

KHALIL NAKHLEH

THE MYTH OF PALESTINIAN DEVELOPMENT

Political Aid and Sustainable Deceit

PASSIA

Palestinian Academic Society for the Study of International Affairs,
Jerusalem

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Abbreviations and Acronyms

AF	Arab Fund for Economic and Social Development
AGFUND	The Arab Gulf Program for United Nations Development Organizations
AHLC	Ad-hoc Liaison Committee
AIDCO	EuropeAid Cooperation Office
CDF	Community Development Foundation
CPED	Center for Private Enterprise Development
CSP	Country Strategy Paper (European Community)
DFLP	Democratic Front for the Liberation of Palestine
EC	European Community
ECOSOC	United Nations Economic and Social Council
ECRO	European Commission Representative Office
ECU	European Currency Unit
ERP	Emergency Rehabilitation Program
EU	European Union
GFMS	Government Finance Management Information System
GNP	Gross National Product
IDB	Islamic Development Bank
IMF	International Monetary Fund
JC	Jordanian-Palestinian Joint Committee
JD	Jordanian Dinar
JLC	Joint Liaison Committee
KNFR	Khalil Nakhleh's Field Reports
LACC	Local Aid Coordination Committee
MAS	Palestinian Economic Policy Research Institute (Arabic Acronym)
MEDA	Mediterranean Partnership
MIFTAH	The Palestinian Initiative for the Promotion of Global Dialogue and Democracy
MOPIC	Ministry of Planning and International Cooperation
NGO	Non-Governmental Organization
NIP	National Indicative Program
OF	OPEC Fund for Economic Development
PA	Palestinian Authority
PADICO	Palestine Development and Investment Company
PCBS	Palestinian Central Bureau of Statistics
PDF	Palestinian Development Fund
PDP	Palestinian Development Plan

PECDAR	Palestinian Economic Council for Development and Reconstruction
PLC	Palestinian Legislative Council
PLO	Palestine Liberation Organization
PNC	Palestinian National Council
PVO	Private Voluntary Organization
RELEX DG	Relations External (External Relations) Directorate General
SCR	Service Commun Relex (Joint External Relations Service)
SME	Small and Medium Enterprise(s)
SRLF	Student Revolving Loan Fund
SWG	Sector Working Group
TOR	Terms of Reference
UN	United Nations
UNCTAD	UN Conference for Trade and Development
UNDP	UN Development Program
UNOCHA	UN Office for the Coordination of Humanitarian Affairs
UNRWA	UN Relief and Works Agency for Palestine Refugees in the Near East
UNSC	UN Security Council
UNSCO	Office of the United Nations Special Coordinator for the Middle East Peace Process
US	United States
US\$	United States Dollar
USAID	United States Agency for International Development
VAT	Value Added Tax
WA	Welfare Association
WBGS	West Bank and Gaza Strip
WFP	World Food Program
WHO	World Health Organization

Preface

This is a book about my personal development as well as the development of Palestine. I have been intimately involved in this 'enterprise' over the last two decades - the enterprise of how to assist in the development of Palestine and determining why such an enterprise has not worked.

Although I wrote certain bits and pieces, which eventually found their place in this book, over the last two decades, I actually started drafting the entire book, formally and on a fulltime basis, during the first week of January 2002.

I wrote this book under fire. I wrote it under recurrent military occupation and the reoccupation of my city, under an imposed 24-hour system of curfews and 'house arrests,' under the uncertainty of what the next day would bring, and under the constant fear of whether my home, with my office in it, would be invaded, ransacked, destroyed, and my computer damaged. I always had at least three versions of what I wrote - hard and electronic copies; there was always the fear of being prevented from continuing, and in the end, writing this book became a kind of mission, a mission with its own built-in challenges.

As I wrote, my wife, who was, of course, under the same occupation and curfew, was diligently creating and documenting, using watercolors, indigenous Palestinian wild flowers in her 'atelier' across my office. Under these circumstances, my wife's artistic creative energies, manifested in her watercolor paintings containing the minutest botanical details, and my intellectual analytic energies, manifested in this book, intermingled and nurtured each other. The determination to create, in spite of the environment of military occupation, destruction, curfews, and uncertainty, became one and overpowering.

The circumstances under which this book was written were not ordinary.

On another plain, the production of this work in book form required the collaboration and commitment of many friends. It would not have

been possible to finish it were it not for the willingness and commitment of MUWATIN, the Palestinian Institute for the Study of Democracy, to support the research and writing phase and the subsequent publication of the Arabic version. Moreover, the publication of this English version was made possible due to the encouragement and support of PASSIA, the Palestinian Academic Society for the Study of International Affairs, and the contagious energy of its indefatigable director.

A number of friends and many (unknown to me) reviewers read the manuscript and made very helpful comments on how to improve the contents. I would like to express my gratitude in this regard to Rita Giacaman, Fu'ad Mughrabi, Naseer Aruri, Saleem Tamari, Helga Baumgarten, and Penny Johnson.

To my wife and lifelong partner who, for the last 36 years, through her commitment to remain here, has confirmed that she loves Palestine more than herself and who has always expressed continuous support and deepening and genuine love, both of which energized me to finish this project, like others that compete with her for my time, I express my deep and renewable love and appreciation.

Of course, I alone am responsible for the contents of this book.

Khalil Nakhleh

Introduction

In his book *History as Mystery*, Michael Parenti writes: "Much written history is an ideologically safe commodity. It may be called 'mainstream history,' 'orthodox history,' 'conventional history,' and even 'ruling-class history' because it presents the dominant perspective of the affluent and influential people who reside over the major institutions of society." It represents the voices of the winners. "The voices of the losers...are transmitted through a carefully tuned network of filters." Parenti endeavors to "deconstruct some of the filters to show that much of the mainstream history ... is seriously distorted in ways that serve or certainly reflect dominant socioeconomic interests." In his book, he promises that the reader will find the "unpopular, marginalized view that violates the acceptable mainstream orthodoxy." He asserts further that his book "is written in accordance with scholarly standards but without reference to the tedious evasions and pretensions of mainstream academia..."¹

My book is not about history *per se*; it is about 'Palestinian development,' and the societal transformation that was hoped for as a result of that development. In a certain indirect way, this book is about the history of other national 'developmental' experiences from which we did not learn; but, to an even greater extent, it is about the present and future of structural change in Palestinian society and polity, under the relentless pressure of a renewed military occupation.

This is not an academic theoretical exercise. It is, as one mature professor of social and political thought described one of his books after years of reflection, "an effort to integrate ideas and experiences into a comprehensive way of thinking about social change."² I aim to present here a deep experiential analysis of how to effect desirable change, towards arriving at some degree of generalization, while focusing on the ongoing Palestinian experience. In the process, I shall seek to demythologize 'pet' clichés and concepts currently dominant in the Pales-

¹ Parenti, Michael. *History as Mystery*. San Francisco: City Lights Books, 1999, pp. xi-xviii.

² Cox, Robert W. with Timothy J. Sinclair. *Approaches to World Order*. Cambridge: Cambridge University Press, 1996, p. 26.

tinian society and economy. I shall probe beyond these *dichés*. I am an anthropologist by academic training. For the last 17 years, however, I have been doing what I call 'applied anthropology' in the process of effecting, what I believed to be, genuine and comprehensive development in Palestine. How could I have thought otherwise? I was never trained to think of 'hopped up,' segmented, piecemeal sectoral development. I was never convinced that such an approach can be cumulative, nor is there any evidence now to show that it is.

My analysis will move constantly between two levels of reality: the level of official and formal declarations, reporting, conclusions and assessments (the 'mainstream history,' the 'surface structure,' etc.), and the experiential, the local level, and actual results of official declarations and strategies. My bias will always move my analysis to the second level ('real history,' the 'hidden structure,' etc). Throughout, however, my generalizations will be coy, my assessments experiential, and my recommendations for future courses of action subjective, emanating from personal involvement.

Influenced by 'critical theory,' my aim is to understand structural change. Critical theory "stands back from the order of things to ask how that order came into being, how it may be changing, and how that change may be influenced or channeled."³ This is what I am hoping to do in this study. However, this is not an attempt to find a 'magical' recipe for how things should be done in order to ensure the 'desired' development of Palestinian society. In my view, no such thing is possible. Anyone who claims the contrary is, in the best situation, unaware and unappreciative of the complexities of the 'development' process, and, in the worst, part of a premeditated process of deceit generated by a chorus of development 'agents provocateurs' to maximize self-benefits.

I have been preoccupied with this 'enterprise' of Palestinian development, on a fulltime basis, since 1984, when I was recruited to become the Director of Programs of the newly registered and established Welfare Association (WA), in Geneva, Switzerland. For the last 17 years, both in my capacity with the WA (nine years), and as a consultant with the European Commission (eight years), I have reflected on the development of the Palestinian society and economy, as a 'participant observer,' from a position where I could influence directly micro-developmental strategy, on the one hand, to a position where I was asked for my advice and opinions concerning certain intervention policies on the other. I

³ Ibid., p. 525.

shall use my rich personal experience to compare developmental interventions during the period preceding the Oslo Accords of 1993 (i.e., the beginning of the peace process) with the current period, until mid-2002.

As the Director of Programs at the WA, I was involved, in conjunction with the Director General, in defining and refining strategy and priorities, in generating financing proposals in field discussions with potential partners, in analyzing the feasibility of project ideas and implementation, in preparing the necessary financing documents and defending the proposals in front of the Executive Committee (and later the Projects Committee) of the Association, and in preparing, later on, summary reports about the 'fitting' of the financed projects within the overall strategy of the Association. In order to meet my responsibilities effectively and efficiently, I was in direct physical contact with the field, conducting an average of three-four field visits of approximately three weeks duration per year. During the first five years, from May 1984 through November 1988, I actually held in the field an average of 175 meetings per year, during which I discussed ideas for developmental interventions with a host of people, reviewed the implementation of projects, and performed general backstopping and 'fire-extinguishing' functions, as necessary.

On the other hand, as a Consultant with the European Commission Representative Office (ECRO), I was responsible for the Commission's activities in the education sector, as a whole, including monitoring, follow-up, assessment of submitted reports, streamlining implementation, and liaising between the ECRO and local implementing agencies in the educational, vocational and technical training, and general institutional sectors. In this capacity, I interacted particularly with the Palestinian ministries of Higher Education, Education,⁴ Labor, and Finance. Additionally, I was responsible, on behalf of the Commission and at the request of the Ministry of Higher Education, for coordinating the production of a 'Rationalization Plan' for the higher education sector.

As I reviewed my very comprehensive field notes (I kept a record of every meeting I held in the field), I discovered many personal reflections and analyses, encompassing the wide scope of 'developmental' interventions: origins and capacities of Palestinian organizations (governmental and non-governmental alike), the ambiguity of certain decisions and rationales for specific interventions, the contradiction be-

⁴ Since that time, the two ministries of Higher Education and Education have been merged.

tween declared objectives and actual results, the very poor streamlining in decision-making between Headquarters and the field office, the illogical and wasteful allocations of funds, the questionable capacity of potential partners to implement projects, the very shallow and sloppy shorthand analysis of the situation on the ground, the frequent utilization of subjective criteria and personal preferences in determining the eligibility of an idea or a partner for potential funding, and, on the whole, the very questionable technical capacity of 'aid-technocrats.' I found this characterization to be true in my field notes, scanning both periods of study - pre- and post-Oslo Accords - and irrespective of the source of 'development' funds, being Palestinian, Arab or foreign. This situation led me to pose more serious questions than those currently being addressed in the public official discourse about the entire process of 'development.' The present work will try to weave through some of these questions in the hope of clarifying them.

The structure of this study will include five chapters. As a theoretical introduction, Chapter I will focus on preliminary analytical excursions in the concepts of 'development,' 'economic aid,' 'political aid,' and 'empowerment,' as they pertain to the Palestinian situation for the last 17 years. Chapter II addresses developmental interventions in Palestine during the pre-Oslo Accords era, focusing primarily on the role of the WA during the period 1984-1992. Chapter III, on the other hand, addresses developmental interventions during the post-Oslo Accords era, focusing primarily on the role of the European Union (EU) during the period 1993-2001 and the impact of direct military reoccupation on people's lives during the first half of 2002. Chapter IV will present a comparison of the two periods of intervention, in terms of selected variables, in order to identify the critical components of the developmental process. The study will conclude, in Chapter V, with specific policy implications for Palestinian decision makers, institutions and the ordinary people, based on a reflection of what happened, or did not happen, and how to break the cycle of un-development and move forward.

A final note: although the subject matter of this study is 'Palestinian development,' the specific focus is the Palestinian Territories, which were militarily occupied by Israel in June 1967 and completely reoccupied by June 2002. For ease of reference only, I use the word 'Palestine' throughout this study. For me, however, the concept of 'Palestine' is not equated with 'Palestinian Territories,' although it encompasses them; it is the historical and geographical entity that has been transformed to become intermingled with Israel, and Israel with it.

Chapter I:

On Development, Economic Aid, Political Aid, Sovereignty, and Empowerment: Preliminary Analytical Excursions

As I reflected on the framework of analysis of what I wanted to say in this book, I found myself drawn beyond the conventional literature on development, aid, donors, and empowerment. I became driven towards reading and rereading literature on (unacceptable) topics, such as hegemony, cultural and economic imperialism, US intervention in different parts of the world in the context of the New World Order and on other (currently somewhat more acceptable) topics, such as globalization and trans-nationalization. The more I read, the more I reflected, the more coherent and firm became the connection between my subject of analysis - Palestinian development in the context of the absence of sovereignty, or the presence of imposed partial sovereignty - and the evolving global processes of trans-nationalization, in which Palestine is forced to take part.

I clustered these concepts together under one heading because all have to be discussed in a connected way in the context of evolving globalization and trans-nationalization. All have to do with how the West relates to the 'other' - the South, the Third World, the periphery, etc. - with the 'other' always being the target of these processes, the receiving end, the so-called 'beneficiaries.' All have to do with power, unevenly distributed. In this evolving historical process of economic and political 'development,' various forms of coercion and persuasion, including military aid, economic aid and political aid, were always used at different levels, separately or combined, in order to produce specific results. In this chapter, I shall try to follow certain analytical paths, with the help of others, relating to these processes and their expected results, in general, and as they pertain specifically to Palestine at this historical juncture.

In the final analysis, I am trying to contribute towards our understanding of the process of 'developmental' intervention over the last two decades in Palestine and to analyze why it is not leading to the

'development' of Palestine, or, more precisely, why it is inherently incapable of 'developing Palestine.'

Globalization and Trans-Nationalization

In its long, protracted struggle to establish itself as an independent, political entity, with a viable society and economy, Palestine finds itself in the phase where the 'developmentalism' of the 1960s, which can be defined "as the promotion of economic growth in poor countries by methods consistent with the expansion of a liberal world economy," has been supplanted by globalization and trans-nationalization.¹ There are two processes going on simultaneously: the globalization of production and the trans-nationalization of capital. Both demand certain prerequisites, and both produce results by which we are directly affected.

"The central dynamic of our epoch is globalization, and the central tendency is the ascendance of transnational capital, which brings with it the trans-nationalization of classes in general. In the long historical view, the nation-state system, and all the frames of reference therein, is in its descentance.

