

Chapter Two: The Human Development Environment in the West Bank and Gaza Strip

Forward

Section One : Deterioration of Human Development Indicators.

Section Two : Israeli Occupation and the Systematic Destruction of Palestinian Human Development.

Section Three : International Funding and Palestinian Development.

Section Four : Arab-Palestinian Relations and the Palestinian Development Environment.

Section Five : The PNA: Caught Between Developmental and Political Agendas.

Section Six : The Palestinian Private Sector.

Section Seven : Civil Society and its Role in Reconciling Resistance and Development.

Forward

This chapter is a study of the environment that defines the possibilities of the development process in Palestine. Analysis of the most significant environmental indicators serves to illustrate development conditions in the West Bank and Gaza Strip during the past two years and to place them within a historical context. This chapter also enumerates the external factors and obstacles that endanger the Palestinian development process and threaten it with potentially imminent collapse. The attainment of human development goals, as defined by the United Nations, is a process that assumes added dimensions in a country under military occupation. It is also a process which requires correlation between a society's dual pursuit of the right to self-determination and its quest for sustainable human development.

Section One looks at the overall deterioration in Palestinian human development indicators for the period of time covered by the PHDR. The second section of this chapter examines the impact of occupation as a hindrance to the development process and in the regression of development indicators. Section Three discusses relationship between international funding and Palestinian development, and the fourth section provides an overview of various aspects of Arab-Palestinian relations. The fifth section evaluates the performance of the PNA in the development arena during the past eight years, specifically with regard to its handling of available resources. Sections Six and Seven offer observations on the role of the Palestinian private sector and civil society in development.¹

1. Several studies prepared by Palestinian and international institutions provide additional information on this topic.

Section One:

Deterioration of Human Development Indicators

The primary components of the Human Development Index are: 1) living standards as measured by income, 2) health standards as represented by average life expectancy at birth, and 3) educational standards as represented by illiteracy and school attendance rates. Examination of these components reveals both qualitative and quantitative deterioration in every area. Before presenting the PHDR findings in its analysis of Human Development Index indicators, the following must be noted:

1. The destruction that has befallen the Palestinian political, economic and social environment during the past two years cannot be adequately expressed in strictly numerical terms. We recognize that statistics cannot effectively capture the impact of recent events on the collective human psyche. The current regressive trends are long-term in nature and indicate widespread damage to the infrastructure of Palestinian society. The destruction of the hard-won accomplishments of the past few years will obviously impact the pace of future development efforts. Deteriorating living standards, a decrease in per capita income, inadequate health care, early marriage, and psychological oppression generally result in shortened life expectancy, increased child mortality rates, and a general retrogression in health standards, all of which are expected to become evident in the near term.
2. A similar prediction can be applied to educational standards. School dropout rates are on the rise. Educational funding allotments have decreased. People are increasingly unable to pay taxes that fund the building of schools and support education. These trends, coupled with the general degeneration of the economic sector, are expected dramatically increase Palestinian illiteracy rates in the coming years.
3. Current data may not reflect the true scope and nature of the regression of Palestinian human development. Data cannot accurately depict conditions in a community that has been almost completely stripped of its civil rights as defined by international law. Statistical institutions have been unable to agree on data quantifying the decrease in average life expectancy and illiteracy levels. This situation can be partially attributed to the difficulty of gathering data under the present circumstances.

Box (2 - 1) A Palestinian gender index: A larger gap than expected

Within a study prepared by the Development Studies Programme for unifem, a group of Palestinian researchers suggested gender index by which to gauge the gap between men and women. After intensive deliberation, the group produced an index comprising four basic indicators that reveal the gap between men and women. The survey used for the study revealed the following:

- * Early marriage is the most significant problem: from amid the indicators, early marriage was selected as the best indicator to represent the conditions of Palestinian women. The choice was not surprising; early marriage is, as mentioned earlier, related to with several other indicators. Early marriage leads to a series of regressions in the lives of women, their health and education conditions, participation in political activity (elections and decision-making,) and their economic participation (level of participation in the labor force) This indicator also carries general social repercussions connected with fertility rates, population increase, and the health and educational standing of family.
- * Education as necessary for the advancement of women: There was great attention paid to educational indicators in response to voices that stress the role of education in achieving a higher degree of equality between men and women. Among the top five indicators, three were educational: enrolment rates; illiteracy rates, which are higher among women than among men; and the level of dropping out of school abandonment, especially in the secondary level of schooling.
- * Economic participation: Among 11 indicators considered of priority, four were of economic nature, especially those concerning discrimination against women in the labor force, which rated third in the list of 11. Next came the indicator of unemployment rates, and in seventh place the discrimination in salaries between men and women and the poverty rates in families headed by women.
- * Political participation: There was great focus on women's participation in Legislative Council elections, in which the type of participation was not defined according to actual participation, voting, or candidacy. There was also focus on the representation of women in top government positions and in Councils.

The following table shows that the gap is severest at the level of women's participation in elections as the gap is at -0.959; early marriage, -0.941 (meaning that 94 out of 100 steps must be climbed to achieve equality between men and women.) As for participation in the labor market, the gap registered -0.826, dipping in the area of education to -0.604 (60 steps needed to achieve equality.) Based on the results of proposed index, it appears that women's march toward equality with men does not exceed a fifth of the road (0.177) leaving a distance of about 82 steps on a scale of 100 to reach equality. Clearly, what the Palestinian community achieved in the area of equality between men and women in the field of education is the clearest; according to enrollment in higher education indicator, women have crossed 40 percent of the road, while in the in labor market they only crossed 18 steps.

Indicator	Women	Men	Gender gap	Nominal weight	Adjusted weight	Value of contribution to the index
Early marriage 1999	36.9%	2.2%	-0.941	0.85	0.267	-0.251
Participation in the labor force 1999	12.3%	70.7%	-0.826	0.77	0.242	-0.199
University education	2.5%	6.3%	-0.604	0.78	0.245	-0.147
Participation in elections	3.7%	96.3%	-0.959	0.7	0.236	-0.266
Total value of gap						- 0.823
Value of gender index (1 - 0.823)						0.177

Although human development indicators are important, the Palestinian condition is exceptional. It requires clarification and expansion in the presentation and analysis of indicators, especially those connected with the development environment. The rest of this chapter will examine additional indicators concerned with the abilities of the Palestinian community and its capacity to develop.

Section Two: Israeli Occupation and the Systematic Destruction of Palestinian Human Development

The West Bank and Gaza Strip remain under Israeli occupation, despite the passage of seven years and the emergence of a Palestinian National Authority following the

signing of the Oslo Accord in 1993. The occupation continues to isolate the West Bank from the Gaza Strip and Jerusalem from both. The internal and external siege imposed on the West Bank and Gaza Strip segregates cities and villages from one another. It also prohibits the travel of individuals and transport of merchandise among them. Israeli control of borders and all points of entry and egress effectively dictate Palestinian trade. Israel controls most of the water resources of the Palestinian people and large areas of their land, in addition to the Dead Sea.

Continuing settlements despite the peace process

The Oslo Agreement grants Israel direct control over 60% of the land of the West Bank and about 26% of the land of the Gaza Strip, which accounts for close to 61% of total Palestinian land.² Israel also has security control over 21% of the territories. At present, it has extended its control over more

2. The Palestinian Independent Commission for Human Rights, Fifth Annual Report (1999) Ramallah, 2000.

The number of Israeli settlers in the West Bank and Gaza Strip rose by 72% between 1994 and the end of 2000 to register 390,039 settlers. In the year 2000

Palestinian land in the West Bank confiscated in the first year of the Intifada totaled 6,130 acres, more than double the area confiscated in the year preceding the Intifada (2,847 acres.)

