foundation for sustainable human settlements by building the institutional capacity of central and municipal bodies, strengthening coordination mechanisms, promoting security of tenure, and supporting shelter delivery programmes affordable by the poor.

121. Programme and financial management will be conducted in a transparent and efficient manner, and will be subject to the United Nations internal and external audit procedures in accordance with the relevant policies, regulations and practice.

F. Operationalizing the special human settlements programme

122. During the first two years, the size of the special human settlements programme would be approximately \$5 million (see paragraph 113 above), with subsequent expansion tailored to the availability of resources, to growing implementation capacity, and to changing political and economic circumstances. Fieldwork confirmed that it would be prudent to mobilize seed capital to support the early commencement of programme activities. This strategy could quickly demonstrate the efficacy of the programme and boost the prospects for additional financial support by the donor community.

123. UN-HABITAT should initiate preparatory work and other actions, as recommended below, with a view to mobilizing international donor contributions to support the special human settlements programme. In this regard, member States will play a key role in moving this process forward through their financial contributions to the programme.

IV. MAIN RECOMMENDATIONS

124. The main recommendations are that:

(a) UN-HABITAT should formulate the proposed special human settlements programme in full cooperation with the Palestinian Authority and other stakeholders, with priorities focusing on:

- (i) Building capacity for good governance at both central and municipal levels;
- (ii) Promoting security of tenure including development of legal rights to land and housing;
- (iii) Resource mobilization to support the delivery of shelter affordable by the poor;

(b) UN-HABITAT should establish the proposed technical cooperation trust fund;

(c) UN-HABITAT should mount an intensive campaign among United Nations Member States and the broader international donor community to raise financial contributions for the programme. The campaign should include:

- (i) Launching an immediate appeal to raise seed capital for the trust fund, from amongst those countries which have already expressed interest in supporting the programme;

- (ii) An appeal to financial institutions, especially in the Middle East, to secure additional funding for the programme through its trust fund;
- (d) The proposed special human settlements programme should expand gradually in step with the availability of resources and the growth of implementation capacity.

Notes

¹ Based on Tiltne, A. A. and Magembe (2003) "Housing Situation and Housing Needs Assessment in the Occupied Palestinian Territories". Report to UN-HABITAT. See Information Document, available in English.

² Based on Ruden A. (2003) "Proposed Human Settlements Fund for the Palestinian People". Report to UN-HABITAT. See Information Document, available in English.

³ Tufakji, K. (2000) "Settlements: A Geographic and Demographic Barrier to Peace" *Palestine-Israel Journal*, Vol. 7, No. 3&4, pp. 52-58

⁴ ICBS (2002) *Statistical Abstract of Israel 2002*, No. 53 Jerusalem: Israel Central Bureau of Statistics;

A higher figure (more than 160 settlements) has been cited by Graham, S. (2002) 'Clean Territory': Urbicide in the West Bank..

⁵ PASSIA (2002) *The Palestine Question in Maps, 1878-2002*, Jerusalem: PASSIA (Palestinian Academic Society for the Study of International Affairs)

⁶ UNSCO (2002) *The Impact of Closure and other Mobility Restrictions on Palestinian Activities*, 1 January 2002 – 30 June 2002, October, Office of the United Nations Special Co-ordinator (UNSCO)

⁷ United Nations (2002a) *Humanitarian Plan of Action for the Palestinian Territory*. UN's Technical Assistance Mission, October 2002.

⁸ United Nations *ibid*.

⁹ Tiltne, A. A. and Magembe *op. cit*.

¹⁰ World Bank (2002a) *Long-Term Policy Options for the Palestinian Economy*, July, Jerusalem: World Bank West Bank and Gaza office.

¹¹ Development Studies Programme (2002) *Palestine Human Development Report 2002*. Birzeit University

¹² PCBS, and Industry and Labour Statistics, cited in McDowall, D. (2003) *Losing Ground: Israel, poverty and the Palestinians*. Christian Aid.

¹³ World Bank (2002b) *Fifteen Months – Intifada, Closures and Palestinian Economic Crisis: An Assessment*. March 2002.

¹⁴ Tiltne, A. A. and Magembe *op. cit*.

¹⁵ PCBS (2000) *Population, Housing and Establishment Census 1997 – Pocket Book*, January, Ramallah: Palestinian Central Bureau of Statistics, Table 3.

¹⁶ Projections are based on an average growth rate of 3 percent a year: 2.6 percent for the West Bank and 3.75 percent for the Gaza Strip.

¹⁷ Development Studies Programme *op. cit*.

¹⁸ 1997 Census.

¹⁹ Kothari, M. (2002) "Report of the Special Rapporteur on Adequate Housing as a component of the right to an adequate standard of Living". Report of visit to the occupied Palestinian territories, 5-10 January 2002: 10 June 2003, E/CN.4/2003/5/Add.1 2002:

²⁰ Source: Tiltne, A. and Magembe, E. *op. cit*.

²¹ Tufakji, K. *op. cit*.

²² PASSIA *op. cit*.

²³ ICBS *op. cit*. Table 2.7

²⁴ (a) According to the Palestine Human Development Report, for instance, the number of settlements (at the end of 2000) was 150 in the West Bank and 17 in the Gaza Strip; and the number of Israeli settlers, at the end of July 2000, is put at 390,039. See Development Studies Programme *op. cit*. (b) As already pointed out, Graham, S. *op. cit* also put the total number of settlements at more than 160.