"This internationalization of the state, lagging behind the globalization of production, has involved the emergence of truly supranational institutions. These supranational institutions of the late 20th Century are gradually supplanting national institutions in policy development and global management."²

The process of globalization did not supersede the existing relations of asymmetry and dependency, but rather, altered and redefined them. Further, it redefined the function of the nation-state. As Robinson succinctly put it:

"The function of the nation-state is shifting from the formulation of national policies to the administration of policies formulated by the transnational elite acting through supra-

¹ Cox, Robert W. with Timothy J. Sinclair. *Approaches to World Order*. Cambridge: Cambridge University Press, 1996, p. 362.

² Robinson, William I. *Promoting Polyarchy: Globalization, US Intervention, and Hegemony*. Cambridge: Cambridge University Press, 1996, p. 372.

national institutions. However, hegemony is exercised in these transnational institutions under relations of international asymmetry. These organizations impose their rule on every 'national' society in the context of structural inequality in the world system. The more subordinate each nation-state is in the world system, the less ability it has to resist external impositions. Therefore, the emergent internationalized state plays a dual role: reproduction of the relations of transnational class domination, and reproduction of asymmetries in the world system."³

If the function of the nation-state is being redefined in the context of globalization, then the entire concept of national sovereignty and national interests needs rethinking.

In this rapid evolutionary process of trans-nationalization, there is a de-emphasis on national geographical boundaries and delineations and more emphasis on the unfettered movement and management of transnational capital and the structures that facilitate it. Thus, prominence is given to a new category of technocrats, the 'transnational elite,' which has the potential to traverse traditional national physical boundaries between the North and the South (without blurring these boundaries, however) in order to manage and facilitate the unhindered movement of 'transnational capital.' "Neo-liberal structural adjustment programs sweeping the South," therefore, "seek macroeconomic stability...as an essential requisite for the activity of transnational capital..."⁴

Without superseding the relations of asymmetry and dependency, as mentioned earlier, and without diluting the hegemonic global position of the North, the category of transnational elite is structured around the principle of having 'senior partners' and 'junior partners.' Whereas the "senior partners" in the North are involved in "global decisions and global management," their Southern contingents are involved in "local decisions and the local management of global capital...[they] are agents, in their respective countries and regions, of the interests of hegemonic transnational capital."⁵ Casting this phenomenon in the emerging framework of world order, Robert Cox elaborated on the role

³ *Ibid.*, pp. 373-4.

⁴ *Ibid.*, p. 35.

⁵ *Ibid.*

of the transnational elite in terms of world hegemony and transnational, or supranational organizations, as follows:

"World hegemony can be described as a social structure, an economic structure, and a political structure; and it cannot be simply one of these things but must be all three. World hegemony, furthermore, is expressed in universal norms, institutions, and mechanisms which lay down general rules of behavior for states and for those forces of civil society that act across national boundaries, rules which support the dominant mode of production. ...International organization functions as the process through which the institutions of hegemony and its ideology are developed.

"International institutions perform an ideological role as well. They help define policy guidelines for states and legitimate certain institutions and practices at the national level. They reflect orientations favorable to the dominant social and economic forces.

"Elite talent from peripheral countries is co-opted into international institutions in the manner of transformismo. Individuals from peripheral countries...are condemned to work within the structures of passive revolution. At best they will help transfer elements of 'modernization' to the peripheries but only as these are consistent with the interests of established local powers."⁶

The new transnational 'technocratic' elite is not limited to the formal state structure (the government, or the authority); they are consciously sought out and recruited from the private sector, as well as from the civil society. Even in certain areas of intervention, e.g., 'democracy promotion,' the targeted elite is to be found almost exclusively in civil society organizations, such as political parties, trade unions, the media, etc. It is clear that globalization altered the nature of hegemony within and between countries in terms of the type of interventions necessary and the mechanisms to be used to maintain the global hegemonic control. With the de-emphasis on the role and function of the nation-state, the rise to prominence of civil society institutions and non-governmental organizations (NGOs) became very no-

⁶ Cox, Robert W. with Timothy J. Sinclair. *Approaches to World Order*. Cambridge: Cambridge University Press, 1996, pp.137-9.

ticeable. A recent article in the *Economist*⁷ quoted a 1995 United Nations (UN) report on 'global governance' as suggesting that nearly 29,000 international NGOs existed, and that the number of domestic ones had grown even faster. "By one estimate, there are now two million in America alone, most formed in the last 30 years. In Russia, where almost none existed before the fall of Communism, there are at least 65,000. Dozens are created daily; in Kenya alone, some 240 NGOs are now created every year." The article asserted, further, that as NGOs increase in size, they are "looking more like businesses...now a whole class of them...have taken on corporate trappings [and have become] known collectively as BINGOs...Many big charities have trading arms, registered as companies." As special agents of intervention in the context of globalization, they were characterized thus:

"And whatever big international NGOs do in the developing world, they bring in Western living standards, personnel and purchasing power, which can transform local markets and generate great local resentment. In troubled zones where foreign NGOs flourish, weekends bring a line of smart four-by-fours parked at the best beaches, restaurants and night-clubs. The local beggars do well, but discrepancies between expatriate staff and, say, impoverished local officials trying to do the same work can cause deep antipathy. Not only have NGOs diverted funds away from local governments, they are often seen as directly challenging their sovereignty."⁸

In addition, in this context of the 'polarized structure of a global society,' an important and relevant redefinition of 'core' and 'periphery,' North and South, is taking place. "The North," Cox wrote, "is generating its own internal South; and the South has formed a thin layer of society that is fully integrated into the economic North. The social core and the social periphery cut across national boundaries."⁹ Furthermore, Robinson maintains that

"globalization has redefined both the relationship between Northern and Southern elites and between elites and popular classes in the South...elites in the South, as local contingents

⁷ 27 January 2000.

⁸ Ibid.

⁹ Cox, Robert W. with Timothy J. Sinclair. *Approaches to World Order*. Cambridge: Cambridge University Press, 1996, p. 531.

of the transnational elite, are increasingly concerned with creating the best local conditions for transnational capital within the new North-South international division of labor, in which the South provides cheap labor for the labor-intensive phases of transnational production."¹⁰

The nature of traditional intervention in the South has changed, in the context of globalization and trans-nationalization. In his recent book, *Against Empire*, Michael Parenti described this change thus:

"Rather than being directly colonized by the imperial power, the weaker countries have been granted the trappings of sovereignty while Western finance capital retains control of the lion's share of their profitable resources. This relationship has gone under various names: 'informal empire,' 'colonialism without colonies,' 'neo-colonialism,' and 'neo-imperialism.'...Under neo-imperialism, the flag stays home, while the dollar goes everywhere - frequently assisted by the sword."¹¹

It seems, however, that the 'sword' is being used more easily these days, to maintain and safeguard global hegemony, either directly or by proxy agents. The 'dollar' seems to follow 'everywhere.' This raises a host of questions about 'economic aid,' 'political aid,' and the redefined targets for intervention by the West, within the new context of globalization and trans-nationalization.

Following Robinson's thesis¹² that the 'transnational elite project' has two reciprocal planks - the economic and the political - one can always locate the major areas of intervention in these two spheres, reciprocally feeding each other. To strengthen the interests of hegemonic transnational capital, interventions in the economic sphere are always within the neo-liberal model, which seeks to enhance the conditions for the total mobility of capital and to establish macroeconomic stability. During the Reagan era, US economic policymakers

¹⁰ Robinson, William I. *Promoting Polyarchy: Globalization, US Intervention, and Hegemony*. Cambridge: Cambridge University Press, 1996, p. 374.

¹¹ Parenti, Michael. *Against Empire*. San Francisco: City Lights Books, 1995, p. 15.

¹² Robinson, William I. *Promoting Polyarchy: Globalization, US Intervention, and Hegemony*. Cambridge: Cambridge University Press, 1996, p. 36.

"began developing new ideas, such as humanitarian resource use and an expansion of traditional development aid to incorporate 'institution building.' One member of Reagan's National Security Council noted that 'international aid and humanitarian affairs,' including 'foreign economic and development aid, food aid, humanitarian assistance...and technical assistance of various kinds, are crucial components of political operations in foreign policy...They have a very important psychological-political component.'

"In addition, economic assistance programs in the 1980s and 1990s, both bilateral and multilateral, became *effective precision instruments* in promoting the neo-liberal economic model in the Third World. One analyst has appropriately termed this function of 'economic aid' in the late 20th Century as 'financial low intensity warfare.'¹³

The impact of this 'financial low intensity warfare' on the world has been devastating. The collapse of "Socialist" regimes (the former Soviet Union)

"unleashed a feverish rush to emulate the most extreme versions of new capitalist theory. The euphoria has been challenged rather abruptly more recently. We have been made vividly aware of the socially destructive consequences of the new capitalism, both in its homelands and in its global reach...All over the world, the rich are getting fewer and richer and the poor poorer and more numerous."¹⁴

As the 1992 United Nations Development Program (UNDP) *Human Development Report* showed graphically (using the champagne glass image), 83 percent of the world's wealth is concentrated in the North to the benefit of 20 percent of the world's population living there, while 60 percent of the world's population live in the South, which sustains this wealth and benefits from only six percent of it.¹⁵ Robinson emphasized this impact further:

¹³ Ibid., p. 82.

¹⁴ Cox, Robert W. with Timothy J. Sinclair. *Approaches to World Order*. Cambridge: Cambridge University Press, 1996, pp. 529-30.

¹⁵ UNDP. *Human Development Report 1992*. New York: Oxford University Press, 1992.

"Globalization is producing vacuums at national levels, and simultaneously opening up new international spaces, in which the consumption patterns of the top quintile of humanity...become the standard for generalized emulation and the source of a dramatic rise in global relative deprivation."¹⁶

Third World opinion about Western theses of development expressed broad revulsion. Briefly, it is summarized as follows: the greater the use of Western technology is, and the greater the reliance on financial aid becomes, the deeper the dependency by the Third World on the West becomes, which leads to the absolute impoverishment of the poorest groups and to increasing income disparities within Third World countries. In 1972, Mahbub ul-Haq, a leading Third World economist, expressed this perspective in a speech to the International Development Conference in Washington, DC:

"The developing countries have no choice but to turn inwards, in much the same way as China did 23 years ago, and to adopt a different style of life, seeking a consumption pattern more consistent with their own poverty - pots and pans and bicycles and simple consumption habits - without being seduced by the lifestyles of the rich. This requires a redefinition of economic and social objectives which is of truly staggering proportions, a liquidation of the privileged groups and vested interests... and a redistribution of political and economic power."¹⁷

Nearly 20 years later, Samir Amin maintained in his response to the report of the South Commission, *The Challenge to the South* (1990), that

"there are no signs that the logic of the system is changing. True 'globalized development,' favorable from the viewpoint of the peoples of the periphery, will be possible only when the West itself has evolved in a much more radical way than the best of its social democrat regimes have allowed. Mean-

¹⁶ Robinson, William I. *Promoting Polyarchy: Globalization, US Intervention, and Hegemony*. Cambridge: Cambridge University Press, 1996, p. 343.

¹⁷ As quoted in Cox 1996, p. 398.

while the only possible progressive intervention by the West in the affairs of the Third World is non-intervention."¹⁸

I shall come back to the South Commission's report later in this chapter.

The twin plank of the transnational elite project is the political one. Robinson argues that "polyarchy as a distinct form of elite rule performs the function of legitimating existing inequalities, and does so more effectively than authoritarianism."¹⁹ According to this analysis, which focuses primarily on US foreign policy, 'political aid' became the new tool for American political intervention globally, particularly in the countries of the South. This strategic approach shifted targets "from the state and governmental apparatus...to forces in civil society as a key locus of power and control."²⁰ 'Democracy promotion' is the instrument of this type of political intervention. It represents the shift in the method "through which the core regions of the capitalist world system exercise their domination over peripheral and semi-peripheral regions, from coercive to consensual mechanisms, in the context of emergent transnational configurations."²¹ Hence, "the composition and balance of power in civil society in a given Third World country is now just as important to US and transnational interests as who controls the governments in those countries."²²

To sum up these points: the rapidly all-encompassing context of globalization and trans-nationalization, whose driving force is Western economic, military and political power, led to a change in the nature of traditional intervention by the West in the Third World in terms of its objectives, tools and targets. The reciprocal twin planks of the transnational elite project - the economic and the political - whose primary and ultimate objective is to create the necessary conditions for stable and maximized global production and for the unhindered movement of transnational capital, define principally (albeit camouflaged at times) the scope of intervention, referred to euphemistically and mistakenly as 'developmental.' The main instrument of this intervention is finan-

¹⁸ Amin, Samir. "The Challenge of Globalization: De-linking." In *The South Center, Facing the Challenge*. London: Zed Books, 1993, pp. 132-8.

¹⁹ Robinson, William I. *Promoting Polyarchy: Globalization, US Intervention, and Hegemony*. Cambridge: Cambridge University Press, 1996, p. 51.

²⁰ *Ibid.*, p. 69.

²¹ *Ibid.*, pp. 6-7.

²² *Ibid.*, p. 69.

cial aid. (In our case, this process acquires various labels: 'international community assistance,' 'donors' assistance,' or simply 'aid').

The above discussion has set the analytical ground for explaining the nature of intervention by the West - the North/the Core - in the Third World - the South/the Periphery, and the changing function of economic and political aid as instruments of intervention in the context of globalization and trans-nationalization. In addition, it has highlighted the increasing de-emphasis on the role of the state in the new context and the increasing emphasis on the role of civil society organizations as potentially more effective agents of social control; hence, the special attention being given to interventions in 'democracy promotion.'

Development

I do not intend to dwell, in this section, on the various conceptualizations of 'development,' the various debates which have filled many academic (and not so academic) journals, and whether or not development should be 'bottom-up' or 'top-down,' etc.²³ The issue for me is simple. I subscribe to the notion that development is a comprehensive and continuous process whose primary concern, essence and agent is people, and which is indigenously generated and sustained. The main challenge then becomes, what are the requirements and dimensions that need to be present to ensure such development in the context of globalization, where people in the South (like us - the Palestinians) are not in the decision-making position? This is my '*problematique*' and constant preoccupation. This is what I hope to address in this section and in the rest of the book.

Invariably, empirically-based and experientially-founded discussions on Western intervention in the Third World, under the rubric of 'development,' can never escape the raising of the issues of empowerment, choice, targeting, priority-setting, choice, generalization of benefits, etc. The question ceases to be which concept is more academically accepted or more potentially generalizable and instead becomes, are the results of the intervention benefiting the actual people in the 'intervened' country, which segments, if any, are benefiting, and for how long, etc., and, if the so-called 'beneficiaries' are *not* benefiting from the intervention, then why not?

²³ See, for example, Van Nieuwenhuijze, C.A.O. *The Many Faces of Development*. Leiden, The Netherlands: E.J. Brill, 1987.

In their book published nearly 20 years ago, *Managing Development in the Third World*, Coralie Bryant and Louise White wrote

"Much of the debate [on development] springs from differing perceptions about how and under what circumstances a nation can increase its rate and direction of change. These issues in turn are rooted in deeper concerns over why people behave as they do and what are appropriate and feasible goals towards which change might be directed... Underlying these queries are the issues of power and choice - who is to decide the direction and nature of change."²⁴

"We propose that development means increasing the capacity of people to influence their future."²⁵

The implications of people having the capacity to "influence their future" mean that people should have the *capacity* to decide and plan to make the necessary change; there should be *equity* in the distribution of the benefits of the change; and people should be *empowered* to reap the benefits and to ensure that at the end of the day, there is *continuity and sustainability*.