Palestinian areas through a formal policy of reoccupation of all major urban centers. At the end of 2000, Israeli settlements erected on Palestinian land totaled 150 in the West Bank and 17 in the Gaza Strip. In the same period, Israel built 65 bypass roads on Palestinian property, confiscating a total of 16,250 acres, in addition to constructing several new military installations.

Israel continued to build and expand settlements after the establishment of the PNA, raising the number in the West Bank by 49.52% to total 49,940 units at the end of July 2000. Concurrently, the number of Israeli settlers in the West Bank and Gaza Strip rose by 72% between 1994 and the end of 2000 to 390,039 settlers. In the year 2000, Israel confiscated 1,250 acres of Palestinian land.

The environment and natural resources

Israel occupation controls most Palestinian natural resources and poses a serious threat to the Palestinian environment. Israel controls 81% of Palestinian water³, denying the Palestinians use of it. Since 1967, Israeli authorities uprooted more than one-half million trees, 70% of which were olive trees. In the current Intifada,

and by the end of 2001, Israeli authorities uprooted or destroyed 35,000 fruit trees for the purposes of settlement expansion, building bypass roads, and for alleged security considerations. Internationally banned pesticides and fertilizers enter the Palestinian territories by way of settlements without supervision, reflecting negatively on the quality of crops and the health of Palestinians.⁴

It should be noted that no effective regulatory system is employed by the PNA, which is considered responsible for monitoring the use of such pesticides. Current conditions make it difficult for the PNA to establish and implement effective environmental policies.

A distinct need exists for more careful examination of the environmental practices of some industrial enterprises, especially quarries, given their potential for polluting the environment and endangering the lives of residents.

3. The Palestinian Independent Commission for Human Rights; The State of Palestinian Rights, Sixth Annual Report (2000), Ramallah, 2001.

4. Khalil Tofakji; Israeli Settlement in Palestinian Territories: Reality and Problems; Jerusalem, 2001.

Box (2 - 2) Depriving the Palestinians of water

- The Oslo Accord dictated that Israel supply the Palestinians with 28.6 million cubic meters of consumable water from cisterns in the West Bank, but Israel only supplied about 15 million cubic meters (about half the quantity.) The Palestinian Water Authority has warned of the possibility of severe shortages in the West Bank and Gaza Strip, especially in remote areas inaccessible by water trucks.⁵

Palestinian water consumption does not exceed 65 liters per person per day, compared to more than 274 liters used by the average Israeli settler in Palestinian territories).

Destroying the infrastructure

Israel continues to restrict the Palestinian economy and impede its growth, dictating that the majority of Palestinian trade must take place with or through Israel. For example, Israeli exports to PNA territories in the year 1999 were valued at \$1,759.3 million, excluding power, water and telephone utilities and agricultural products. Palestinian exports were valued at \$454.2 million, discounting agricultural products and Palestinian labor in Israel, which translates into a huge advantage for Israel.⁶ The skewed trade relationship that has evolved throughout years of occupation has greatly hindered balanced economic growth the West Bank and Gaza Strip. The population in the Palestinian territories has developed an over-reliance on Israeli goods and, for lack of other employment options, serves as

asource of cheap labor for the Israeli market.

The Palestinian economy has suffered devastating losses since Israel began its policies of closure and curfew in September 2000. UNSCO estimates Palestinian daily losses during the Intifada at \$10.9 million, a figure which does not include destruction of private property and the infrastructure⁷. Virtually every sector of the Palestinian economy has been affected, including tourism (hotels and restaurants), construction, agriculture, social and health services, and the financial and manufacturing sectors. Losses in the agriculture and fishing sectors registered (73%, hotels and restaurants -89%, construction -78%, and social services at (68%).⁸ Economic losses in the first year of the Intifada are estimated at \$2.4-\$3.2 billion.

5. Jad Ishaq and Abeer Safar; Applied Research Institute; paper presented to the PHDR, 2002.

6. Palestinian Central Bureau of Statistics, External Trade Tally (1998,) Basic Results, Ramallah, 2000. Also, see the United Nations Special Coordinator Office report for the spring of 2000.

7. UNSCO, The Results of Clashes, Restrictions on Movement, and Border Closure on the Palestinian Economy; 1 October 2000-31 January 2001; 2001.

8. See the statistical appendix.

The political situation, the collapse of negotiations, and the eruption of the Intifada also disrupted the investment environment, making it particularly unattractive to potential foreign investors. Under these

circumstances, the Palestinian private sector has been unable to stimulate economic productivity, particularly in terms of manufactured and agricultural exports.

Box (2 - 3) The most significant economic changes during the Intifada⁹

- The closing of the Israeli market-the principal labor market-to Palestinian workers
- A decrease in local work opportunities for Palestinians
- Increased fragmentation of Palestinian markets.
- The surge of ad-hoc, unregistered and unregulated Palestinian business enterprises
- A widening economic gap between rich and poor in Palestine
- A dramatic increase in the number of Palestinian families living below the poverty line.

Unprecedented poverty rates

The siege imposed on the Palestinian territories during the second Intifada has led to a sharp increase in unemployment levels. For the first nine months of the year 2000, unemployment stood at 11%. Between October and November 2001, the unemployment figure skyrocketed to 38 percent.¹⁰ An estimated 82,000 people lost their jobs locally due to the effects of Israeli closure, in addition to the 100,000 who lost work inside Israel, and the 71,000 who were already jobless prior to the Intifada.¹¹ Increases in unemployment levels typically

correlate with rising rates of poverty. In April 2001, a Palestinian Central Bureau of Statistics (PCBS) report documented the effect of the siege on the economic standing of Palestinian families. According to survey data, an estimated 64.2% of Palestinian families now live below the poverty line. The percentage rises to 81.4% in the Gaza Strip, as compared to 55.7% in the West Bank.¹² The dramatic increase in the number of disadvantaged families in the West Bank and Gaza Strip is especially discouraging in light of the fact that the Palestinian poverty rate had been steadily declining in recent years, falling from 23.6% in 1996 to 20.2% in 1998.¹³

9. For more, see: Adel Al-Zagha, paper presented to the PHDR 2002, and Mueen Rajab, paper presented to the PHDR 2002.

10. See the statistical appendix.

11. UNSCO, The Results of Clashes, Restrictions on Movement, and Border Closure on the Palestinian Economy; 1 October 2000-31 January 2001; 2001.

12. The PCBS cautions against relying on the data as absolute figures, because the data was offered by families estimating their standing compared to the poverty line.

13. See the World Bank report, which relied on the poverty line established by the National Commission for Alleviation of Poverty and on the Family Expenditures and Consumption Survey conducted by the PCBS: The World Bank, Poverty in the West Bank and Gaza Strip, February 20, 2001 (table 1.2.)

Box (2 - 4) Poverty of Capabilities

A survey conducted by the DSP at Birzeit University in March 2001 revealed that income levels had dropped in 73% of Palestinian families during in the first four months of the Intifada. In 46% of Palestinian families, at least one member of the family lost his income entirely. Another survey conducted by the DSP in February 2002 showed that the 11% of Palestinian heads of households indicated that their children had dropped out of school, 52% attended school irregularly, and 76% of Palestinian families had difficulty obtaining access to health services.