²⁵ Chazan, N. (2000) "Towards a Settlement without Settlements", *Palestine-Israel Journal*, Vol. 7, No. 3 & 4: pp. 46-51; Shtayyeh, M. (2000) *Scenarios on Jewish Settlements in the West Bank and Gaza Strip*, Al-Bireh: The Palestinian Center for Regional Studies (PCRS); interview with experts at Peace Now.

²⁶ Chazan, N. *op. cit*; Shtayyeh, M. *op. cit* ; interviews with Peace Now.

²⁷ Kothari 2002 *op. cit*. p.10

²⁸ McDowall, D. (2003) *Losing Ground: Israel, poverty and the Palestinians*. Christian Aid.

²⁹ Salman, N. (2000) *Urban development challenges in the Middle east Arab ountries: Concepts and spatial strategies with reference to land use and housing towards a sustainable city development: Bethlehem/Palestine*, Stuttgart:

Fakultat 1, Architektur und Stadtplanung Stadtebau-Institut, Universtaat Stuttgart SCBS 200, *Statistical Abstract* 2001, Syria's Central Bureau of Statistics; field interviews.

³⁰ PASSIA *op. cit*. pp. 74-77.

³¹ LAW 1998; interview with staff of Peace Now.

³² JCSER (2001) *Occupied Jerusalem, a new Soweto?*, August, Jerusalem: Jerusalem Center for Social and Economic Rights; interview with senior representatives of PHC.

- ³³ McDowall, D. *op. cit.*
- ³⁴ Giacomelli, G. (2001) Question of the Violation of Human Rights in the Occupied Arab Territories, Including Palestine. Update to the mission report on Israel's violations of human rights in the Palestinian territories since 1967. Report submitted by the Special Rapporteur to the Commission on Human Rights.
- ³⁵ United Nations (2000a) *op. cit.*
- ³⁶ Kothari (2002) *op. cit.*
- ³⁷ Kothari, *ibid.* p. 6
- ³⁸ Kothari, *ibid.*
- ³⁹ Kothari, *ibid.* p. 7.
- ⁴⁰ Tiltnes, A. A. and Magembe, E. *op. cit.*
- ⁴¹ McDowall, D. *op. cit.* p. 58
- ⁴² World Bank (2002b) *op. cit.*
- ⁴³ World Bank (2002a) *op. cit.*
- ⁴⁴ World Bank (2002c) "One year of *Intifâda*," Jerusalem, February 2002, p.23, cited in Kothari *op. cit.* p.14
- ⁴⁵ Interview with staff at Gaza Municipality.
- ⁴⁶ McDowall, D. *op. cit.*
- ⁴⁷ McDowall, D. *ibid.*
- ⁴⁸ Development Studies Programme *op. cit.*
- ⁴⁹ Graham, S. *op. cit.*
- ⁵⁰ Submission by the Executive Assistant to Israeli State Prosecutor Yehuda Shaefer, 17 January 2001, cited in Kothari *op. cit.* p. 9
- ⁵¹ UNEP (2003) "Desk Study on the Environment in the Occupied Palestinian Territories" Note by the Executive Director. UNEP/GC.22/INF/31
- ⁵² Interview with the deputy minister.
- ⁵³ Ruden A. *op. cit.*
- ⁵⁴ Interviews; MOLG staff.
- ⁵⁵ UNDP (2002) *Arab Human Development Report*, New York: United Nations Development Programme, Regional Bureau for Arab States, p.65
- ⁵⁶ Interview of executive staff, Gaza Municipality
- ⁵⁷ This is the ratio of the loan to the value of the house
- ⁵⁸ Interview, Arab Bank
- ⁵⁹ PHC (2002) "The Palestinian Housing Council: 10 years of achievements: 1992-2002"
- ⁶⁰ Interview, PHC
- ⁶¹ A special United Nations task force recently went through all present emergency issues in Palestine. Shelter and other questions related to housing were well documented but within the framework of UNRWA interventions and the housing needs in refugee camps; emergency shelter and housing issues in other areas in the West Bank and Gaza Strip were not dealt with. This shows the need for support to the sector.

List of acronyms and abbreviations

ARIJ	Applied Research Institute Jerusalem
CHF	Cooperative Housing Foundation
ICBS	Israeli Central Bureau of Statistics
JCSER	Jerusalem Centre for Social and Economic Rights
LAW	Palestinian Society for the Protection of Human Rights and the Environment
MOHPW	Ministry of Housing and Public Works
MOLG	Ministry of Local Government
MOPIC	Ministry of Planning and International Cooperation
PASSIA	Palestinian Academic Society for the Study of International Affairs
PCBS	Palestinian Central Bureau of Statistics
PECDAR	Palestinian Economic Council for Development and Reconstruction
PHC	Palestinian Housing Council
PMHC	Palestinian Mortgage Housing Company
SHSP	Special Human Settlements Programme
UNDP	United Nations Development Programme
UN-HABITAT	United Nations Human Settlements Programme
UNRWA	United Nations Relief & Works Agency for Palestine Refugees
UNSCO	United Nations Special Coordinator's Office
USAID	United States Agency for International Development