After spending half of his professional life in Africa working with farmers and farm organizations, Pierre Pradervan (a Swiss) concluded in his book, *Listening to Africa*,

"For me 'meaningful' development implies the ability of the members of a community to relate creatively to themselves, their neighbors, their environment, and the world at large, so that each one might express his maximum potential. Such development, then, has a lot to do with the distribution of power and of resources - who gets what, how, and why. It is, basically, a process of empowerment."²⁶

In their discussions with Pradervan, African peasant leaders were quick to remark that what passes for 'development' is really 'Westernization.'

²⁴ Bryant, Coralie and White, Louise. *Managing Development in the Third World*. Boulder, Colorado: Westview Press, 1982, p. 5.

²⁵ *Ibid.*, p. 14.

²⁶ Pradervan, Pierre. *Listening to Africa: Developing Africa from the Grassroots*. New York: Praeger, 1989, p. xvii (emphasis added).

Pradervan was told many things that pertain directly to our discussion. 'Efficiency' for a foreign aid agency, for example, may necessitate a 'project' to be finished in a given period of time, but for the peasant group in question, "the learning process of working together and planning is as important or perhaps more important than respecting a timetable..." Furthermore, Pradervan was told by

"a European development expert who married into a Senegalese peasant family and is now a village farmer... 'One can find money for anything, but the projects are often badly prepared. Nevertheless, innumerable such projects will be implemented because villages do not want to say no to a project from which one always hopes to get something, even if it's only a few tools.'"²⁷

In 1990, the South Commission produced a report by an expert team, titled *Challenge to the South*. Three years later, the South Center published a response.²⁸ The publication included an overview and summary of *Challenge to the South* and responses from 28 experts, mostly from the South. The report diagnosed the impact of 'developmental intervention' in the South, as follows:

"With a few exceptions, post-1945 economic growth in the South did not lead to an adequate transformation and increased flexibility in economic structures, or to greater equity and social cohesion. It led more generally to greater inequalities, unplanned and usually chaotic urbanization, to the coexistence of small enclaves of modern industry and large semi-traditional sectors, continued rigidity in trade patterns, increased import demand combined with lagging export capacity, and much environmental damage. Most countries also failed to raise the social and economic status of women.

"Scientific and technological dependence on the North became more pronounced since there was insufficient recognition of the role of science and technology in development and inadequate spending on research and development. The

²⁷ Ibid., p. 188.

²⁸ The South Center. *Facing the Challenge: Responses to the Report of the South Commission*. London and New Jersey: Zed Books (in association with South Center), 1993.

result was heightened vulnerability to external shocks. A lack of emphasis on self-reliance in many cases led to the ultimate unsustainability of the growth process.

"Over-centralization in administration and planning was responsible for delays in decision-making and for inefficient management of public enterprises, and inhibited popular participation in development. Lack of democracy, corruption, and militarization further eroded the economic and political bases for development."²⁹

Against this dismal background, and the negative impacting of the intervention process on the African people, the report summarized the type of vision it has for the South:

"Our vision is for the South to achieve a people-centered development: a form of development that is self-reliant, equitable, participatory and sustainable. We envisage a process of development achieved through the active participation of the people, in their own interests as they see them, relying primarily on their own resources, and carried out under their own control.

"The objective should be not only to secure economic growth but also to ensure that it benefits the mass of the people. Development must be conceived of as a process which enables human beings to realize their potential, build self-confidence and lead lives of dignity and fulfillment."³⁰

This is the type of vision for Palestinian development that I am espousing in this book. To work towards achieving this vision, however, we need to analyze the key components, i.e., development that is 'self-reliant,' 'equitable,' 'participatory,' and 'sustainable,' in terms of their prerequisites. Furthermore, we are forced to raise difficult yet crucial questions: Why did this type of development not happen in Palestine in the pre-Oslo period? What are the necessary and sufficient ingredients for it to happen? Why were they not available?

Is the intervention of the 'donor community' since 1993 leading to this type of Palestinian development? Are we any closer to experiencing a

²⁹ Ibid., pp. 6-7.

³⁰ Ibid., pp. 9-10.

process of development that is self-reliant, equitable, participatory and sustainable? If not, why not? Is it at all possible in the current Palestinian military, political, economic and social context? What are the critical national and global dimensions required for this process to be pointed in the right direction? If this is not possible, should we not reassess the entire process? Or, perhaps, alter the dominant 'developmental discourse' and insist on replacing it?

The Case of Palestine

I shall describe and analyze the scope of 'developmental interventions' since 1993 and their impact on Palestinian society at this historical juncture. *De facto*, Palestine is part of the sweeping globalization and trans-nationalization, not necessarily by choice, and irrespective of whether it is a sovereign political state or a semiautonomous national authority under a continuous threat of oscillating and escalating military occupation and repression. Actually, one can argue that specifically because of this status, granted by international consensus, in the context of the Oslo Accords, and accepted by the Palestine Liberation Organization (PLO) on behalf of the Palestinian people, Palestine opened itself up for internationally sanctioned 'interventions' in 1993, for the overall purpose of achieving stability and security in the region, under the code name of 'developing Palestine.'

The 'international community' committed, for the period 1994 until mid-2001, a total of US\$5.162 billion for Palestinian 'reconstruction and development.'³¹ Nearly 40 percent was earmarked for 'infrastructure and natural resources management' (i.e., energy, environment, housing, infrastructure, solid waste, telecommunications, transportation, and water and sanitation); about 12 percent for the 'productive sector development' (i.e., agriculture, industrial development, private sector, productive sector development, and tourism and cultural resources); about 24 percent for 'human resources and social development' (i.e., children and youth, detainees/returnees, education, health, humanitarian aid, women, and human and social development); and about 20 percent for 'institutional capacity building' (i.e., police, institution building, legal affairs, and democracy development). Slightly over 87 percent of all 'donor assistance' went to the following five categories (in descending order): public investment, technical assis-

³¹ All data about actual intervention were culled from MOPIC's *2001 First and Second Quarterly Monitoring Report of Donors' Assistance*, June 30, 2001.

tance, budgetary assistance, equipment, and various. About 92 percent of all assistance was directed to the government apparatus, the Palestinian Authority (PA) and the rest to civil society organizations. Furthermore, about 90 percent of all assistance came from the West, or countries of the North.

Dis-aggregation of the data provided in Ministry of Planning and International Cooperation (MOPIC) reports is revealing and shows discrepancies in the direction of intervention, which will require explanation. Upon examining the indicative figures and percentages, it is clear that the lion's share of the financial commitments went to the infrastructure and natural resources management category. Within it, however, hardly any commitment (one percent or less for each) was made for the sectors of telecommunications, environment, and solid waste, and very little commitment (five percent for each) for the sectors of energy, housing, and transportation. On the other hand, the bulk went to water and sanitation and infrastructure. Concerning the human resources and social development category, which received the second highest level of commitments, hardly any commitment (one percent or less for each) was made for the sectors of children and youth, women, and detainees/returnees, whereas half the commitments were made for the sectors of education and health. Concerning the third highest recipient category (institutional capacity building), one notices more commitments were directed towards democracy development than were directed to the police or legal affairs. About two-thirds went to the sector of institution building. The fourth lowest category, in terms of the level of commitments, was productive sector development. Within it, however, very low commitments were directed towards the private sector and agriculture.

To complete the picture, one needs to go beyond the indicative figures to examine the areas of specific interventions and then pose analytical questions such as, who does the targeting for the intervention, why were these specific areas intervened in, at the expense of others, and for what purpose?

Technical Assistance

To start with, it must be mentioned that, by and large, the provision of 'technical assistance' constitutes a part of any intervention, most often regardless of the nature of the intervention. The proportion allocated for technical assistance has remained constant since 1994, at around 20 percent of all disbursements. Likewise, most interventions include

the provision of 'equipment,' whose proportion of allocations since 1994 is put at nine percent. The capital involved in both provisions benefits, almost exclusively, national and transnational enterprises connected to the source of aid given.

I am not arguing here against the provision of technical assistance, if and when it is needed to impart knowledge, basic skills and experience, which, for a number of reasons could not be and were not developed in Palestinian society. The main areas where critical knowledge, skills and experience are completely lacking or deficient are areas connected to the establishing of new state structures and institutions, which the Palestinians were not allowed to have, such as an airport, seaport, national tax administration, national statistical system, etc. Genuine developmental intervention through the provision of lacking technical expertise in these areas, however, would have ensured that the missing new skills were imparted, while being simultaneously institutionalized and sustained in the society, to minimize dependency. Thus, genuine and sustainable developmental intervention, in this case, would entail a medium to long-term commitment to establishing programs that are capable of imparting this knowledge and training for these skills, while for the immediate term, it would utilize the approach of 'coupling' between Palestinian and 'international' expertise, as a matter of course in every intervention. Overall, if such interventions really intend to effect Palestinian development, they should target squarely the issue of human resource development, in its most comprehensive form, by supporting the establishment of academic and scientific training programs, vocational training programs, research, opportunities for experiential knowledge, etc. This is rarely done. Why not? Two factors are at work here, one of which is national and the other transnational.

To my knowledge, the insistence on the provision of technical assistance in most areas of intervention came from the source of financial aid itself -euphemistically called the 'donor.' In one particular intervention involving the Palestinian Central Bureau of Statistics (PCBS), with which I am very familiar, where the management of the institution identified a need for certain special skills, the European Community (EC) agreed to assist in "enhancing the capacity" of the PCBS, but insisted in the financing agreement that slightly more than one half of the allocated budget for that intervention would be earmarked for the provision of "European" (wrongly referred to as "international") technical assistants. In another case involving research and strategic planning for East Jerusalem, and with which I am also very familiar, al-

though most of the work could be done - and was done - by Palestinian experts, the EC insisted in the financing agreement that slightly more than one half of the allocated budget for that intervention would be earmarked for the provision of European technical assistants.

These transnational aid technocrats are drawn from 'electronically transparent' pools of experts (on the public internet), or through bidding, for which consulting companies or consortia of companies, registered under the laws of the country or body that is providing the aid (EU, US, Japan, etc.), are eligible. They are ready to 'intervene' anywhere in the world, for their very lucrative self-interest, and under the banners of their respective countries, without necessarily having ever reflected on the nature of development or any of the issues raised in this section so far. They constitute a category that I have labeled previously the 'New Mercenaries'.³²

"Notwithstanding minor individual variations...the New Mercenaries reveal no genuine commitment to the national ideals and aspirations of the people with whom they are supposed to work. When challenged, they express commitment to blurry and undefined 'liberal' and 'advanced' ideals, couched often in the context of modernity, progress, anti-corruption, transparency, the primacy and importance of civil society, democratization, the rule of law, good governance, good practice, efficiency, competence, productivity, quality, etc. Repeatedly, on the other hand, they show disgust towards what they perceive as [the] incompetence, unreliability, laziness, dishonesty, etc., of the native population and authorities, who generally constitute their targets. Whereas their interaction with the physical space and geography of the target country is positive, their interaction with their human targets reveals a high level of paternalism, condescension, arrogance and non-candor. To protect their often-unjustified position of privilege (material and professional), they rarely reveal their true intentions and agendas to their human targets, and they become masters at camouflaging their roles. They, in a way, are the antithesis of what they proclaim."

³² Nakhleh, Khalil. "The New Mercenaries: Consolidation of an Ancient Model." Paper presented at Birzeit University, January 2001. (Unpublished.)

The New Mercenaries are not, and can never be, agents of genuine development. They are the transnational elite, the aid technocrats, who are injected in every intervention to ensure the effective management of transnational capital.

Concerning the national dimension factor, in my view, the reason for undermining the potential developmental impact of technical assistance lies in the fact that we rarely know what to expect from any intervention involving technical assistance. Consequently, not knowing, or not doing our homework, puts us in the vulnerable position of not being able to identify the area where expertise is most sorely needed and not being able to negotiate at par what is best for our national 'developmental' interest. This is exactly like going to an office furniture maker with a request for a 'general' desk without specifying the style, materials to be used, dimensions, purpose of use, etc. Such a request will certainly provide one with an 'externally designed' desk that may or may not meet the specific need. A basic difference here is that the one who is designing 'our' desk is also paying for it. This approach puts the development of our society in a very vulnerable and uncertain state.

Human Resources and Social Development

As indicated earlier, the main targets for intervention in this general area, based on the volume of financial commitments, have been the education and health sectors. On the other hand, the sectors with the least commitments are children and youth, and women. How do we explain this discrepancy? And how was targeting done in this case?

The national dimension factor is largely responsible for targeting the current pattern of interventions and allocations in this area, i.e., large allocations for education and health and low allocations for children, youth and women. The bulk of commitments in education were directed, early on, to paying the salaries of teachers in elementary, secondary, and post-secondary institutions - an indirect form of budget support. Currently, the bulk of commitments go to the construction and rehabilitation of schools. Likewise in health, the bulk of commitments are directed towards the construction of primary and secondary health facilities, in addition to the provision of equipment and ambulances. This type of intervention is safe, visible, predictable, and with already established and tested detailed procedures. It responds clearly to obvious and continuous need, due, on the one hand, to the high rate of natural increase of the Palestinian population, and, on the

other, to the ongoing process of destruction and decimation by Israeli occupying forces. In terms of need for basic schools, for example, it is estimated that, at the current net annual input rate (in excess of six percent), there is a need for approximately 40-50 new schools, with a capacity of 700-800 pupils, annually. To accommodate natural increase, the transfer from other schools (both private schools and those belonging to the United Nations Relief and Works Agency for Palestine Refugees in the Near East - UNRWA), and including potential returnees, it is estimated that the general educational system will need 8,400 new classrooms in 2005.³³ It must be pointed out, however, that this estimate was made prior to the current onslaught of destruction by the Israeli military.

Intervention in these two areas (education and health) is considered a high priority by the PA and "rated by the general public as the most important areas for future donor assistance"³⁴ whilst being very agreeable to aid agencies. However, the essence of this intervention is not human resource development, nor is the intervention sustainable. It is basically an emergency response - albeit one that is very much needed - whose implementation can easily be controlled technically through the utilization of the New Mercenaries.

In order to generate a process of development that is 'self-reliant,' 'equitable,' 'participatory,' and 'sustainable,' major discrepancies in the intervention pattern in this area of 'human resources and social development' have to be rectified. For example, there is no serious intervention in the sectors of higher education and scientific research, or children and youth and women. In other words, the areas that possess the necessary potential in terms of producing, on the one hand, Palestinian human resources with advanced academic and scientific training, considered imperative for enhancing intellectual and technological capabilities, the generation of knowledge, and economic advancement of the society and its capacity to compete globally, and, on the other, the areas that possess the components of ensuring progressive, democratic and participatory Palestinian society, are ignored.

Rhetoric and official discourse aside, neither Palestinian 'priority-setters' nor international aid agencies and sources have shown any seri-

³³ PA, Ministry of Education. *Five-Year Plan for General Education in Palestine 2001-2005*. January 2001.