Section Three: International Funding and Palestinian Development

International aid has served as a primary source of income for the PNA since it was established. Donor countries pledged a total of \$4,847 million in aid to the Palestinian people in the West Bank and Gaza Strip through the end of the year 2000.¹⁴ \$3,314 million has actually been received (68.3%). Loans make up 12.5% of the total aid received (approximately \$414 million), and the remaining funds are considered as grants. Between 1994 and 2000, the majority of international donor aid was spent in three areas: 37.2% on general investment, 20.5% on technical assistance, and 14.5% on the general budget.

Further analysis of the data for that period reveals that aid was allocated to projects as follows: water and waste water management, \$863 million (17.8%); building institutions, \$713 million (14.7%); education, \$466 million (9.6%); infrastructure, \$376 million (7.7%); and health, \$360 million, (7.4%).¹⁵ Gradually, the amounts of aid being pledged as well as funds received began to decrease. Pledges decreased from \$821 million in 1994 to \$506 million in 1996 and \$364 million in 2000 (27%). Since 1996, the execution of development projects had greatly improved. In addition, while infrastructure improvements accounted for only 10% of total aid in 1994-1995, by 1998 they accounted for 57% of total aid expenditures.¹⁶

Loans made up 12.5% of the pledges of donor countries to the PNA. The loans totaled \$414 million

14. Detailed numbers available in the statistical appendix.

15. Ministry of Planning and International Cooperation, MOPIC's 2000 Fourth Quarterly Monitoring Report of Donors Assistance; Ramallah, 2001.

16. For further details, see: Ali Shaath, paper presented to the PHDR, 2002.

Funding Non-Governmental Organizations (NGOs)

International aid for Palestinian NGOs peaked in the years immediately preceding Oslo, with estimates of total aid ranging from \$140-\$220 million annually. After the establishment of the PNA, the amount of aid earmarked for NGOs declined steadily to an average of 10% of incoming aid revenue. In 1994, NGOs received \$60 million from foreign donors. Between 1995 and 1998, NGOs were receiving an average of \$45-50 million annually. This decrease occurred in spite of the fact that roughly one-third of the NGOs that exist in Palestine today were started after the establishment of the PNA.

Foreign aid to NGOs is allocated across a variety of programs, most notably health and education. Education received 23.3% of international aid offered to NGOs in the period in question, followed by the health sector at 19.6%, social and cultural services at 8%, and agriculture at 7.4%. The vast majority of the funding was distributed among a relatively small number of larger NGOs with wide outreach capabilities.¹⁷

UNRWA, a vital role

The United Nations Relief and Works Agency (UNRWA) provides direct assistance to

targeted groups of Palestinian refugees. In 1997, the agency budgeted \$140.7 million for refugees in the West Bank and Gaza Strip. The budget for 2000 totaled \$133.8 million and for 2001, \$137.9 million. The lion's share of the budget goes to the education and health sectors; in 1997, almost 50% of the budget was spent on education, with 22% spent on health, 13% on services and relief, and 7% each on general and employment services. In 2000, the education budget was raised to 57%, but despite the increased budget, UNRWA spending on each student in its schools dipped from \$348 in 1997 to \$324 in 2000 due to the increase in the number of students.¹⁸ The budget for general services and employment services decreased to 5%. The health sector budget witnessed a slight decrease - from 22% to 21% - which meant that spending on each registered refugee dropped from \$23 to \$21¹⁹, while social services and relief remained unchanged. These figures reveal that UNRWA budgets have not kept pace with the rise in the total number of Palestinian refugees in the West Bank and Gaza Strip.

While the number of registered refugees increased from 1,308,438 in 1997 to 1,428,891 in 2000, the UNRWA budget decreased from \$140.7 million (\$100.75 per registered refugee) in 1997 to \$133.8 million (\$90.36 per

17. Ibid.

18. UNRWA's education budget in the West Bank and Gaza Strip was \$69.6 million in 1997 and \$75.6 million in 2000. The number of students registered in UNRWA schools was 200,886 in 1997 and 223,258 in 2000.

19. The UNRWA health expenditures for 1997 represented 30.6% of the total budget, and 28.3% in 2000.

registered refugee) in 2000.²⁰ The decrease in the budget of UNRWA and the subsequent decline in its services were discouraging to the residents of Palestinian refugee camps and institutions working in the refugee sector. Despite well-intentioned efforts by the agency,

it is still unclear whether its programs measurably help refugees to realize their individual and collective rights or to significantly strengthen the overall effectiveness of refugee assistance organizations.

*UNRWA budget
dropped from
\$100.75 per
refugee in 1997 to
\$90.36 in 2000*

Box (2 - 5) The Deficit Facing UNRWA

The UNRWA Commissioner, Peter Hansen, said that the agency needs \$150 million to cope with the growing level of need in Palestine, noting that the agency is currently facing a deficit of \$70 million which must be immediately addressed. Hansen indicated that UNRWA services are seriously threatened as a result of the deficit, adding that part of the funds to be collected by UNRWA would be used to rebuild destroyed homes in the southern districts of the Gaza Strip. The UNRWA Commissioner said that calls for increased levels of assistance have failed so far to generate a significant response from the international community, with the exception of medicines provided by Saudi Arabia. He also stressed that Arab countries have shown sympathy and solidarity, saying that in Syria alone, students and teachers donated more than \$500,000, and Syrian women have donated valuable personal effects such as jewelry.²¹

Evaluating international aid²²

Gauging the effectiveness of foreign aid on development programs in areas under the PNA's jurisdiction is challenging for

several reasons. The aid was received during an interim period during which an independent Palestinian state was to be established. However, that period

20. In 1997, refugees registered with UNRWA totaled 3,469,109, with 1,308,438 residing in the West Bank and Gaza Strip. In 2000, registered refugees numbered 3,806,055, with 1,428,891 of these residing in the West Bank and Gaza Strip. It should also be mentioned that UNRWA budgets did not keep pace with the increases in the numbers of refugees in all its areas of operation. The aggregate number of refugees registered with UNRWA in its operation areas (Jordan, Syria, Lebanon, and the West Bank and the Gaza Strip) rose from 3,417,688 to 3,806,055, while the budget dipped from \$342.9 million (\$100.14 per registered refugee) in 1997 to \$310.39 million (\$79 per registered refugee) in 2000. UNRWA devised an emergency plan to aid the Palestinian people after the Intifada erupted on 28 September 2000. UNRWA operational budgets were provided courtesy the Public Information Office, UNRWA Headquarters (Gaza.) UNRWA in Figures (1997-2000.)

21. Al-Ayyam, 31 May 2001.

22. For more, see: Mohammed Shadid, paper presented to the PHDR, 2002.

was marred by instability and confusion, and negotiations with Israel came to an abrupt halt in July 2000. The interim period also saw a rise in Israel's use of collective punishment measures, which closed the Israeli labor market to Palestinian workers and imposed curfews on the local Palestinian labor force. These Israeli practices effectively served to divert foreign aid resources away from development efforts and into welfare and relief efforts. The economic, financial, security and administrative penalties imposed on the PNA by Israel have seriously harmed the foreign investment environment in Palestine and brought several investment and infrastructure projects to a complete halt. Future foreign aid will almost surely have to be directed first toward the rebuilding of Palestine's physical infrastructure and rehabilitation of the Palestinian economy. It may be advisable in the future for donor

countries secure a commitment from Israel that it will not inflict damage on any buildings funded by donor nations, and require financial compensation for future damages. These commitments should be enforced through international courts.