³⁴ The World Bank and the Government of Japan. *Aid Effectiveness in the West Bank and Gaza*. Jerusalem, June 2000.

ous interest in directing interventions towards these areas, in spite of the claim of some researchers dealing with gender issues that "elites are beginning to recognize the practical benefits of gender awareness and of increased attention to women's work and women's lives."³⁵ In an attempt to contribute to the ongoing debate "on how to develop strategies, policies and practices to build a democratic Palestinian society..." the Women's Studies Program at Birzeit University issued a publication with the title *Gender and Development*.³⁶ In her commentary on the two papers presented in this publication Eileen Kuttab stated

"As Palestinians with no sovereign state and with a dominant ideology being a combination of feudal patriarchy and deformed capitalism, women's access to power becomes questionable. At no stage of the formulation and implementation of national development plans for Palestine were women's interests taken into consideration; no development plan as yet has gender equality as a central objective. Although there are strong indicators that several aspects of the economic crisis could be confronted more successfully if women were an integral part of the solution, it is difficult to advance this debate in the current Palestinian context, where limited Palestinian authority, highly constrained by Israeli power and international imperatives, has itself little ability to defend the interests of the population, let alone the interests of women."³⁷

However valid and real - more so now than in 1995 - these external constraints are, the fact remains that there is no Palestinian developmental vision that takes "gender equality as a central objective."

In the same publication, Rita Giacaman's commentary focused on the role of aid development agencies. "We find," she wrote

³⁵ Moghadam, Valentine M. "WID, WAD, GAD: Integration of Women, Women's Concerns and Gender Issues in the Development Process." In Birzeit University, *Gender and Development*, 1995, p. 25.

³⁶ Birzeit University, Women's Studies Program. *Gender and Development*. Gender and Society Working Paper No. 3. Birzeit, Palestine: Birzeit University Press, 1995.

³⁷ Kuttab, Eileen. "Fixed Paradigms, Changing Realities." In *Gender and Development*. Gender and Society Working Paper No. 3. Birzeit, Palestine: Birzeit University Press, 1995, p. 51.

"that 'gender consciousness raising' suddenly became the main strategy aimed at liberating poor peasant women, urban women, women in politics and women from different classes...In the current approach of these programs, the focus is on changing women, rather than understanding and changing the context within which women can change...[There is] de-politicization and de-contextualization of issues...As a result of this de-politicization and de-contextualization of issues, donor-led programs to 'sensitize poor rural women' were launched, without awareness of the futility of raising this consciousness out of context, and also without allowing women the means through which to exercise this consciousness for their own benefit."³⁸

Institutional Capacity Building

The main target for current intervention in this area is focusing on preventing the actual financial collapse of the public sector. This involves direct budgetary support to cover the salaries of public sector employees, thus bridging an estimated monthly deficit of approximately US\$70 million. The priorities of the PA and those of the aid agencies converge here: on the one hand, the survival of the PA, and, on the other, stability in the region.

The puzzling thing, though, is the very low level of attention given to the legal affairs sector, if we consider the fact that the Palestinian judicial system is in complete shambles, on the one hand, and that the most often reiterated stanza by aid agencies is the "rule of law" and "good governance." How is this reconciled? It is clear that developing a strong, honest and confidence-generating Palestinian judicial system requires a high and sustained level of intervention, both financial and technical, at the different layers of the system, i.e., construction of courthouses, professionally appointed and independent legal personnel, training, etc. Why isn't this being done? Notwithstanding recurrent official Palestinian *clichés* about the 'rule of law' and 'citizens' rights,' etc., there is no evidence that a strong and independent judicial system is a real Palestinian priority. The Palestinian Independent Commission for Citizens' Rights concluded, in its *Fifth Annual Report*

³⁸ Giacaman, Rita. "International Aid, Women's Interests, and the De-politicization of Women." In *Gender and Development*. Gender and Society Working Paper No. 3. Birzeit, Palestine: Birzeit University Press, 1995, p. 57.

“There occurred no tangible improvement in the situation of citizens’ rights during the year 1999. In general, the rule of law remains weak. No serious steps were taken to establish a separation of governmental powers, and hence the Executive Branch continues to dominate state functions. This domination of the Executive affected the situation of citizens’ rights and freedoms, as evidenced in curtailments and violations occurring throughout the year. Although there has been improvement in some areas of citizens’ rights in comparison with past years, there has been delay and retreat in other areas. Hence, the situation remains as is. If there were signs of progress they were attributable first and foremost to the actions of particular individuals and not to the consolidation of institutions upon a strong foundation of constitutional, legal, and administrative reforms.”³⁹

Furthermore, in spite of the numerous reiterations by aid agencies about the absolute importance of a viable Palestinian rule of law system, one must conclude that their concern in this matter remains largely at the level of declarations. If transnational aid is being committed for Palestine in the context of the peace process, for the primary objective of maintaining stability in the region, then there is a clear difference between helping the PA to become the strong and indisputable authority in charge, and assisting in developing a vibrantly democratic Palestinian society, under a credible and independent ceiling of the rule of law. The former, rather than the latter, seems to be the order of the day.

The pattern of intervention in ‘democracy promotion’ is revealing. Nearly one-half of the commitments for these activities were made over the last four years, since 1998, and about three-fourths of that was committed by the US. Most of the activities supported involved the provision of technical assistance to allow the Palestinian side to benefit by establishing a representative governance process. The foci of these interventions were: the Palestine Legislative Council (PLC), the Executive Authority, local government, the management of the electoral process, etc. Additionally, actual interventions targeted human rights

³⁹ The Palestinian Independent Commission for Citizens’ Rights (PICCR). *Fifth Annual Report: The Status of Palestinian Citizens’ Rights, 1 January 1999-31 December 1999*. Ramallah: PICCR, p. xi.

organizations, democracy and media, 'peace education,' research and democracy, public awareness, etc.⁴⁰

Infrastructure and Natural Resources Management

Nearly one-half of total financial commitments were allocated to this area, targeting primarily two sectors, labeled 'infrastructure' and 'water and sanitation.' In this area, sectors like environment, telecommunications, solid waste, energy, housing, and transportation, were either totally neglected, or else received low allocations. The lion's share, in terms of the volume of commitments, was earmarked for immediate, short-term 'employment generation' activities, municipal and rural support programs, which included the construction of roads and other physical facilities, sewage treatment and networks for sewage and water, water supply, equipment, etc., and other construction and equipping projects, e.g., the airport.

One explanation for this uneven pattern of intervention lies in the ease or difficulty of implementation, as perceived by those giving the aid, under the context of the Oslo Accords, which, in a way, provided the key for international intervention in Palestine. Since the status of the Palestinian Areas, within this framework, is determined by whether a specific location is situated in Area A, under exclusive Palestinian jurisdiction (initially and prior to the current onslaught), Area B, under mixed Palestinian and Israeli jurisdiction, or Area C, under exclusive Israeli jurisdiction, the implementation of certain projects, which must cut across these imaginary lines, e.g., water and sewage networks, sewage treatment plants, solid waste dumps, etc., depends on the prior approval of the Israeli side, which was not always forthcoming, being obtained. This situation often discouraged aid agencies from committing funds to these uncertain activities, in spite of the high priority given to them by the Palestinian side. In reality, aid agencies were never willing to challenge Israel's dominance in the Occupied Territories. Areas requiring critical intervention, from a Palestinian developmental perspective, were completely ignored by the agencies because of the pretext that they were in Area C, e.g., the Jordan Val-

⁴⁰ I discussed this issue in Nakhleh, Khalil. "Development of Democratization in a Non-Sovereign Context: Palestine." Paper presented at University of Tampere, Finland, in a colloquium on "Transition to Democracy in the Middle East," 11-14 October 2001. (Unpublished.)

ley, despite their being urged to intervene by the Palestinian side.⁴¹ For a project to be located in Area C became the *prima facie* reason for not funding it.

This is only part of the explanation. The other part has to do with the heading of this category of interventions, namely, 'Natural Resources Management.' Basically, strategic natural resources, mainly water, land and physical environment, are not under the control of the PA, and, therefore, the Authority is not the final decision maker regarding the control and management of these resources. Consequently, it takes the easy way out, by either not prioritizing such interventions, or, if they are prioritized, not pushing and insisting that aid agencies intervene. On another level, preserving, safeguarding, and sustaining a clean and healthy environment has not been shown to be a top Palestinian priority.

It is fair to conclude that currently, at least, Palestinian decision makers are not concerned with the process that may effect genuine comprehensive development, as it has been delineated above, in Palestinian society. The top priority is focused on surgical and immediate interventions that respond to 'burning issues;' it is a 'fire-extinguishing' approach, i.e., budget support to cover public sector salaries, the construction of new schools, clinics and hospitals, the construction of new roads and the rehabilitation of destroyed ones, the construction of sewage networks, the drilling of water wells and the construction of water supply networks, the instituting of the 'formal trappings of a state,' such as an airport, seaport, 'security services,' etc. In the context of globalization and trans-nationalization, discussed above, this Palestinian agenda also meets a positive response from the agenda of transnational aid agencies. Stability in the region, the creation of conducive conditions for globalized production, and the mobility of transnational capital are the primary objectives and concern of these interventions, not genuine Palestinian development.

⁴¹ Refer, for example, to the discussion held during the Center for Palestinian Research and Studies (CPRS) Seminar, on "Physical Infrastructure in Zone C," held at the Ramallah Chamber of Commerce on 10 August 1999.

Chapter II:

Developmental Interventions: Pre-Oslo Accords of 1993

1. General: External Initiatives¹

The focus of this chapter will be the period 1978-1992, with a special emphasis on the role of the WA in 'developmental interventions' during the period 1984-1992. I shall argue in this discussion that there was a discernable shift in the strategic objective of the interventions, initiated especially by Palestinian/Arab/Islamic aid agencies, from enhancing and strengthening 'steadfastness,' or *sumud*, (roughly 1978-1988), to interventions responding to the emergency needs of the Palestinian population during, roughly, the first two to three years of the Intifada (1988-1990), to interventions aiming at setting up the institutions of the expected state, foreseen to culminate from the peace process, which started rolling in 1988 with the Palestinian National Council (PNC) resolution, but which characterized the last two years of the period under discussion.

The major aid sources responsible for 'developmental interventions' during this period may be clustered, for our purposes, into two main clusters: (1) Palestinian/Arab/Islamic aid sources, and (2) non-Arab multilateral and bilateral aid sources. The first cluster included six main sources: The Jordanian-Palestinian Joint Committee (JC), operated from Amman; The Arab Fund for Economic and Social Development (AF), operated from Kuwait; The Islamic Development Bank (IDB), operated from Jeddah, The OPEC Fund for International Development (OF), operated from Vienna, The Arab Gulf Program for United Nations Development Organizations (AGFUND), operated from Riyadh, and the

¹ This section relies heavily on three sources, which I published previously: an article on "Non-Governmental Organizations and Palestine: The Politics of Money." *Journal of Refugee Studies*, vol. 2, no.1, 1989, pp. 113-124; a book titled *Indigenous Organizations in Palestine: Towards a Purposeful Societal Development*. Jerusalem: Arab Thought Forum, 1991; and an article on "Politico-Development Aid and Empowerment: The Case of Palestine." In *Refugees in the Middle East, With Special Focus on the Palestinian Refugee Situation*. Oslo: Norwegian Refugee Council, Report 2, 1993, pp. 24-29.

WA, operated from Geneva, then Jerusalem. The second cluster included mainly some UN agencies, namely, the UNDP, the European Commission, some EU Member States, and the United States Agency for International Development (USAID).

It is estimated that the five Palestinian/Arab/Islamic aid sources poured into Palestine, for the period 1977-1992, a total of approximately US\$564 million. Of the five, only two, namely the JC and the WA, were created for the specific purpose of advancing aid for Palestine. The other three, which are basically regional funds, became involved in Palestinian 'development' at different times, responding to different objectives, and with varying degrees of involvement. The objective for all, however, was, by and large, to assist Palestinians under occupation to remain 'steadfast' on their land.

The JC was established officially by Arab states at the Baghdad Conference in 1978 in the wake of the (first) Camp David Accords, which culminated in a peace treaty between Egypt and Israel. The funds were Arab, whose source was pledges made by Arab states opposed to the peace treaty between Egypt and Israel and the entire Camp David approach to the Arab-Israeli conflict. It was assumed that through 'targeted' political aid, Palestinians in the West Bank and Gaza Strip (WBGS) would remain in the Occupied Territories; they would safeguard their lands from confiscation and expropriation by having the necessary funds to construct their homes; they would develop their agricultural and industrial base to increase production and the potential of economic independence; and they would resist occupation by strengthening their indigenous organizational base, and sustaining their local government institutions. An entire bureaucratic structure was established, in Amman, for that purpose, under the charge of a newly devised 'Jordanian Ministry of The Occupied Territories';

During a period of seven years, 1979-1986, the JC committed and disbursed slightly over US\$417 million. According to the JC's official reports,² the commitments were allocated as follows: 27 percent to sustain educational institutions, 16 percent for private housing schemes, 12 percent for agriculture and industry, 11 percent for municipalities and village councils, ten percent for water and electricity, nine percent for social welfare, and the rest for miscellaneous interventions. Earlier, I had assessed the impact of JC funds, which came to be dubbed sar-

² J.P.C. *Basic Statistical Indicators About Occupied Palestine*. Amman, Jordan: Data Bank Publication, No.1, 1988, p. 51.

castically as 'Amwal As-Sumud' (Steadfastness Funds), in the following manner

"...failed to achieve any recognizable level of empowerment, in part because 'the entire process was subverted to factional political, social and personal considerations on the decision-making level, which caused this process to lose local credibility and public solidarity and support.' It is clear, further, that appeasement, acquiescence and political loyalty, rather than empowerment, were the often-not-so hidden agenda of such aid. Thus, at the outburst of the popular uprising (Intifada) at the end of 1987, no solid infrastructure was in place ready to sustain the needed economic, social and educational developmental innovations, in spite of the injection of these funds."³

In addition to the JC, there were three regional Arab funds in this cluster: the AF, the IDB, and the OF. The present discussion will focus briefly on the roles of the AF and IDB only, since the role of the WA will be dealt with at length later in this chapter. As to the OF, its role was miniscule, which is why it has been ignored in this discussion.

The AF committed a very small portion of its budget (approximately US\$42 million) to Palestine following lengthy deliberations and built-in resistance. Of these commitments, about 37 percent went to medical and educational equipment and the construction of physical facilities, 35 percent to agricultural infrastructure, six percent to physical infrastructure, and about five percent to credit extension for productive projects. The innovation in the AF's involvement, however, was earmarking nearly 15 percent of its total allocations to 'endowments,' for nine major Palestinian charitable organizations (e.g., In'ash Al-Ussrah Society), to assist them in ensuring steady support for their recurrent costs.⁴

Two important remarks should be made about the AF's pattern of involvement. As a quasi-governmental institution, the Fund's policy required that, to be eligible for financing, any organization, group or

³ Nakhleh, Khalil. *Indigenous Organizations in Palestine: Towards a Purposeful Societal Development*. Jerusalem: Arab Thought Forum, 1991, pp. 55-6, and Nakhleh, Khalil. "Politico-Development Aid and Empowerment: The Case of Palestine." In *Refugees in the Middle East, Nordic NGO Seminar, Report 2*. Oslo: Norwegian Refugee Council, 1993, p. 26.

⁴ Miscellaneous AF Reports.

committee should have been formally registered with the official authorities, i.e., either the Israeli occupation authorities or the Jordanian authorities, at a time when most needy indigenous grassroots organizations were not permitted to exist formally in the first place. The second point to note is the Fund's insistence on financing primarily capital investment. During this period, except for the notable exception of the 'endowment scheme,' the Fund's selection criteria revealed total reluctance - and abhorrence at times - in relation to the financing of recurrent costs, for which all indigenous organizations were in dire need.

Like the AF, the IDB is a regional financing institution for Muslim states. The IDB started allocating funds to the Occupied Territories in 1976. Between 1976 and 1992, it allocated approximately US\$42 million, mainly for the construction of elementary schools and the purchasing of medical and educational equipment.⁵ The IDB intervened solely in capital investment projects. Its criteria were mechanical, bureaucratic and remotely connected to empowering the Palestinian communities under occupation. Since the object of the aid was narrowly 'political,' the IDB needed to show its member states that some of their money was being used to help the Palestinians confront the Israeli occupation. However, like the AF, it responded to the wishes of its funding 'primus' (Saudi Arabia and Kuwait) by freezing its financial commitments to Palestine with the outbreak of the Gulf War.

Regarding the second cluster of aid sources, I shall limit my discussion to the 'developmental interventions' of the US. The US political aid started pouring into the Occupied Territories in the wake of the Camp David summit, which presented a 'Framework for Peace in the Middle East,' on 17 September 1978, and which was concluded with a peace treaty between Egypt and Israel as a model of how the Palestinian-Israeli conflict could be settled. On 29 September of that same year, Cyrus Vance told the UN General Assembly:

"No peace agreement will be either just or secure if it does not resolve the problem of the Palestinians in the broadest sense. We believe that the Palestinian people must be assured that they and their descendants can live with dignity and freedom, and have the opportunity for economic fulfillment and for political expression... We are determined to achieve a fair and just settlement of the Middle East ques-

⁵ Miscellaneous IDB Reports.

tion in all its parts, and we hope the Palestinian people will seize this historic opportunity."⁶

The 'Palestine formula' of the Camp David Framework was based on two elements of direct bearing to our discussion: (1) Egypt and Jordan to negotiate on behalf of the Palestinians, and (2) an emphasis on immediate intervention to improve the social and economic 'quality of life' for the Palestinians in the Occupied Territories.

Until 1987, USAID money was channeled through five American private voluntary organizations (PVOs). The US Government disbursed through these PVOs, during 1975-1987, nearly US\$77 million. With the announcement of the 'Jordanian Development Plan' in 1987, which 'coincided' with the first Palestinian Intifada, the pattern of disbursement of US aid funds shifted in favor of the Plan.

The emphasis on US financial intervention to improve the 'quality of life' for the Palestinians under occupation was reiterated by former Undersecretary of State Lawrence Eagleburger:

"I cannot speak to you today about the Palestinian problem without mentioning the Palestinians of the West Bank and Gaza. Their well-being and desire for a greater voice in determining their own destiny must be another issue of moral concern for us, even as we continue to seek a negotiated solution to the status of the Occupied Territories. If the acceptance by the Palestinians of the West Bank and Gaza of a peaceful future is to be nurtured, they must be given a stake in that future by greater opportunities for economic development, fairer administrative practices and greater concern for the quality of their life."⁷

In the meantime, a redefinition of the US aid intervention in the Occupied Territories connected support for new projects with the goal of building "the socioeconomic underpinnings necessary to preserve peace."⁸ At the beginning of the first Intifada (1987), the US Depart-

⁶ UN Document A/33/PV.14, as quoted in Sayegh, Fayeze. *Camp David and Palestine*. New York: The Fayeze A. Sayegh Foundation, 1982, p. 5.

⁷ As quoted in Nakhleh, Khalil, "Non-Governmental Organizations and Palestine: The Politics of Money." In *Journal of Refugee Studies*, vol. 2, no.1, 1989, p. 118.

⁸ Ibid.

ment of State circulated a '*Strategy Statement*,' in which it delineated the strategic objectives of American aid to the WBGs. "The *Strategy Statement*," it was stated, "is the product of considerable collaboration among Tel Aviv, Jerusalem, AID [the Agency for International Development], and the Department of State, and the program goals ... [and] represents a happy congruence of objectives that have as their outcome greater economic and social latitude for the Palestinian people and a higher standard of living."⁹

It is clear that the objective of American intervention during this period had nothing to do with the development of Palestinian society and was, instead, to make Palestinian daily life under occupation more palatable so that Palestinians would accept a US-led negotiated solution. Furthermore, it is equally clear that interventions by Arab and Islamic regional sources, notwithstanding the declared official objective of 'steadfastness,' were not leading to the development of Palestinian society. It must be kept in mind that, during the pre-Oslo Accords period, Israeli military authorities (with a 'Civil Administration' disguise) had to grant an *a priori* approval to any 'developmental' intervention.

2. General: Internal Initiatives

This section will examine the role of indigenous Palestinian organizations (*al-mu'assasat al-ahliyya*), which emerged in Palestinian society throughout its struggle for liberation and independence, in effecting comprehensive development. The network of these indigenous organizations comprised mainly of charitable organizations, labor and professional unions, cooperative societies, voluntary work organizations, women's organizations, and specialized professional committees. Historically, these organizations came into being in Palestinian society under conditions of continuous occupation, repression, and non-sovereignty to provide a social safety net for various groups in the society. Most provided badly needed welfare services and emergency services and support to the needy.

During the 10-15 years preceding the Oslo Accords, a number of new indigenous 'developmental' initiatives started taking shape, motivated, in part, by the external pressure introduced by the Camp David Framework and by the continuous state of occupation. Among these

⁹ USAID. *Strategy Statement: The Direct West Bank/Gaza Program and the Jordan West Bank/Gaza Development Program*. Washington, DC: US Department of State, 9 December 1987, pp. 12-16.

initiatives were 'non-profit' credit extension institutions, which were established to stimulate small- and medium-sized Palestinian enterprises; professional grassroots organizations, particularly in health and agriculture, which, by emphasizing the value of voluntary work, intervened intensively in these two sectors, seeking to effect self-reliant development and sustainability.

With the eruption of the first Intifada in December 1987, most of the grassroots indigenous organizations, including the various women's committees and some well-entrenched charitable societies, began to focus directly on 'productive' activities with the aim of generating local employment, the production of basic food stuffs, the initiating of small-scale industrial workshops (cottage industries), and the reclaiming of the hitherto untilled plots of land, etc. The overall strategic objective was to generate development for sustained local self-sufficiency and economic independence under the relentless pressure of military occupation and in the absence of a national political authority. It is clear, retrospectively, that this objective did not materialize. In spite of the deep and genuine level of commitment of indigenous organizations, a number of major factors militated against achieving this objective. They may be grouped in the following points.

1) Dependence on external funding: All indigenous initiatives depended for their realization and continuity on funds from outside Palestine - foreign, Islamic, Arab, or Palestinian. By the end of the first year of the Intifada, i.e., 1988, and notwithstanding the initial Arab public sympathy, response and romantic admiration relating to the Palestinian mode of resistance, return to the land, and scenes of urban and semi-urban Palestinians (e.g., university intellectuals) learning how to plant eggplants and tomatoes for their food, etc., and following the PNC's decision to accept UN Security Council Resolutions 242 and 338, it became clear that 'self-reliant,' 'self-sufficient' development, and independence from the Israeli economy, etc., were not high on the agenda of these external funding sources, irrespective of their national color. 'Development funds' were transformed into 'political aid' in the service of the anticipated Madrid Peace Conference. Many developmental initiatives, e.g., mobile clinics for the remote villages in the Jordan Valley, experimental agricultural initiatives involving new crops less dependent on chemical inputs coming from Israel, etc., had received external 'developmental' funds to start, but no funds to continue. Thus, there was no 'developmental' sustainability of these initiatives and they were consequently left 'high and dry,' so to speak.

2) Absence of a legitimate Palestinian national authority on the ground, and the rise in factional proliferation and competition:

During this period, no legitimate Palestinian national authority could have existed in the Occupied Territories. The Palestinian leadership, in the embodiment of the PLO existed outside, first in Lebanon and then in Tunis. To subvert the PLO leadership and influence, Israeli authorities attempted to create a local alternative leadership congruent with Israel's anti-Palestinian national interests. Although these attempts met with failure, no internal genuine national leadership was allowed to emerge, not even as parallel, let alone as alternative, to the PLO. Consequently, the emergent local political 'leaders' mirrored the factional composition of the PLO and were in fact a mere extension of it. They were, by definition, localized factional (Fateh, Communist, etc.) reference points.

During the Intifada, however, particularly the period 1989-1992, this pattern of 'national/factional' leadership was becoming institutionalized, as a result of direct intervention on the part of the national leadership in Tunis. The thrust at this stage was to establish seeds for a 'national/factional' institutional structure that would be ready to transform itself into basic structures of the 'promised' state, at the culmination of the ongoing peace initiatives. Thus, the political factions that existed on the ground started jockeying for power and influence overtly by utilizing their access to their factional extensions and 'reference points' within the exiled national leadership and by establishing 'legitimate,' umbrella, service-delivery institutions with a 'national' character, e.g., the phenomenon of 'higher councils' (education, health, women, housing, welfare, etc.). This process did not go smoothly, however, for a number of reasons: (1) the Israeli occupation authorities, who used every opportunity to undermine the legitimacy of the PLO, manipulated and undermined the legitimacy of these local factions; (2) the 'legitimate' national leadership outside was not homogeneous and unitary; it was the PLO shell for a number of factional and sub-factional centers of power, which resulted in the creation of a multilateral system of connections, especially within the largest among them, namely, Fateh. Because contacts 'with Tunis' could not be very overt, claims for local legitimacy of groups or organizations, as having been derived from the 'leadership abroad,' were constantly duplicated and challenged. Thus, it was common knowledge that 'such and such' organization or local committee was the organization of this or that 'Abu' within the known leadership of Fateh. It was not unusual, then, to hear the question: "Which Fateh?"

This is, of course, notwithstanding the actual split that occurred during this period within one of the PLO factions - the Democratic Front for the Liberation of Palestine (DFLP) - which transported itself, almost immediately, locally, by generating the all-too-familiar mitosis within local organizations affiliated with this faction; this applied to not only the political level but also to service delivery institutions, e.g., kindergartens, the training of women, production workshops, etc. On the other hand, other local factions (mainly, Hamas), who were not among the constituting members of the PLO and who were in disagreement with its strategy, were rising to the surface locally and challenging the dominance of historical PLO factions.

Neither the exiled national leadership nor its factional extensions on the ground showed any serious interest in generating a genuine development strategy for Palestine. On the contrary, they ignored, and acted to obfuscate, indigenously generated development initiatives. At the same time, however, they insisted on being the sole channel for externally committed aid (developmental, humanitarian, etc.) in order to increase their local influence by deciding on its allocation and on who would benefit from it. The preeminent (and at times obsessive) concern of the national leadership during this period was therefore political, rather than developmental. Palestinian official efforts were dedicated, almost exclusively, to the political machinations that could ensure the survivability of the leadership, within some kind of a political entity, to the detriment of a comprehensive form of societal development.

The uneven, unclear, and often competitive relationship between the Palestinian community in Palestine and the national leadership in exile proved to be very problematic in terms of the genuine development of the society. For example, the Palestinian leadership did not take the notable Development for Steadfastness Conference, organized and held by the Arab Thought Forum in Jerusalem in 1981, seriously. Moreover, it was viewed with a degree of suspicion, as having intended to challenge the dominant model of the JC, to which the PLO subscribed. About eight years later, under the pressure of the first Intifada, the PLO Department of Planning and Economic Affairs prepared a 'Framework for the Support of Steadfastness and Strengthening of Self-Reliance in the Occupied Palestinian Territories,' which it presented to the 46th Session of the Social and Economic Council of the Arab League, held in Rabat, Morocco, between 22 and 25 February 1989.¹⁰ The Plan, which was based on annual minimum financial inputs of US\$300 million, to be secured from outside the Occupied

¹⁰ *Samed Al-Iqtisadi*, vol. 11, no. 77, pp. 31-57. Amman (Arabic).

of US\$300 million, to be secured from outside the Occupied Territories, was seriously lacking in terms of credibility, and having failed to muster the funds needed for its implementation, it remained a document for the archives.

The JC (discussed earlier), which emerged from the Baghdad Summit, began implementation in 1979 and disbursed a total of US\$417 million until 1986 when it ran out of funds because the Arab countries failed to meet the financial commitments they had made during the Summit. On another plain, a counter Israeli anti-Palestinian development plan was being implemented in the Occupied Territories, namely, 'The Plan for the Development of Judea and Samaria 1983-1986,' which was prepared by the Israeli Ministry of Agriculture in coordination with the World Zionist Organization and with a budget of US\$2.6 billion, more than six times the commitments made through the JC. The specific aim of this Plan was to increase the number of Jewish settlers in the Palestinian Areas by 80,000.¹¹

3) Continuous subversion and intervention by the Occupation

Authorities: The Israeli military and the various security apparatuses, particularly, the 'Shabak' (the secret police), operated unhindered in Palestinian communities through a network of informers and the provision of economic and political incentives to those who worked with them. This type of intervention was intensified with the outburst of the Intifada. Activists involved in indigenous community-based organizations, voluntary neighborhood committees, local-level innovative initiatives in health, education, household economy, political mobilization - initiatives to break the hold of the occupation - were pursued, harassed, arrested, eliminated, etc. These people were often the driving force behind most of the small, community-based 'developmental' initiatives that were started with external funding. Many of the small 'productive' projects in agriculture and industry, e.g., sheep and chicken farms, greenhouses, dairy production, manufacturing workshops, etc., were forced to stop as a result, either because of the arrest of the owner(s), the physical destruction of the facility, a sudden rise in the cost of raw materials or agricultural inputs (e.g., chicken feed, seeds, pesticides, etc.), their failure to acquire permits, or because of the imposition of huge amount of taxes, etc.

¹¹ Benvenisti, Meron. *The West Bank: Handbook*. Jerusalem: The Jerusalem Post Press, 1986, pp. 62-65.

With a drop of approximately 35 percent in the Gross National Product (GNP) as a result of the Intifada, local adaptations were made, primarily at the level of local consumption patterns. However, the Gulf War (which prompted the Israeli military to impose at least 40 days of curfew on the Palestinian workers from Israeli businesses. This led in turn to another drop in the GNP, Palestinian unemployment reached about 60 percent by the end of the Gulf War.

Meanwhile, on the institutional level, many community-based organizations, as well as educational and health institutions, were closed down. For example, all universities were closed down for a period of four years. Against this backdrop and the pressures it created, the urgent need was clearly for immediate emergency humanitarian and economic support, focusing on the most affected sectors, namely, economic production and rehabilitation, vocational training, the provision of affordable housing, and overall employment generation to counteract the emigration trend, particularly amongst youth. No discussion of 'development' (comprehensive or otherwise) was taking place at this stage.