Levels of international aid to Palestine were not established in accordance with a comprehensive development plan created by the PNA. Instead, the donors worked according to studies they prepared themselves, based on a list of potential projects prepared by MOPIC. The decline in levels of PNA spending on health and educational services and the claims of chronic financial distress may indicate that the international community is not willing to compensate the Palestinian people, even partially, for the losses and suffering associated with Israeli occupation.

Box (2 - 6) Workshop on the Intifada's effects on levels of international funding

The Development Studies Programme organized a workshop held on 22 November 2001 on the Intifada's effects on levels of international funding. Participants from international aid organizations and representatives from MOPIC offered assurances that donor funding had helped build many effective administrative, service-related, and political institutions for the Palestinian community. Most of the participants agreed that sustainable development is difficult to achieve under occupation, therefore, the bulk of foreign aid would be directed towards efforts to rebuild the Palestinian infrastructure and economy, now in ruins.²³

23. See : Development Studies Programme, Birzeit University, The Impact of the Palestinian Intifada on International Funding: Reality and Prospects, November 2001.

Perspectives on the Effects of the Intifada on Funding Levels:

“I believe the events during the Intifada influenced funding negatively. It became extremely difficult to complete projects, especially those that require travel among the various cities or the transportation of supplies from one place to another. Unfortunately, some cities are completely closed off and impossible to access.”

Jean Breteche, European Union Representative

“I would like to confirm that the USAID program for the West Bank and Gaza is considered a priority by the U.S. Government, reflecting particular interest in the region. We are determined to exert all necessary effort to realize the program despite the obstacles we are facing, but we must reevaluate how the funds allotted for the program are used in order to ensure proper spending and guard against wastage.”

Larry, Garber, USAID

“We believe that people living and working within the crisis are more able to define how funding should be spent and determine the needs of the community. We are now listening to those receiving funding through the Ford Foundation and asking them how we can help offer them more.”

Steven Lawery, Ford Foundation

“It took us some time to adapt and devise a new vision to move forward. One of the faces of adaptation was the direct contact with local councils to ensure promptness in providing funds and a timely provision of assistance to the unemployed.”

Sufian Mushasha, UNDP

“At this time the development process faces major obstacles, and we are studying the available options with our colleagues at Palestinian ministries and donor agencies.”

Hisham Mustafa, Ministry of Planning and International Cooperation

The preceding quotes confirm the need to reevaluate international funding as a primary means to alleviate the suffering caused by the Israeli occupation. Despite international aid to the PNA and

NGOs, the interim period failed to liberate the Palestinian economy from its almost complete reliance on Israel. The interim period did not yield a final settlement, and the living standards of the Palestinians

There is a need to reevaluate the role of international funding

dropped. Signs of improvement appeared only after 1998, and then quickly disappeared as Israeli military, economic, administrative and security measures were imposed after the eruption of the second Intifada. The GNP dipped sharply between October 2000 and January 2001²⁴, which indicates how integrally the economy of the West Bank and Gaza Strip is linked to Israel.

For those reasons and others, it can be concluded that international

funding did not facilitate decentralization, as most aid was directed through PNA and NGO programs. Similarly, international funding did not encourage economic growth nor did it increase the outreach or effectiveness of Palestinian social service organizations. International donors generally failed to engage or support the efforts of smaller, more specialized groups, choosing instead to focus on the work of PNA institutions, international demonstration projects, and large NGOs.

Box (2 - 7) Return on aid investment as compared with neighboring countries

A World Bank report for the year 2000²⁵ on the effectiveness of aid in the West Bank and Gaza Strip indicated that aid has had limited success in improving the Palestinian economy. According to the report, foreign aid raised the Palestinian GNP only 1%-2% above what would most likely have been achieved had aid not been available. The report also indicated that general investment as a component of GNP rose by 5.7% in the period between 1997 and 1998, as compared to 2.9% between 1990 and 1992. Foreign aid played a limited role in the improvement of health and education services, but the gains were low relative to the size of investment when compared to similar efforts in Egypt and Jordan.

International aid, in general, did not create the conditions necessary to achieve sustainable human development

International aid to the PNA, in the form of grants and loans with lenient repayment provisions, are certainly an asset to development efforts. However, the growing trend to convert grants into loans may have negative effects on the Palestinian economy and place a large financial burden on future Palestinian generations.

Undoubtedly the Palestinian people deserve international aid as partial compensation for years of occupation and alienation. International aid should not be used as incentive to continue negotiations with Israel, regardless of the bases and goals of negotiations.²⁶

24. UNSCO, The Results of Clashes, Restrictions on Movement, and Border Closure on the Palestinian Economy, 1 October 2000-31 January 2001; 2001.

25. The World Bank, Aid Effectiveness in the West Bank and Gaza, 2000.

26. Israel received \$5.5 billion from the U.S. Government in 1997.

International aid failed to create the conditions necessary to achieve sustainable human development largely because of the continuance of Israeli occupation. The occupation created an environment where Palestinian dependence on foreign aid and its continuance actually increased. Very little progress will be achieved in the absence of external financial support from donor nations at this stage. Sustainable human development requires the creation of an institutional and physical infrastructure that will encourage "investment in the peace process".

International aid has not been distributed consistently in accordance with a comprehensive development plan with clear priorities and objectives. Reduction or cessation of aid will almost certainly result in immediate further decline in the living standards and health and educational welfare of Palestinians, especially children and impoverished or marginalized segments of society. Also, a reduction in aid levels will affect the performance of many non-governmental development institutions, especially those working in the areas of preschool and post-high school education, health care, and agriculture.

Perhaps an increased level of awareness will characterize the years that follow the second Intifada. The PNA may take a more responsible role in defining

foreign aid. A demonstrated need exists for a sustainable human development strategy whose priorities have been established with the participation of all segments of the Palestinian society, and which reflects a democratic vision for the future of the Palestinian state.

Section Four: The Impact of Arab- Palestinian Relations on the Palestinian Development Environment

The contributions of Arab nations to sustainable human development efforts in Palestine are still extremely limited. Official Arab support for the second Palestinian Intifada did not extend far beyond repetition of the demand that UN resolutions concerning the conflict with Israel be implemented. Relatively small amounts of financial assistance were provided by Arab governmental and non-governmental organizations to the Palestinian people.

Historically, Arab nations have contributed to the funding of Palestinian NGO activities in the education and health care sectors, prior to the establishment of the PNA. Palestinian NGOs received fairly limited support until 1976, when aid levels were significantly

Some Arab NGOs launched important initiatives to offer financial and moral support for the Intifada

More than three million Palestinian refugees live in Arab countries

increased through the efforts of the Joint Palestinian-Jordanian Committee. A number of relief funds established by Arab NGOs and educational and social institutions were created, and sister-city programs began to spring up throughout the region. Arab support to Palestinian NGOs reached \$33 million in 1978, jumping to \$118 million in 1982.²⁷ After the establishment of the PNA, Arab support remained low as a percentage of total foreign aid. Between 1993 and 2000, financial support from Arab nations did not exceed \$277 million, only 8% of total aid for the Palestinian people from the other countries of the world.²⁸

After the eruption of the Intifada, Arab countries held an emergency summit in Cairo in October 2000. At the summit, participating countries pledged \$1 billion in support of the Palestinian people through the creation of two funds. The "Al-Aqsa Fund" dedicated \$800 million to the preservation of the Arab and Muslim identity of Jerusalem. The "Jerusalem

Intifada Fund," allocated \$200 million to assist the families of Palestinian victims.²⁹ However, follow through on pledges to these two funds was weak. Many who failed to honor pledge commitments blamed a lack of spending oversight mechanisms for the two funds. At the second Arab summit, held in Amman in March 2001, Arab countries promised Palestine an additional \$40 million in loans with lenient repayment terms, to be paid to the PNA over six months.