What follows is a detailed and pinpointed analysis of the pattern of a major 'developmental intervention' during this period by the WA, which could be considered, and rightly so, the leading 'development assistance' agency, with the clearest strategy of intervention in Palestine during the pre-Oslo period. I shall not analyze the current role of the WA in Palestine. The analysis will be based on my intimate knowledge of the work of the Association as a result of my direct involvement in it. As is the case with the role in 'developmental intervention' of the European Commission (Chapter III), in which I was also directly involved, my analysis always moves between the 'official,' declarative level (official narrative), and the 'actual' (real narrative) level of what happened on the ground, with a noticeable personal bias towards the latter.

3. Welfare Association (*Mu'assasat At-Ta'awun*)¹²

3.1 Origins

The Welfare Association, or, in Arabic, *Mu'assasat At-Ta'awun*, was incorporated in the Canton de Geneve, Switzerland on 22 February 1983, according to the Swiss Basic Law (Article 60), as a non-profit, independent, voluntary organization, funded by the contributions of its members and supporters. The Association is not affiliated with any official political entity, nor should it engage in any political activity.

The impetus for the establishment of a Palestinian-initiated philanthropic, non-partisan organization, with financial sustainability, was provided by the Israeli invasion of Lebanon in June 1982 and the ensuing plight of Palestinian refugees in the camps in the south of Lebanon, and particularly, the massacres involving Palestinians in the Sabra and Shatila camps on the outskirts of Beirut in September 1982. The immediate outburst of positive response came from some of the well-known wealthy Palestinians, the genesis of whose money and the locale for their skills and training were nurtured within the confines of Beirut itself. With the assistance of a few Palestinian academics (the 'people of the brain,' as they were referred to), who themselves always orbited not far from these 'people of the money,' the first founding meeting, to translate this idea into action, was held in London on 27 November 1982. During this meeting and the subsequent meeting on 10 December 1982, a Founding Committee was established in order to bring the idea to fruition. It was agreed that Geneva would become the headquarters of the new organization. Further, during the meeting of the Founding Committee which was held in Geneva on 11 and 12 February 1983 and which was attended by eight additional founding members, the official incorporation papers were signed, and thus, the WA, as a legal entity under Swiss law, was born. The first act of the Founding Committee, following the legal registration, was to move the Association's funds from the Arab Bank (London) to a new account

¹² This section relies exclusively on primary documents and reports and on my role in generating them and interpreting them into specific interventions on the ground. These documents, which cover the period under discussion, from 1984-1992, are comprised of: official founding documents (registration, bylaws, etc), annual reports, minutes of meetings of the Executive Committee, minutes of Projects Committee meetings, project documents submitted for approval, interpretive internal memos, personal reports of field visits, discussions and evaluations, etc.

under the name of the 'Welfare Association' at the Arab Bank, Geneva.¹³

The Founding Committee was composed (with one exception) of the leading names in the Palestinian Diaspora's 'Who's Who of Top Money.' These were: Abdul Majid Shoman (Chairman of the Arab Bank Group), president; Hassib Sabbagh (founder and owner of the CCC - Consolidated Contractors Co.), vice-president; Munib Masri (founder and owner of the conglomerate EDGO - Engineering and Development Group), treasurer; and A. M. Qattan, O. Al-Aqqad, B. Aqel, and Z.A. Mayyasi. The Secretary of the Founding Committee - Isam Azmeh - was the exception; he is a Syrian national with a Swiss passport who was the manager of the Arab Bank branch in Geneva.

The Founding Committee oversaw the setting up of the Association in Geneva, including the hiring of senior staff, until the meeting of the first General Assembly in Geneva on 6 May 1984, during which the bylaws of the Association were duly ratified; a Board of Trustees of 30 members was elected, which in turn elected an Executive Committee and approved the appointment of the Director General. The members of the Founding Committee were the top contributors to the Association's 'Endowment Fund' (US\$1 million, as a start). Thus, the majority of the Founding Members constituted the first Executive Committee of the Association (six of the eight members were retained; Azmeh was replaced by a Palestinian with more financial weight, while Al-Aqqad dropped out). Until this writing, the majority of the Founding Members keep being 'reelected' for the chief decision-making posts in the Executive Committee and the Board of Trustees. Thus, the ultimate control of decisions in the Association remains firmly in their hands.

The period from November 1982 (the first founding meeting) until May 1984 (the first meeting of the General Assembly) may be viewed as the 'Founding' Phase of the Association. Actual implementation of the programs, however (excluding haphazard emergency interventions involving the camps in Lebanon and the 'paying back' associated with personal promises made earlier by some of the members) commenced only with the election of the new Executive Committee. Thus, the first Executive Committee meeting on 7 May 1984 could be viewed as the beginning of the 'Implementation' Phase.

¹³ Minutes of the Founding Committee, 11-12 February 1983.

3.2 Strategy of Intervention

3.2.1 Strategy of Intervention: Official

The strategy of the Association was presented and reiterated repeatedly in different documents. In the original *Articles of Incorporation* document, the Association was registered with the strategic objective of "maintaining and strengthening the aspirations of the Palestinian people, particularly in the social, cultural, humanitarian, health, educational and legal spheres."¹⁴ This strategic objective was incorporated in the document titled *Basic Law and Bylaws* of the Association, which was presented to the first General Assembly meeting held in Geneva on 6 May 1984 and was duly ratified by it. In the first accompanying brochure¹⁵ the Association's strategic objectives were elaborated upon. The overall aim was stated as

"to assist in realizing the aspirations of the Palestinian people, especially in the social, cultural and intellectual domains, in addition to safeguarding the identity of the Palestinian people and its Arab and humanistic tradition. [The Association seeks to achieve the following objectives] Deepening the connection between [the different parts] of the Palestinian people, and safeguarding his [the Palestinian's] holistic entity and solidifying his presence on his land."

Two basic background documents (in English), namely *Assessment of Needs of the Palestinian Communities in Palestine and in Lebanon* and *Structure, Organization and Operational Strategy*, delineated in detail the strategic objectives of the Association, the necessary procedures for achieving those objectives, as well as proposed 'project types,' or priority areas for potential intervention. They were prepared and finalized by a team of Palestinian professionals, drawn from Palestine and abroad, over a period of three months, and were circulated internally in December 1983. The documents were discussed in a closed workshop, held in London on 12-13 January 1984, in which 17 Palestinian professionals participated, in addition to six members of the Founding Committee. The two basic documents, as well as a detailed program plan for 1984/85, were then presented to the first General Assembly and Board of Trustees meeting, held in May 1984 in Geneva, after

¹⁴ WA. Art. 2, *Basic Law and Bylaws* 1984 (the original in French).

¹⁵ This Arabic document was intended specifically for members, potential members, and Arab contributors.

having been discussed, modified and approved by the Association's Executive Committee in its meeting in Amman on 17 February 1984.

Consequently, these two documents became the major reference points for the original approach on which the work of the Association was based. The two documents in question detailed further the strategic objectives of the Association. Thus, in the *Structure, Organization and Operational Strategy* document it was stated:

"In the current circumstances of Palestinian existence and in the absence of a duly constituted national authority on Palestinian soil...the Association will devote its energies and resources to help provide indigenous Palestinian groups and organizations...in the occupied areas of Palestine and in Lebanon, with the means to carry out the multi-faceted and challenging task of national development. The focus of the Association's program and activities will be on reinforcing positive forces of socioeconomic development and cultural achievement in these areas so as *to sustain the strength and cohesion of Palestinian society and to deepen the roots of the Palestinian people's attachment to their national homeland.*"¹⁶

Furthermore, the twin document, *Assessment of Needs of the Palestinian Communities in Palestine and in Lebanon*, emphasized the following:

"The ultimate objective must be to preserve and gradually enhance the indigenous capacity of the nearly two million-strong Palestinian community in Palestine for *independent and genuine development* and to allow this process to become the foundation for a comprehensive and fully integrated program of *national self-realization for the entire 4.5 million Palestinians everywhere*. The most urgent task now is to arrest the insidious forces of social disintegration and retrogression in the occupied areas of Palestine... and to as-

¹⁶ WA. *Structure, Organization and Operational Strategy*. December 1983, pp. 1-2. (Unpublished internal document; emphasis added.)

sist in *nurturing the positive forces of growth and development* over the medium and long ranges."¹⁷

In an internal elaboration on the intervention strategy of the Association in light of the actual experience of the first year of operations, prepared by the Director General with circulation "to members only," it was felt necessary and urgent to highlight and reiterate the main anchors of the strategy. It became very obvious during the first year that primary decision-making bodies in the Association had not internalized the strategic objectives already stated in the basic documents, even though they had approved and ratified them. Thus, the internal 'comments' had to explain the reasoning behind the strategic objectives.

"The seminal premise," it was stated in this memo, "is that the destiny of the Palestinian people living on its land is an important and critical factor in any future solution to the Palestinian question." To ensure that, "we have to create and develop genuine nationalist organizations, through persistent, quiet and purposeful work, to allow our people to solve their daily problems, not as individuals following their personal interests, but as unified national frameworks embodying the unity of the Palestinian people, with all its sectors... Based on this approach, the strategy for the work of the Association has to be developed with utmost precision and sensitivity." Consequently, the memo highlighted the main components of the strategy as:

- Emphasis on the genuine Palestinian identity of the Association;
- The Association has no "external hidden agenda," and its main driving force is the needs of Palestinian society;
- Since it believes that the "battle" it wages is "a long-term cultural battle, the Association must utilize long-term planning scope, with persistence and seriousness";
- Emphasis on enhancing the capacity of indigenous organizations;
- Emphasis on a participatory approach in determining priorities for intervention;
- Emphasis on scientific planning and analysis;
- Openness and readiness to benefit from all Palestinian skills and competencies;

¹⁷ WA. *Assessment of Needs of the Palestinian Communities in Palestine and Lebanon*. December 1983, pp. 4-5 (Unpublished internal document; emphasis added.)

- Emphasis on objectivity and professionalism;
- Emphasis on the widest base possible of beneficiaries;
- Emphasis on the initiating and pioneering role of the Association.

While trying to pinpoint the primary objectives for 'developmental intervention,' the memo identified the obstacles and challenges as emanating basically from the hard living conditions under Israeli occupation, the potential subversion of the work of the Association, the weak social and economic structure in the Occupied Territories, and the paucity of available financial resources. To counteract such obstacles, the memo emphasized the utmost need for caution, for quiet and clear planning, for horizontal interventional policy, for small-sized and low-key interventions, and for a combination of immediate response to societal emergency needs as well as medium- and long-term interventions that were sustainable, and which, by their nature, were slow and required more planning.¹⁸

The justification for the need to prepare this memo, which was not circulated to members on WA stationery and which was left unsigned, because of its highly sensitive nature (as perceived at the time), provides the lead for the next section.

3.2.2 Strategy of Intervention: Actual

From the very beginning, there was always dissonance between the proclaimed 'official' strategies and how they were actually translated on the ground - in Palestine. In my experience, the dissonance surfaced every single time financial commitments for specific project proposals were submitted to the Executive Committee and later on, the Projects Committee, for approval. The question of dissonance puzzled me at the end of every meeting in which I had to defend our (the technical team) recommendations to allocate specific amounts for specific interventions, even though project proposals emerged from our direct translation of the approved strategy. Why was this the case? A number of factors were responsible for this situation.

The Origin and Structure of the Association

Although the Association was established as a new Palestinian initiative, based on a structure that joins the 'people of the money,' or 'the

¹⁸ Internal memo, 1985.

nationalist capital' (*ar-ra'smal al-watani*) and 'the people of the brain' (*rijal al-fikr*), the idea would not have seen fruition had it not been for the private funds committed by some of the top Palestinian entrepreneurs. Most of the 'people of the brain' invited to join the membership of the Association, although recognized as being from amongst the leading Palestinian intellectuals, were the protégés and the informal advisors of the leading Founding Members and were always perceived as the 'legitimizers of the enterprise,' but never the enterprise itself; the 'icing on the cake,' but never the 'cake' itself, so to speak. There was always, therefore, a form of built-in friction and dissonance between the two groups with most of the weight in terms of decision-making belonging to those who could commit their own funds for the establishment and continuity of the Association. However, all the 'brain' work - strategies, planning, programming, etc. - was accomplished by the intellectuals and the technical experts of the Association.

At this level, there were two types of output, which the Association could point to: one, the 'Endowment Fund' - the money actually committed by the 11 founding 'fathers,' (at least US\$11 million), which ensured the financial sustainability of the endeavor; and, two, the basic documents, analyses, programs, etc., and the ability to recruit quality Palestinian professionals, who supplied the vision, the strategy and a modern management structure to implement it. The first output, which clearly led to the second, was paramount.

An objective and informed analysis of this composition reveals the existence of two non-compatible groups vying for the control of the Association. Furthermore, neither group was internally homogenous. Although both agreed from the start on the general, nebulous, and often emotional, goal of the need to support 'our people in Palestine,' they never shared the same view of how to translate it into action. They had different and often contradictory experiences, different modes of thought, different ideas concerning what the Palestinian reality was, is, or ought to be, and different criteria for a successful intervention, etc. Although formal written documents focusing on overall strategy, program objectives, and implementation procedures existed and were discussed and duly approved, they failed to provide the conceptual common ground necessary for successful responsive intervention. Primary decision makers were never conceptually mobilized. Rarely, in their deliberations of strategic objectives or of specific interventions, did they raise conceptual objections, suggest alternate avenues for more efficient interventions, or point out contradictions be

tween what was proposed and the overall strategy of the Association. Their input was nearly always mechanical, political (with a small 'p'), and with a reiterated un-genuine concern about the proper allocation of 'their' money and the ready eagerness of the technical team to spend. More about this will come in the following sections.

Palestinian vs. Factional Strategy

As a non-profit, philanthropic, Swiss-registered organization, the WA was not to be involved in direct political activities, hence the emphasis on 'welfare' in the English name. (The Arabic name includes the word 'cooperation,' rather than 'welfare'.) The internal elaboration on the strategy, as seen above, shows that the overall objectives are very political and nationalistic. Therein lies the problem. The strategy, as was elaborated further in light of the experience of the first year and re-elaborated repeatedly in different ways at least once a year in the annual reports, reveals more of a wishful thinking strategy with intentionally inflated and unrealistic goals, targeting primarily the Association's current and potential members. Thus, it was providing a recruitment platform with excessive political slogans that were not necessarily shared by all decision makers nor subjected to intensive internal discussion.

The push for elaboration and re-elaboration of the strategic objectives was always initiated by the senior executive team, particularly the Director General and the Director of Programs, both of whom were employees of the Association, whenever it was felt that the blatant contradictory behavior of the top decision makers of the Association (e.g., the Executive Committee) needed an explanation. However, in the absence of any rebuttal, oral or written, the assumption was that the essence of the elaboration was accepted. Actually, this was not the case. Although the thrust of the elaboration of the strategy by the senior executive staff was developmental, in the sense of how best to utilize Palestinian 'nationalist capital' in effecting the sustained, genuine, self-reliant and comprehensive development of Palestine, the other side of the concern focused on the allocation of funds to respond to immediate Palestinian needs, with the least political cost and damage to their business.