It should be noted that many citizens of Arab nations voluntarily pledged assistance to support the Intifada and the Palestinian people. Arab leaders at the Cairo summit called on the Arab people to donate one day's work in support of the Intifada.³⁰ Some Arab NGOs launched important initiatives providing financial and moral support for the Intifada, including a very significant effort by the UAE Red Crescent Society. Despite the undeniable value of these aid efforts, public commitment has remained limited and sporadic.

27. Nidal Sabri, The Palestinian Commission for Citizens' Rights, Financial and Legal Aspects of the Palestinian Budget, Ramallah, 2000.

28. Ministry of Planning and International Cooperation, MOPIC's 2000 Fourth Quarterly Monitoring Report of Donors' Assistance, Ramallah, 2001. Ensuring the accuracy of these numbers is not easy, because a large portion of the funds is distributed without the supervision of the PNA.

29. See the final statement of the Arab summit held in Cairo in October 2000.

30. See the final statement of the Arab summit held in Cairo in October 2000.

Box (2 - 8) Refugees in Arab states

More than three million Palestinian refugees live in Arab countries.³¹ The living conditions of Palestinian refugees span a wide range, with some enjoying full rights of citizenship while others are marginalized and suffer from extreme levels of poverty and deprivation. In some Arab countries, Palestinian refugees are forbidden to engage in certain lines of work and have been subjected to isolation and discrimination. Most refugee camps in Arab countries suffer from overcrowded conditions and lack of vital facilities, in addition to reliance on services provided by the fluctuating budget of UNRWA.

Unquestionably, Arab countries are able to play an influential role in improving the Palestinian human development environment. They can also contribute actively to securing the rights of the Palestinian people in accordance with international agreements. Admittedly, there are political concerns that limit the flexibility of some countries, but their failure to support Palestinian human development in a more significant way is difficult to understand. At a minimum, Arab countries can open their work markets to Palestinians and offer positive incentives for their business communities to invest in the Palestinian territories.

The labor markets of some Arab nations offer significant job priorities and methods for directing

opportunities for Palestinian workers. In the Gulf countries alone, close to 250,000 Palestinians are employed, mostly in professions in the public and private sectors that require specialized skills. Many economic and political factors affect employment opportunities for Palestinians in Arab countries, including the host state's relationship with the PLO and the PNA, market demand for labor, oil prices, income levels, and the restrictions placed on foreign workers.³² Creating work opportunities for Palestinians in Arab countries in coordination with the PNA would help decrease Palestinian economic reliance on the Israeli economy and would furnish a better and more stable development environment.

31. Badil Resources Center for Palestinian Residency and Refugee Rights, *The Right of Return*, Bethlehem, 2000.

32. Abdul-Jaber Tayseer, *Employment Opportunities for Palestinians in Gulf Countries*, paper presented to the International Conference on Employment in Palestine, Ramallah, May 1998.

Arab-Palestinian trade relations are still limited

Box (2 - 9) Data on Trade with Arab Countries

Palestinian external trade statistics indicate that registered trade transactions with Arab countries totaled \$75 million from an aggregate \$2,620 million in 1997 and \$97 million out of \$2,769 million in 1998.³³ In 1997, Palestinian exports to Arab countries did not exceed 5% of total exports, and in 1998 exports to Arab countries registered only 3%. As for imports, Palestinian purchases from Arab countries amounted to 2.5% of total imports in 1997 and 3.6% of total imports in 1998. Total Palestinian exports to Gulf countries in 1997 registered a mere 9%, rising in 1998 to 20%. Jordan is by far Palestine's largest trade partner, importing 90% of Palestinian goods produced for export (to Arab nations) in 1997 and 70% in 1998. The Egyptian market accounted for a very modest percentage of Palestinian exports in 1997-1998, not exceeding 1%.

Since its inception, the PNA has faced challenges relating to its authority

Arab-Palestinian trade relations are insignificant when compared to the level of Palestinian economic dependence on Israel and to the volume of trade that takes place between Israel and Jordan and Israel and Egypt. Israel controls Palestinian ports and delays the transfer of Palestinian goods at border crossings.³⁴ The Paris Economic Protocol signed on 29 April 1994 imposed significant restrictions on Palestinian external trade. Palestinian trade relations with Arab countries have demonstrated no noticeable signs of improvement in spite of the existence of a number of ratified free trade agreements. Trade agreements with Jordan specify tax and customs exemptions for a wide range of Palestinian imports to facilitate trade. Also, agreements signed with Egypt to encourage

Egyptian investment in Palestine and to facilitate transfer of technological and informational expertise from Egypt to Palestine have been only partially implemented.

**Section Five:
The PNA-Caught Between Developmental and Political Agendas**

Since its inception, the PNA has faced challenges relating to its authority, its sovereign boundaries and its performance. In addition, the PNA's ability to coordinate political and development concerns in light of the continuing Israeli occupation, settlement expansion and the siege of its major cities has been stretched beyond its limits.³⁵

33. PCBS, External Trade Statistics, 1998 (Main Results), Ramallah, 2000.

34. Tons of perishable produce and cut flowers spoil at border crossings as a result of delays imposed by the Israelis on Palestinian exporters.

35. External challenges are detailed in several places in the PHDR. .

Additional obstacles include limited PNA control over its own natural resources, including land and water, and a complete lack of control over ports, as well as the geographical discontinuity of the PNA territories.

These impediments and restrictions, given the relatively short existence of the PNA and its limited governing experience, did not prevent it from achieving tangible progress in many areas. The PNA has created functioning ministries, specialized commissions, and a legislative council. It provides basic services to the Palestinian public especially in the areas of health care and education, and maintains an acceptable level of civil order. A number of successful infrastructure projects were completed, although they relied heavily on external funding. The PNA improved its relationship with civil society organizations after a period of tension and mutual accusations. It has laid the foundations of a working relationship with the Palestinian private sector. A wide range of

important legislation and regulatory policies has been established to create an orderly environment for the Palestinian people.

The PNA and Legislation

Clear delineation of the lines of authority among Palestinian ministries and organization of inter-ministry relations have been pressing concerns of the PNA since its establishment. The constitution remains unsigned by the PNA president although it has been approved by the Legislative Council. The law governing political parties, which provides for plurality and grants the freedom to form political affiliations, is still being debated. The law of publications and printing was enacted, as well as a law that permits foreign ownership of real estate in Palestine. The judicial system law, the administrative structures law, the court system law, and laws concerning investment and finance have all been passed. However, in the absence of a ratified state constitution, they cannot be effectively implemented.

Laws have not been effectively implemented due to the absence of a ratified constitution

Box (2 - 10) Implementation of the Labor Law

Despite adverse conditions, the Palestinian Labor Law was enacted and implemented after being published in the official PNA newspaper. The law's provisions were deliberated upon for eight years by representatives of the Labor Ministry, labor unions, and employers. Although labor unions stated publicly that the law met only the minimum demands of employers and that it was “backward compared to labor laws in neighboring countries,” they appreciated that it at least existed. Employers objected to implementing the law at this difficult time and demanded a chance to “organize their affairs.” However, the law was executed in spite of these protests. Improvement in the working conditions for Palestinians will be the deciding measure of the law's ability to protect them³⁶.