The proclaimed overarching political objectives of Palestinian entrepreneurs in the Diaspora, in, *inter alia*, "supporting indigenous Palestinian groups and organizations," "in reinforcing positive forces of socioeconomic development," and in setting the "foundation for a comprehen-

sive and fully integrated program of national self-realization for the entire 4.5 million Palestinians everywhere,¹⁹ placed the newly established WA on a dash course with the PLO. While embodying the political objectives and responsibility of the PLO, the Association's strategy appeared to hijack the role of the PLO, at least insofar as the Occupied Territories were concerned, which resulted in the WA being perceived as a challenge to the legitimate political leadership. To counteract that 'perception,' which was potentially detrimental to the entrepreneurial interests of those behind this initiative, the considerations they took in making any intervention decision were always political and conciliatory to the controlling faction of the PLO, namely, Fateh, and rarely a translation of the overall strategy, which they had approved formally, hence the dissonance. This, however, was not restricted to ignoring and bypassing the formally approved strategy of intervention, but covered the entire span of work, especially involvement and input from the field, in the form of consultation and advice, as becomes clear later on.

3.3 Record of Intervention

3.3.1 Record of Intervention: Official

As explained earlier, the strategy specified intervention in Palestine and in the refugee camps in Lebanon, with a clear focus on developmental intervention in Palestine and emergency humanitarian support in Lebanon. Strategically, the Association targeted its intervention for historical Palestine, i.e., the three areas: Palestinian communities inside Israel (referred to in the documents of the Association as the "1948 Areas"), the West Bank, and the Gaza Strip. For the purposes of this analysis, our detailed discussion will be limited to interventions in the WBGS.

Five sectors of intervention were officially identified: education and human resource development, health, economic development, social development, and culture, and heritage and the arts, in addition to emergency humanitarian assistance (targeting particularly the Palestinian refugee camps in Lebanon). In the second public brochure,²⁰ which included a 'slick' presentation about the structure and activities of the Association over the first seven years (1984-1990), it was stated

¹⁹ WA. *Assessment of Needs of the Palestinian Communities in Palestine and Lebanon*. December 1983 (Unpublished internal document.)

²⁰ WA. *Gateway to Self-Reliance 1984-1990*. Geneva, Switzerland, 1991.

that more than US\$35 million were committed for "more than 750 development projects," implemented through "more than 300 indigenous organizations in more than 160 towns and villages in Palestine." To analyze the changing pattern of 'official' commitments, in the context of the changing situation in Palestine over the period under discussion, i.e., 1984-1992, I reviewed in detail the minutes of all Executive Committee meetings, Projects Committee meetings, and Board of Trustees meetings, as well as the approved 'Annual Program Plans' and all relevant program-related internal memos. Consequently, I came to the conclusion that the pattern of commitments for specific interventions necessitated the dis-aggregation of the period under discussion into three phases: the 'Steadfastness' Phase (1984-1987), the 'Intifada and Gulf War' Phase (1988-1990), and the 'Preparation for Autonomy' Phase (1991-1992). The tables below give an accurate indication of the trends, from one phase to the next. The section on the 'actual' record of interventions will delve more into the 'real' analysis.

As mentioned earlier, although the *a priori* defined geographical areas for intervention were four, my analysis is limited to just two areas, namely, the West Bank and the Gaza Strip. The pattern of commitment for the two areas, by phases, is shown in the table below.

**Table 1: Pattern of Commitment by Geographical Area
(in '000 US\$)**

Area	1984-1987	1988-1990	1991-1992	Total
West Bank	5,651	11,343	2,518	19,512
%	73	68	62	68
Gaza Strip	2,122	5,435	1,563	9,120
%	27	32	38	32
Total	7,773	16,778	4,081	28,632
%	27	59	13	100

Disaggregating the pattern of commitment, by sector of intervention, throughout the three phases, is revealing, as shown in the table below.

**Table 2: Pattern of Commitment by Sector
(in '000 US\$)**

Sector	1984-1987	1988-1990	1991-1992	Total
Education / Human Resource Development	3,318	3,171	1,113	7,602
%	25	16	21	20
Health	2,527	1,912	537	4,976
%	19	10	10	13
Economic Development	3,286	5,130	1,933	10,349
%	25	26	36	27
Social Development	1,985	2,509	1,501	5,995
%	15	13	28	16
Culture/Arts	864	469	247	1,580
%	6	2	5	4
Emergency	1,243*	6,608**		7,851
%	9	33		20
Total	13,223	19,799	5,331	38,353
%	34	52	14	100

* Committed exclusively for Lebanon ** Committed exclusively for the WBGS

'Steadfastness' Phase

Between May 1984, when the WA started, officially, to commit funds for 'developmental interventions' and the end of 1992 – the period under discussion – the Association committed for Palestine and Lebanon in excess of US\$38 million. It is clear from the figures above that about one-third of the total commitments was made during what I labeled the 'Steadfastness' Phase, or 7 May 1984-31 December 1987, just at the threshold of the first Intifada. Working towards realizing the original strategic objective of sustaining "the strength and cohesion of Palestinian society and [deepening] the roots of the Palestinian people's attachment to their national homeland,"²¹ education, human resource development, and economic development each received 25 percent of the total commitments during this period, while 15 percent went to supporting the activities of existing indigenous social institu-

²¹ WA. *Structure, Organization and Operational Strategy*. December 1983. (Unpublished internal document).

tions, and 19 percent to the provision of equipment needed by secondary health institutions. The clear aspirations of the Association's membership and pressure from its decision-making bodies were to result in productive 'economic' projects being given greater priority, regardless of whether or not it was feasible. Although the quantitative percentage allocated for this sector increased, as the table shows, the approach proved problematic, as will be discussed in the following section of this chapter.

In its first year report to the Board of Trustees, for the period 1 July 1984-28 February 1985, the Executive Committee boasted that the first year level of commitments made the WA "the largest aid organization in terms of amount of support to the Palestinian people..." It was. During this phase, the Association's strategy for intervention showed promise and provided hope by confirming the Association's status as a serious, self-help Palestinian 'development assistance' organization, fueled by 'nationalist capital' from the Diaspora, to assist Palestinian villages and towns on the ground.

During the second year of its operations, a larger program budget was approved (US\$5.41 million), with a conscious drop in commitments for equipping existing hospitals and a conscious strategic shift towards strengthening primary health care instead through indigenous grassroots organizations. In the meantime, there was a serious push to create new organizations and to support local initiatives for providing credit extensions for small and medium enterprises involved in agriculture, industry, and services. In addition to allocating funds from its own resources for small loans for indigenous economic initiatives, the WA began to coordinate with the Jordanian Ministry of The Occupied Territories, and later with the AF (in Kuwait), to establish and finance a 'Credit Fund,' benefiting from its direct and modest experience in this field. As we shall see later, the pilot experience was not successful in terms of its desired results, but the initiative itself was important, insofar as it reflected the strategy of intervention during this phase. At the declarative level at least, the emphasis was on productive projects in rural areas, for the purpose of effecting "complete independence from [the] Israeli economy insofar as raw materials, technology and marketing are concerned"²² – wishful thinking which, in reality, did not exceed mere declarations and limited 'piloting.' A detailed assessment of this approach will follow later.

²² WA. *Annual Report 1987*. (Unpublished report.)

Since the strategic objective during this phase was to sustain the steadfastness of Palestinian communities on their land, there was a clear emphasis against funding 'government' institutions, e.g., elementary and secondary schools, village and municipal councils, etc., and, consequently, relieving the occupation authorities of their financial responsibilities, etc. Interventions in the sectors of education and human resource development targeted primarily preschool education, care and training, and selective interventions in both private schools and those run by the UNRWA, universities and colleges, informal education and training initiatives, etc. On the other hand, intervention in the social development sector targeted, at first, large well-known community-based organizations, with 'known quantity' personalities heading their boards, who could have direct channels with members of the Executive Committee, and with wide-based, clearly defined, visible activities, such as the In'ash Al-Ussrah Society.

During this phase, no 'humanitarian emergency' support was allocated for Palestine. The focus here was the Palestinian refugee camps in Lebanon, whose living conditions, following the Israeli invasion of Lebanon, were particularly dire.

'Intifada and Gulf War' or 'Emergency Needs' Phase

Two major confrontations erupted during this phase and impacted the WA pattern of intervention: the first popular uprising against the continued Israeli occupation of the Palestinian Areas, and the Iraqi invasion of Kuwait and the subsequent Gulf War. Whereas the first affected negatively the daily lives of the Palestinians under occupation in the WBGS, their economy, social and institutional structure and educational system, the second eroded the revenue base of the Association. On both of these counts, the Association could not continue 'business as usual.' Certain shifts had to take place. Under the pressure of events, some of which affected, directly, the income of many contributing members of the Association, the first signs of cracks in the understanding and internalization of the strategy began to surface between the professional executive team and the 'nationalist capitalist' founders - the ultimate decision makers. I shall come back to this point later in the section on 'assessment.'

More than one-half of total commitments were made during this phase, with a third going towards immediate emergency interventions. Since other geographic areas are not covered in this discussion, we cannot see from the above table that a noticeable reduction in com-

mitments for Palestinian communities in Israel occurred, in part under the pressure of immediate needs highlighted by the severe oppression and crackdown of the military occupation, on the one hand, and constant pressure from influential members of the Association, whose basic reference point was always the WBGs and who never really reconciled themselves with the Association's strategy, which encompassed the Palestinians in Israel - referred to mechanically and hypocritically as 'the 1948 Areas' - on the other. Furthermore, and in the absence of real internalization of the original 'developmental' strategy, many members started arguing for the necessity to respond to the immediate daily needs of 'our people' under occupation, at the expense of medium- or long-term developmental interventions. They saw this approach as providing better use of their money and better personal credibility 'back home,' irrespective of duly approved plans, strategies, commitments, etc. The tendency now, determined by the real and pressing human needs on the ground, i.e., their villages and towns, motivated them to revert to thinking of their financial contributions as personal, rather than institutional. Thus, sustained 'developmental' intervention was sacrificed for urgent emergency needs.

Fearing that, and in order to counteract the trend, the Director General, early on at the beginning of the Intifada, sent an internal memo to the Executive Committee, under the heading *The Intifada and the Association's Work in Palestine*.²³ The thrust of the three-page memo was to justify that the strategic approach followed so far was the right one and that the approved strategy for 'developmental intervention' was acquiring new importance in light of recent events in Palestine. The memo quoted a statement by a senior advisor to then Israeli Prime Minister, Shamir, as saying: "Nobody pushed the button. There was no single command or leader. The people behind the riots are the hundreds of individuals who run the sports clubs, charitable organizations, cultural groups, professional unions and what-have-you that we've allowed to exist in the territories."²⁴ According to the memo, such a statement vindicated the 'steadfastness' strategy, which guided the Association's work during the initial three and a half years, as portrayed in three areas of interventions: (1) strengthening the nationalist identity of the Palestinian communities in Israel and decreasing their dependency on Israeli institutions; (2) the wide horizontal proliferations of interventions, geographically and organizationally; and (3) the initiation of a credit program for small agricultural and industrial pro-

²³ WA. Internal Memo, no. 2/17-4/88, dated 1 February 1988.

²⁴ *Newsweek Magazine*, 25 January 1988.

jects, focusing particularly on the production of foodstuffs for local consumption and increasing self-sufficiency.

What characterized this phase was that the destruction, oppression, and attack on the socioeconomic fabric of Palestinian existence under occupation were ominous. Most of the effort - human and financial resources - of the Association was devoted to utilizing local information and analyses of needs and presenting them in a comprehensive and coherent analysis for the outside world, particularly the Gulf Arabs, in order to generate financial support for immediate needs and allocate that support to the right targets. A special 'Intifada Fund'²⁵ was established at the Association. The Fund received contributions totaling US\$6.56 million, all of which were disbursed to local organizations, secret neighborhood committees, emergency health committees, etc.

A six-page report, *The Intifada and Immediate Needs in the West Bank and Gaza*, was prepared and circulated in March 1989 to the members of the Association and potential contributors. The report highlighted the impact of the Intifada on the main sectors of intervention through a rapid assessment of the urgent needs in the various sectors carried out by indigenous Palestinian organizations at the request of the Association. It characterized the prevailing emerging environment within which the Association had to work, and it identified the directions and priorities for the next phase, focusing on the urgent needs requiring support in all sectors.

Based on this analysis, the recommendation was that the Association should continue providing for basic needs of the population through an emergency support program and direct available resources (from its own resources and from others) towards interventions for self-sufficiency. The big thrust during this phase was aimed at mobilizing external revenues, on the one hand, to respond to the huge immediate needs of the Palestinian population under occupation, and, on the other, to supplement the dwindling internal resources of the Association. Fifty-one percent of the commitments allocated during the 1990 fiscal year came from external resources, which were directed through the Association. With the Intifada, on one level, and the Gulf War, on the other, the seeds were already planted for the next phase.

²⁵ We called it for short and discretion purposes "IF."

'Preparation for Autonomy' Phase

This phase was characterized, on one level, by intensive machinations towards a negotiated settlement of the Palestine Question, which culminated in the Madrid Peace Conference at the end of October 1991, and in which some leading members of the Association were very happy to have been included and became active in veering the Association closer to the dominant political party - Fateh. At another level, this phase was characterized by a drop in the income of the Association, resulting from the Gulf War and the ensuing dislocation of large contributing members from the Gulf region, on the one hand, and a decline in the level of personal financial commitments to the Association and justification for its continuity, on the other.

During this phase, almost every meeting of the Executive Committee, the Projects Committee, and the Board of Directors, was dominated by the ubiquitous issue of *'tanmiyat al-mawarid'* (financial resources development). No one was posing the basic and strategic question: "What are we selling?" The focus of attention was on the mechanical and procedural aspects: how to urge members to pay their membership dues, how to determine who the other potential contributors were, how to get to them, etc. This type of preoccupation led to the intensification of the often-repeated stanza about the high administrative budget and the high costs of Headquarters, etc. Motivated by different personal agendas of major decision makers, other topics that dominated the discussion included 'restructuring,' the 'relocation of offices,' and the 'activation of the young supporting members.' Proposals and detailed plans were advanced and approved, and feasibility studies conducted, in order to relocate the WA offices to London, Amman and, covertly, to Jerusalem.

Underpinning all of this were the unspoken internal jockeying of power games, increasing competition over turf, and the fight to gain control of the real say in terms of deciding how much to spend on what. Behind the scenes lurked cliques: the 'Amman group,' the 'London group,' the 'Kuwait group' (who were keen to maintain their relationship with their Kuwaiti benefactors by reasserting their loyalty), etc. These were not necessarily mutually exclusive cliques, nor were they distinguished by differing political ideologies, even though different opinions surfaced, once in a while, about the Iraqi invasion of Kuwait, the maneuvers of the PLO, etc. Somehow, it became clear during this phase that these cliques were positioning themselves for the day after in a way that would lead them to maximize their benefits - money,

prestige, credibility, proximity to the emerging political leadership, etc.
- from the evolving political settlement.

Perhaps the best graphic illustration of this phase was the 16th Board of Directors meeting.²⁶ During the course of deliberations about increasing the financial resources of the WA, one of the original founding members, who since that time has not been actively involved in the Association, requested the right to speak. He stood up gleefully and announced that he was contributing US\$1 million to the Association, as a personal credit fund for industrial enterprises in the WBGS, and he expressed his readiness to participate with other members in joint profit-making ventures in the Occupied Territories. Everyone clapped and praised his 'genuine' commitment for Palestine. At the same time, however, most members were aware that the amount he contributed was a miniscule portion of the huge profits his company had made by winning the catering bid to supply American troops in the Gulf during the war. Some remarked in jest that they hoped for more wars like this.