36. The full statement of the president of Labor Unions, Mr. Shaher Saad, Al-Quds, 5 January 2002.

Fifteen months into the Intifada, most PNA institutions continue to work without an emergency plan

The Intifada presented an additional challenge to the PNA

The absence of a Palestinian constitution is a central obstacle impeding real progress in legislative affairs. Without a constitution, separating the three branches of government is impossible. Human rights and citizens' rights remain unprotected, subject to ad-hoc and arbitrary decision-making. It is also difficult to make progress towards sustainable human development in the absence of truly democratic institutional structures through which popular participation, political plurality, and the freedom of organization and expression are facilitated. The failure of the PNA to open a meaningful dialogue between civil society and the political community on the issue of sustainable human development cannot be overlooked. This formative development dialogue must become a PNA priority if sustainable human development is to be achieved.

PNA Institutions and Adaptation to the Challenges of the Intifada

The Intifada presented an additional challenge to the PNA, as it struggled to simultaneously advance its social and economic development strategies, communicate effectively with the public, and to provide political leadership. Many PNA institutions experienced performance failures, and weaknesses in planning and regulatory abilities in times of emergency appeared. The PNA was

perceived as out of touch with the needs and the problems of the population, especially in remote locales. The conditions introduced by Israeli occupation policies required a resistance strategy to enable PNA institutions to continue operations. Official institutions needed to redirect and reprioritize their efforts in order to meet the changing needs of the population. The Palestinians looked to the PNA for guidance to help them to cope with the burdens of the siege and persistent military attacks, the high number of casualties and injuries, and material damage to buildings, roads, and businesses. Fifteen months into the Intifada, little guidance has been provided. Most PNA institutions continue to work without an emergency plan and a civil defense program, despite the pressing need to unite the efforts of institutions to defend citizens and encourage their participation in activities of the Intifada removed from chaos³⁷. Generally, the following notes are made concerning the performance of PNA institutions:

- Most PNA institutions lacked an emergency plan and failed to establish one even after the sustained period of Israeli aggression.
- The highly centralized nature and ineffectiveness of many ministries led to the squandering of available resources.
- The siege of the Palestinian territories effectively shut down

37. See the results of the seminar organized by the Ministry of Planning and International Cooperation in May 2001, which were broadcast in some local newspapers (See Al-Ayyam, 15 May 2001.) For further details, please see paper presented to the PHDR by Riyadh Al-Hasan, 2002, and a paper presented by Sameeh Shabeeb, 2002.

inter- and intra-ministry communication. Without emergency or contingency work plans, ministry personnel were left without guidance.

- The ministries had never established self-contained and

self-sustaining management systems, even for normal work conditions. They depended too heavily on centralized authority, and had underdeveloped and poorly managed human and financial resources.

Box (2 - 11) The lack of an economic and social plan

An opinion poll³⁸ revealed that 10.7% of those polled believe that the PNA possesses an economic plan to face the current crisis and 58% believe otherwise. As for a social plan, 18.7% believe the PNA has a plan to address social problems, while 58.5% believe it does not.

The PNA Budget

The PNA budget for 2000 indicates that government spending was concentrated in five fields: police and security (35.14%), education (18.36%), health (9.8%), presidency (6.1%), and social affairs (5.5%). The 2000 budget included a three-year development plan valued at \$1.28 billion, of which \$445 million was designated to be spent in the year 2000. Development spending was noticeably weak, and its geographical distribution was disproportional. In the West Bank, development spending was concentrated in five cities: Bethlehem (the Bethlehem 2000 Project (18.5%), Hebron (15.9%), Nablus (12.4%), Ramallah (7.3%), and Jenin (6.4%). Other cities received far less, such as Jerusalem

(4.7%), Tulkarem (3.9%), Qalqielya (2.6%), Jericho (2.4%), Salfeet, (1%), and Tobas (0.25%). As for the Gaza Strip, Gaza City received 43% of the development budget, followed by the Central District (21%), Rafah (14%), and the northern districts (10%). Khan Younis received no more than 5%; Deir Al-Balah, 1%, and 6% was allotted to several other areas in the Gaza Strip³⁹. It should be noted that the year 2001 witnessed a deficit of \$371 million⁴⁰ as a result of the decline in PNA revenues during the second Intifada and the decrease in foreign aid for development projects.

The grim financial conditions faced by the PNA have paralyzed spending, which should logically prompt an immediate search for

Development spending was noticeably weak, and its geographical distribution was disproportional

38. Birzeit University, the Development Studies Programme; Appendix No. 1, results of a survey about the Intifada, institutions, and the future; (#4), 31 May-2 June 2001.

39. The PNA, Ministry of Finance, The 2000 General Budget Plan; Ramallah, Palestine, and the Palestinian Legislative Council, Budget and Financial Affairs Report on the General Budget for 2000, Ramallah, Palestine.

40. The PNA, Ministry of Finance, The 2000 General Budget Plan, Ramallah, Palestine.

new revenue sources and a reprioritization of the available resources in a manner that will not

negatively affect human development or the quest for independence.

Box (2 - 12) People - Centered Health Programme

The development process in Palestine must be comprehensive, taking into account the relationship between education, health, agriculture, and local government. Our modest experience in developing the health care sector in Palestine has proven that developing human resources should head the development plans for the health sector. Dedicated people are the decisive factor that enabled us to take on the additional burden of 35,000 injuries in 15 months despite the scarcity of resources.... The Palestinian people, who remain keen to increase knowledge and hone their abilities and are capable of creativity at difficult times, are at the heart of the development process.

Dr. Riyadh Al-Zaanoun, Palestinian Health Minister

Section Six: The Palestinian Private Sector

Although the PNA has adopted a positive stance towards the private sector, recognizing its ability to propel economic development, the business community in Palestine still faces many internal obstacles. The legal environment remains inadequate. Restrictions imposed by the Paris Economic Protocol, whose provisions Israel selectively implemented, still impose barriers to economic growth. Discussion between the PNA and the private sector is an important step on the path to creating the proper atmosphere for a more effective role for the Palestinian business community. However, the PNA is still faced with the challenge of reconciling the needs of the Palestinian people and the

development process on the one hand and the aspirations and interests of the private sector on the other.

The PNA stressed the importance of the private sector in the development process in a series of presidential declarations issued in 2000. At the same time, the PNA asserted its commitment to free trade as an economic policy. Demonstrations of that commitment included forming a Higher Economic Development Council, founding a Palestinian investment fund, activating the role of the High Commission on Investment with the participation of the private sector, and establishing prospects for privatization. The declarations, if fulfilled, will bolster the role of the private sector in a transparent and mutually beneficial partnership with the public sector.

The PNA stressed the importance of the private sector in the development process

Box (2 -13) Select recommendations from the discussion forum between the public and private sectors

Among the most important recommendations resulting from the inaugural discussion forum between the public and private sectors, held in May 2000, are the following:

First: enacting economic laws, especially funding laws, with the participation of the private sector in an effort to bolster the role of the private sector as a catalyst of the Palestinian economy.

Second: limiting bureaucracy in the public sector and working to establish clear lines of authority in order to prevent unnecessary administrative intervention.

Third: activating the rule of law and improving the functions of Palestinian courts of law, especially concerning trade and financial matters.

Fourth: organizing Palestinian trade relations with Israel to protect the Palestinian private sector from Israeli economic control and working to activate trade agreements signed with several Arab countries.

Fifth: guaranteeing cooperation between the public and private sectors in establishing a national plan to market Palestinian merchandise and working to establish trade centers and offices abroad to market products and attract foreign investment to Palestine.

Sixth: working to restructure the Palestinian tax system (Value Added Tax and Income Tax) to encourage private sector investment.

Seventh: prohibition of monopolies in either sector unless clearly justified for national or economic reasons.

The period after 1997 saw increasing private sector investment in the Palestinian economy. In 1999, 1,841 new companies were registered, compared to 1,517 in 1994. New business registrations dropped in 1996-1997, but rose noticeably in 1998 and again in 1999. In 1996, registered businesses totaled

1,269, decreasing the following year to 1,198. The number rose to 1,370 in 1998 and 1,841 in 1999. The investment encouragement law of 1998 was one of the factors that contributed to the rise in the number of registered businesses. Public companies of those registered totaled four in 1999, five in 1998⁴¹.

41. Information about the number of registered companies in the West Bank between 1994 and 2000 provided courtesy of the General Department of Statistics and Policies, Ministry of Trade and Economy, and in the Gaza Strip courtesy of the Business Registration Department, Ministry of Justice.

The period after 1997 saw increasing private sector investment in the Palestinian economy

The number of registered foreign companies also increased, with 20 registering in 1999 compared to nine in 1998. However, comparison of registered foreign companies in 1999 with those in 1994 and 1995 reveals a sharp drop; there were 31 registered foreign companies in 1994, increasing to 37 in 1995. Generally, registration of foreign companies is considered an indicator of the level of trust in the Palestinian economy and in a reasonable level of political and legal stability. However, the figures should be considered with care, because many of the foreign investors are Palestinians with foreign citizenship. Also, the size of the investment and the area in which the investment is made are also important factors in gauging their relative significance. In the wake of the Intifada and subsequently, the Israeli siege in 2000, investment in the Palestinian economy slowed. The number of registered companies dropped to 1,603 in the year 2000, including 14 foreign businesses, compared to 1,841 in 1999.⁴²

Since 1995, the PNA has actively encouraged domestic and foreign investment. The PNA issued a law to encourage investment, offering tax incentives for development projects depending on the size and

type of the investment. The value of projects approved after the law was enacted increased from \$190.3 million in 1997, of which \$61.2 million (32%) was foreign investment, to \$298.1 million in 1999, of which \$229.7 million (77%) was foreign investment.⁴³

**Section Seven:
Palestinian Civil Society
and its Role in
Reconciling Resistance
and Development.**

The second Intifada brought new interest in the performance of Palestinian civil society. Strengths and weaknesses in addressing current priorities and strategic community needs were revealed through activities designed to achieve national objectives and through its capacity to organize services and activities, made difficult by the siege and military aggression.

The emergence of the PNA brought additional responsibilities for civil society, including a demand for simultaneous participation in occupation resistance and in the human development process. Civil society was called upon to care for disadvantaged and neglected citizens. It was also expected to

42. It should be noted that the number of registered domestic and foreign companies does not necessarily correlate directly to increased investment by the private sector, because several of the companies that were registered in the specific period did not begin actual operation.

43. Information about development projects receiving tax incentives courtesy UNSCO, Report on the Palestinian Economy, Gaza, 2000, and UNSCO, Report on Economic and Social Conditions in the West Bank and Gaza Strip, Gaza, 1999.

bolster the functioning of democracy in public life as well as in the internal affairs of institutions, unions and community organizations. In addition, existing programs needed to be adapted after the emergence of the PNA, which began to handle certain economic, political and social affairs in areas under its total or partial control. Civil society's responsibilities were not restricted to the provision of services, but also extended to the promotion of democracy and sustainable human development.

There was no need for a second Intifada to uncover gaps in the performance of institutions and civil society organizations characterized by a diverse range of abilities, programs, internal structures, and target audiences. The gaps had already been identified in several reports and conferences, including previous PHDRs and reports and surveys published by various research centers. They were also revealed in the findings of periodic opinion polls, seminars and workshops.

Directing attention to areas of weakness is only a part of the important role undertaken by institutions and representative organizations of the Palestinian community in its effort to improve performance levels. It is also an opportunity to raise awareness about what is possible.

Civic organizations in the West Bank and Gaza Strip interact with

the Palestinian community because they are a part of it, influenced by the same factors-military occupation, geographical division, and low levels of economic and social integration. The contradictions afforded by the concurrence of occupation with an existing national authority, combined with conditions of inequality and deprivation, create an environment that limits the work and influence of civil society.

NGOs

A tally of NGOs indicated that 881 organizations were operating in the West Bank and Gaza Strip in the middle of 2000. The organizations were spread geographically between the West Bank (76.6%), and the Gaza Strip (23.4%). Distribution according to community type was as follows: 60.2% in urban areas, 29.3% in rural areas, and 10.6% in refugee camps.

Most of the NGOs relied on more than one source of funding, but 78.6% of them relied on one primary source of funding to fund at least 50% of the operating budget. About 39% received some funding from Arab and international institutions. through internal income-generating activity. The PNA provides partial funding to 29.2% of NGOs. Slightly more than 19% received donations from the Arab community living in Israel.

In terms of performance assessment, 27.4% of NGOs

The emergence of the PNA meant additional responsibilities on civil society

maintain that they always meet their strategic goals, 70.3% said they do so sometimes, and 2.2%

admitted they rarely achieve their goals.⁴⁴ Close to 10% of the NGOs received 60% of the total funding.⁴⁵

Box (2 - 14) The national campaign to boycott settlement goods and encourage national industry

"The Palestinian Observatory" was established in 1999, comprising several Palestinian NGOs and private sector institutions, to support boycotting of settlement merchandise, considering that settlements are illegal under international law. The Observatory established commercial relationships with several European companies to activate the boycott effort. In the second Intifada, efforts to boycott Israeli merchandise grew, especially those products for which there is a locally-produced alternative. The Popular Committee for Boycotting Israeli Goods established the middle of May 2001 as the deadline for emptying the Palestinian market of all Israeli goods for which there is a Palestinian substitute. An opinion poll conducted by the DSP in February 2001 indicated that 91% of those polled are aware of the boycott campaign; 57% said that boycott is attainable, and 74% said their use of Israeli goods has decreased during the Intifada.

10% of the NGOs received 60% of the total funding

In the past two decades, and particularly during the 1990s, professional organizations advancing development strategies in the fields of education, health and agriculture appeared. Institutions specializing in the defense of human rights, democracy and women's and children's rights were also established. The organizations achieved a significant level of outreach, which broadened the scope of beneficiaries throughout the West Bank and Gaza. In general, their financial,

administrative and human resources were superior to those of traditional charitable organizations operating in the region.⁴⁶

Although NGOs deserve praise for the quality of their efforts, some areas of weakness in their operations do exist. The enactment of the NGOs and Charitable Organizations Law of 2000 afforded NGOs a high degree of independence in managing their affairs, soliciting funding, and establishing strategic plans and outreach efforts. However,

44. Palestinian Economic Policy Research Institute (MAS), NGO Census in the West Bank and Gaza Strip, 2001.

45. World Bank, Aid Effectiveness in the West Bank and Gaza, June 2000.

46. See: Census of Palestinian NGOs in the West Bank and Gaza Strip, 2001 (previous reference.)

relatively few NGOs have succeeded in the development of comprehensive strategic plans and visions for the future.

The NGOs and Charitable Organizations Law indicates that Palestinians have the right to engage in social, cultural, professional and scientific activity freely. They also have the right to establish and operate institutions and non-governmental organizations.

Most Palestinian NGOs, with the possible exception of the larger, more technically and technologically advanced players, lack transparency, accountability, and effective regulation of their internal operations. The failure to achieve acceptable standards in these areas prevents NGOs from effectively building upon their experience. Many have failed to establish effective financial and management systems and to create sustainable ties to the communities in which they work. A few NGOs,

particularly larger ones, rely heavily on foreign aid. This reliance has the potential to discourage long-term planning and may stifle creativity and innovation in program development and resource management. Research shows that the relationship between NGOs and local government institutions is "weak" in all but a few municipalities.⁴⁷

Many NGOs were confused regarding their responsibilities during the second Intifada. Most were unable to introduce the necessary changes at the infrastructure and policy levels to cope with the changing environment. There were some exceptions among organizations active in health, agriculture, and relief work. Levels of confusion were exacerbated by the lack of a comprehensive strategy that should have been discussed and agreed upon by the PNA, political groups, the private sector, and NGOs.

The relationship between NGOs and local government institutions is "weak"

47. Palestinian Economic Policy Research Institute (MAS,) Relationships among NGOs in the West Bank and Gaza Strip, prepared by Hasan Ladawdeh, Jibreel Mohammed, and Jaber Azzam, Ramallah, 2000.

Box (2 - 15) Partnership between NGOs and governmental organizations

It would be useful for the public sector to enter into partnerships with NGOs and benefit from their managerial expertise, especially in the areas of education and health care. Those partnerships that do currently exist are in fact found in health care, education, and childcare. It is important that the PNA develop a framework to organize the establishment of NGOs as tax-exempt non-profit organizations. NGO activities, which are considered special interest groups, could conceivably come into conflict with political agendas. The challenge lies in encouraging competition and the free exchange of information while fostering accountability. True competition among NGOs may continue if performance evaluation mechanisms are introduced, such as competitive bidding. Also, public disclosure of funding sources and spending patterns through surveys conducted with NGO beneficiaries and through media investigation and public supervision, which are all effective guarantees of accountability⁴⁸, should be practiced.

Undoubtedly, the PNA policy concerning NGOs showed weak understanding and appreciation of the importance of such organizations, which had gained the trust and support of the Palestinian public before the emergence of the PNA. Official institutions, such as the Ministries of Health and Agriculture, the Legislative Council, and the Palestinian Children's Secretariat, to name a few, called on experienced NGOs to cooperate with them, and the endeavor proved surprisingly successful.⁴⁹

Palestinian NGOs actively

participated in creating an atmosphere that successfully linked resistance and human development efforts in the West Bank and Gaza Strip, but the effort was confined to professional and specialized organizations.⁵⁰ Charitable organizations, which comprise the majority of NGOs, contributed to poverty alleviation by offering assistance to needy families. Their activities expanded to include youth activities (sport clubs) and cultural activities (performing arts centers) at the local level. Palestinian NGOs are considered highly active compared with their counterparts in neighboring

Charitable organizations, which comprise the majority of NGOs, contributed to poverty alleviation

48. Ishaq Diwan and Radhwan Shaaban (editing.) Development Despite the Difficulties-the Interim Track of the Palestinian Economy (summary,) Palestinian Economic Research Studies center (MAS,) and the World Bank, undated, page 20.

49. More details in the paper presented to the PHDR prepared by Izzat Abdul-Hadi and Tayseer Mheisen about the role of NGOs in the Intifada, 2002.

50. Izzat Abdul-Hadi, Palestinian NGOs-a Congested Work Schedule; paper prepared for the PHDR, Birzeit University, 1998.

countries and elsewhere in the world.

Political groups, labor unions, and professional federations

The second Intifada did not generate the levels of popular participation that characterized the first Intifada, particularly in its early stage. The presence of the PNA as a representative government and legitimate negotiator on the people's behalf may be considered one of the reasons behind the limited participation. Opinion polls indicate that a general decline in the relative influence of political parties and unions, as well as decreased public support for them, were also factors.

The PNA needs to forge a relationship with the NGO community that respects its autonomy, understands the demographics of its varied constituencies and clearly delineates lines of authority and jurisdiction. The Palestinian political system calls for political plurality, but mere plurality is not enough to create a functioning political democracy. Institutionalizing democracy requires separation of powers to prevent the executive branch from controlling the political landscape. It also requires the presence of a multiple power bases in the community, such as unions, federations, public interest groups, NGOs, chambers of commerce and trade associations. These players must abide by the rules of the political game, which specify that

authority be transferred peacefully through free, organized elections. Also, it is impossible to achieve plurality in power bases within the community if they do not enjoy reasonably high levels of public support and if they fail to enjoy political, organizational, and financial independence. Political interest groups and organizations were unable to achieve any significant shift toward democracy in the Palestinian political system. This is true even though most of them adopted, in addition to the ideology of Palestinian independence, the concepts of democracy and human development and folded them into their social and economic programs, along with their political goals. Popular support of these groups, therefore, remained very limited.

Discussion of democracy in the absence of freely formed groups and organizations that represent the political aspirations of the community is difficult. However, it is fair to say that despite the relative decline in the influence of political parties since the Oslo Accord, more than half the public in the West Bank and Gaza Strip continues to support one of the seven political organizations that continually appear in opinion polls. Although the percentage of truly active political organizations is small, not exceeding 1% of the total, their limited size does not necessarily translate into limited influence, because some of them possess great outreach and impact.

Palestinian NGOs are considered highly active compared with their counterparts in neighboring countries

Institutionalizing democracy requires separation of power

General evaluation of the role of civil society

The role of community groups regressed after the first Intifada and the rise of the PNA in light of the continuing occupation and the division of Palestinian territories into isolated areas. Many community leaders were employed at PNA institutions, which reduced community organizations' independence from official institutions. It also expanded the distance between their activities and the public, which perceived them as subject to PNA intervention. In fact, the rise of the PNA may be assessed by looking at the chance that was missed. The PNA had the opportunity to introduce radical changes to the structure of political parties and social movements, to bolster the practice of democracy through conferences and periodic elections, and to strengthen internal regulation and management. Implementation of these changes would also help promote independence and apply pressure to unify the laws of the West Bank and Gaza Strip and implement a national constitution in accordance with new political and social realities. Of equal importance is the new critical awareness that has begun to appear among political organizations, unions and NGOs and is repeatedly voiced in seminars and workshops. It calls for democracy and adoption of development strategies to be integrated into the resistance

Many community leaders were employed by PNA institutions, which reduced community organizations' independence from official institutions

strategy. However, a big gap still exists between awareness and practice.

The revival of unions and federations will require democracy and independence. It will also necessitate a reexamination of protocols, programs and internal regulations in accordance with the aspirations and interests of the public. Resistance programs of these groups will need to be revitalized. Lobbying groups must be formed to support the work of the PNA in achieving national goals. It is perhaps necessary for the unions to cultivate self-reliance in funding through investment projects, membership fees, and unrestricted aid from individuals and institutions.

It may also be necessary for members of Palestinian civil society to create a coordinating body entrusted with the task of presenting a unified vision that supports the PNA and its fight for the rights of the Palestinian people, supporting local, regional and international initiatives to that end. They must, at the same time, pressure responsible institutions to widen civil and political freedoms and practice democracy. Finally, they must formulate a sustainable human development strategy that conforms to the requisites of building a modern democratic state and a vital Palestinian community characterized by equality and justice.