During this phase, real commitments for the programs dropped below the US\$3 million mark. What is noticeable from the summary table, however, is that commitments for the two sectors of economic and social development were increased substantially: one through the provision of loans for agricultural and industrial enterprises, and the other through the extension of additional grants for indigenous organizations, the aim being to strengthen the institutional base for the forthcoming autonomy. During 1992, we were given clear instructions to coordinate increasingly with the 'higher councils,' which were established with the direct involvement of the PLO and with the then Head of the PLO Economic Department, who became a leading personality in the negotiations with the Israelis. It was very clear where the Association was heading.

3.3.2 Record of Intervention: Actual

Analyzing the actual record of intervention for the period under discussion, from the formal start of the implementation of programs until the end of 1992, I shall rely, by definition, on my role during that period as Director of Programs. In addition to the references I make to basic and primary documents, the bulk of materials for this section comes from my very detailed field reports about every meeting I held in the field,

²⁶ Held at the Metropole Hotel in Geneva, on 2 November 1991.

especially concerning internal and external obstacles relating to the implementation of programs and the negative impact of contradictory messages that were conveyed to the field. In that capacity I was, as it were, the 'frontline' of the Association - the clearing house of messages, ideas, and reactions, the liaison between one group of Palestinians living their daily lives on the land of Palestine, under severe pressures and challenges, and another group of Palestinians dreaming of the Palestine of their formative years, as they lived in and moved freely among the main Arab and European capitals. The mission was by no means smooth. Seeds of contradictions and dissonance were inherent in it.

A number of levels have to be addressed in this analysis: one level deals with the context and structure of the Association itself, a second with the nature of the indigenous institutional base in Palestine and its expectations concerning external support, coming from the 'brothers' outside, and a third with the ability of each to interact with the other. I shall try to analyze the various levels systematically and insightfully.

Level 1: Context and Structure of the Association

Two structurally incompatible worldviews dominated. Written formal documents, i.e., reports, project proposals, justifications, internal memos, etc., were thought out, generated and justified by the senior technical staff. These were, by and large, objective, professional, and technical in their translation of strategic developmental objectives into implementable activities, based on the premise that the cumulative impact would eventually lead to the genuine development of the Palestinian society and economy. The underlying assumption in this regard was that interventions had to be cumulative, medium to long-term, selective, and targeting and cooperating with indigenous Palestinian groups/organizations, regardless of their political color, who were ready to internalize the same objectives and who could, so to say, speak the same language.

The professional staff responsible for this task came to do this work, generally, with an already proven academic and experiential record. On the other hand, they were employees of the Association, whose salaries were paid from the general budget, which was possible, in the first place, because of the funds contributed by the founders and other members - the capitalists.

The second worldview was that of the ultimate decision makers, the influential members (big donors), who, from the onset, became the 'fixed anchors' of the Board of Directors and the Executive Committee. This worldview was never seriously institutional or developmental. It accepted to operate within a pseudo structure that would allow it to allocate money within a context that went beyond personalized and parochial individual donations, but fell short of abiding by the strategic requirements of a modern organization. The professional staff acted inadvertently to legitimize this worldview by supporting it with scientifically argued and professionally produced documents and reports, the majority of which were left unread.

Notwithstanding the superficial repetition of basic developmental concepts that kept appearing in the annual reports and internal memos, such as 'self-sufficiency,' 'sustainable,' 'genuine,' etc., starting roughly with the second year of operations, the fact of the matter was that this worldview never understood or shared in these concepts. The clear approach emanating from this worldview was to satisfy basic needs, to support immediate- and short-term visible interventions that would generate positive personal credibility, and to respond to traditional influences and demands and mainstream pressures. This vulnerability to succumb to political pressures from the PLO and dominant forces within it surfaced every time there were internal political tensions and factional splits. I am aware of at least two such incidents. The first was the splintering in Fateh in 1983, which led to the creation of the pro-Syrian 'Fateh Uprising,' whose guerillas were in Lebanon and Syria and which opposed any political settlement with Israel. The second was the split within the DFLP in 1990, which led to the formation of another political faction, called 'Fida,' in support of mainstream Fateh.

The first political intervention of which I am aware occurred during 1985 when the 'War of The Camps' raged between Amal and Fateh forces, which resulted in the control of the Palestinian camps around Beirut by Amal. The destruction of the camps and the homelessness of Palestinian refugees required urgent intervention to supply basic needs. Based on a detailed report of basic needs from the camps, compiled using information obtained from the active 'popular committees' and my field visits, the Executive Committee was recommended to allocate US\$100,000²⁷ for immediate emergency support, to be channeled through the active popular committees in the camps. However, the active popular committees were operating in tandem with the

²⁷ Executive Committee Minutes of meeting of 26 June 1985.

Fateh splinter group. It became clear later that, in order to control that type of intervention, top political leaders of mainstream Fateh contacted key Executive Committee members and expressed their consternation and disapproval in terms of cooperating with those popular committees. During the said meeting, a leading very well-to-do Executive Committee member, known for his sympathy and support for Palestinians in Lebanon and for his close ties with the PLO leadership, proposed that a US\$1 million emergency fund for refugees in Lebanon be established under the supervision of the Association, from additional individual contributions, and that the allocations from it be based on the recommendations of select local Palestinian and Lebanese personalities (understood to be acceptable to the PLO leadership). Contacts with such personalities were to be established "immediately after the meeting", at the level of Executive Committee members. The text of the decision was communicated to the political leadership, and 'no objection' was eventually sought and given to the names proposed. In the meantime, disbursements for real emergency needs were delayed until 'acceptable' input was provided from the field.

The background for the second political intervention in the professional decision-making process was the split within the ranks of the DFLP in 1990. Although the split occurred outside Palestine, it mirrored itself inside, due to the then predominant factional nature of many indigenous organizations, and it had a direct bearing on the implementation of the projects. One of the women's grassroots organizations was affiliated factionally with the DFLP. As was the case with other women's grassroots organizations, many of the activities of this group, namely, kindergartens, women's productive projects, training for women, etc., were funded by the WA. The external split produced a parallel split within this particular organization - the one became two, and each sub-faction started claiming responsibility for certain projects, reviewing outstanding financing commitments, and racing to initiate parallel contacts for the transfer of funds. Since it was my responsibility to sort this mess out, it was urgent first to have a proper count of 'who's who' in which sub-faction, who controls which KGs or other projects, and to have some kind of a certification by both that this was the case. To do this, a decision was taken at Headquarters to freeze all disbursements for these 'contested' projects until we could receive the reliable and certifiable information we had requested. To influence this decision, the leading personality in the new sub-faction in Palestine contacted the head of the new sub-faction in Tunis, who represented it in the PLO Executive Committee and who was close to the PLO leadership, and requested him to intervene with the WA to 'unfreeze' the dis-

bursements. Consequently, this person mobilized the support of other leading members of the PLO Executive Committee in influencing certain WA Executive Committee members. On 17 June 1991,²⁸ I received a telephone call from a member of the WA Executive Committee, during which he asked me to call the head of the new sub-faction in Tunis regarding this issue. I did. He wanted to know why the WA was not sending money to "our people there." Once I clarified with him who 'our people' there were, I explained the rationale for the freeze on disbursements, and I emphasized that it was not intended as a punishment for anybody and that we were merely waiting to receive the information we had requested. Eventually, the requested information was received and disbursements were duly resumed to both sub-factions.

Level 2: The indigenous institutional base in Palestine and the mode of interaction between it and an external Palestinian development assistance organization

During the period under discussion, the indigenous institutional base in Palestine was comprised of registered and unregistered organizations.²⁹ The registered organizations fell under the direct supervision of the Department of Social Welfare of the Military Administration. They comprised labor and professional unions, service and consumer cooperatives, charitable organizations, and, later on in the 1980s, 'not for profit' companies who took advantage of the Israeli Law of Companies and registered in Jerusalem to bypass the restrictions imposed by the Israeli Military Administration on the registration of new charitable societies, e.g., the newly-established credit agencies. On the other hand, all grassroots organizational initiatives were not registered. These included women's committees, voluntary work committees, specialized professional committees, student committees, and small productive cooperatives. With a few exceptions, most came into being in the period following the first Camp David Accords, i.e., in the late 1970s-early 1980s, and intensified their activities during the Intifada.

The leading grassroots initiatives, for example, in health, agriculture, women's issues, voluntary work, etc., were politicized and affiliated with left of center PLO factions. Thus, the most serious, professional

²⁸ According to my personal, handwritten office notes.

²⁹ This section draws heavily on my book, *Indigenous Organizations in Palestine: Towards a Purposeful Societal Development*. Jerusalem: Arab Thought Forum, 1991.

and committed grassroots service delivery was initiated and delivered by these 'leftist' groups. If one was genuine in supporting marginalized areas and vulnerable categories of the population, one had to extend support through these organizations. This was what I argued in 1984/1985 when the actual intervention was being finalized and funds were committed.

With the success and positive impact of these professional initiatives, both locally and with European funding sources, other grassroots organizational initiatives, affiliated with the rest of the main political factions of the PLO, including the mainstream political faction, started duplicating these successful initiatives, under political pressure from their factions, in order to compete for influence on the ground. The joke at the time was that every initiative on the ground had to be 'divisible by four' - the four main factions within the PLO. The difficulty this development posed for the intervention of the Association was twofold. At one level, in most cases, the quality of the duplicated initiative was low, both in terms of the organizational structure, the sustainability of the institutional base, and professionalism in service delivery. At another level, having insisted on being a Palestinian development assistance organization, the Association could not ignore new requests for funding coming from various factionally affiliated organizations without being accused of political bias. This was in addition to the built-in propensity among the Founding Members of the Association to respond to pressures coming from Fateh rather than those from the Communists. Hence, the contradictory and unresolved challenge: "How can the Association be developmental and politically responsive to the mainstream?" The inherently incompatible equation and the tendency to push towards becoming more 'mainstream responsive' and much less 'developmental' were still very much in evidence when I left.

How did indigenous Palestinian organizational initiatives perceive development and the newly created exogenous Palestinian development assistance organization, what were their expectations of the latter, and how did they interact with it? The most effective way of clarifying these relationships and their implications for the 'development of Palestine' is by relying directly on my internal field notes.³⁰

³⁰ At the end of each field mission, I submitted a 'confidential' fieldtrip report, which was circulated to the relevant professional staff. Only memos emanating from these reports were circulated to the Executive Committee. I knew for a fact that at least the Director General read my field reports. I am leaving my notes unedited, except to protect the identity of my 'interlocutors,' whenever necessary.

I would characterize my field missions during 1984 and 1985 as exploratory – an attempt to chart the course of action and to identify obstacles on the road. Thus, there will be a noticeable emphasis on the first five field trips.

My first fieldtrip to Palestine, 13 May-5 June 1984, took place immediately after the first meetings of the decision-making bodies of the Association, where decisions about actual financing commitments were taken. The feeling was that these commitments were 'safe', that they would not 'backfire,' because they were intended to support well-established organizations, based only on the reputation of those organizations, the persistence of their heads, and the previous contacts between them and some members of the Executive Committee. Those financing decisions were not taken on the basis of any feasibility study or actual field analysis of the need. The specific purpose of my first mission was to notify these organizations of the decisions about new allocations and to explain the nature of the newly established Association, its sources of funds, procedures, and mode of operation. The general purpose was an exploratory identification mission. At the end of that mission, I made the following general comments:

"Based on what was discussed regarding the work of the WA, its overall programs, criteria and direction, the reaction of all the people - individuals and institutions - that I have talked to was extremely positive. In every case, the reaction was uniform: people complained vehemently about the pattern of aid that has been dominant in the areas under discussion and expressed their hope and the need that [the] WA's pattern would be different.

"Big organizations or institutions, e.g., In'ash, Dar At-Tifl, Arab Studies Society, felt that our support to them at this stage was too little for their needs. [The president of the Sunday Care Society for the Handicapped in Gaza] was outright furious! Almost each insisted on showing me everything they do, and appealed for much more and urgent support. [The president of Dar At-Tifl Society in Jerusalem] told me that her board almost decided not to accept our grant, but she prevailed.

"On the other hand, in cases such as Lijan Al-Ighathah [Medical Relief Committees], and based on the excellent work they do on the grassroots level, which I observed, our

initial allocation in support of their programs was too small. They include a large group of highly dedicated doctors who work in remote clinics (in villages and camps) during their day off. Their work is very committed and professional and directed completely towards providing the necessary health services. Their doctors examine thoroughly and provide the necessary health services very cheaply. By all counts (from the random patients that I interviewed), the reaction of the recipients is very positive.

"It was difficult, especially in situations where our support was too little, to explain to people how we allocate our budgets (i.e., in *tranches*). Thus, I was caught in certain situations between having to explain that the present allocations represent only the first *tranche*, on the one hand, but without giving any commitment that the specific organization would get additional support in the second or third *tranches*, on the other. In other words, I had to distinguish between explaining the procedure without giving an actual commitment.

"Notwithstanding the level of support, in general, our assessment, which reflected itself in the first *tranche*, did not contain any 'booboos.' In three specific cases... we recommended support without making sure... that the project was ready, or that the group...was ready to receive it. On our part, we were overly anxious to show our support, especially in the Gaza case, in order to compensate for the historically prevalent inattention given to Gaza.

"The situation in Gaza shows an interesting phenomenon. Unlike the West Bank where institutions, however small or big, are directed towards providing a service, the contrast in Gaza is between imposing monuments (in local terms) as a physical testimony to our (collective or individual) civilization, on the one hand, and the very local, grassroots service-providing mechanisms. One cannot help but feel that erecting modern structures in Gaza that contain the state of the art in technology and methods is more directly related to two things: the personality of the individuals involved and a compensation for the fact that Gaza has been neglected. Nevertheless, it raises serious questions about the priorities in the area.

"Every institution is needy; the difference is in the range and access to other sources. From this reality, our budgets become so miniscule in relation to what needs to be done. The needs people are addressing us to satisfy are definitely those of a state. The challenge ahead is monumental. There are a number of proposed large projects that we need to take bold steps in supporting and in stating that they were supported by us..."³¹

My second fieldtrip, 17 September-10 October 1984, covered Palestine and Lebanon. The fieldtrip focus in Palestine was twofold: hospital conditions and health delivery systems in general, and agricultural development in the Gaza Strip. The fieldtrip followed a WA-initiated Geneva meeting on hospital needs, where the Association invited, through its heretofore unknown local health agent, composed mainly of the medical directors of government hospitals (i.e., appointed by the Military Administration), all hospital directors from the WBGS, to Geneva, to generate a plan for urgent hospital needs. Of course, the Israeli Military Administration was in favor of this initiative. This was the background for my general comments at the time.

"The Geneva meeting on health conditions in the WBGS generated a great deal of discussion, questions and criticisms of [the] WA's role in the invitation, selection of participants, purpose of the meeting, etc. Consequently, the topic of the Geneva meeting was raised, and we had to explain the WA's role, policy, etc., in at least four separate meetings, before we could get on with the business of our visit. The main area of ambiguity remains in the relationship between the WA and [the local agent], and the perception that [the local agent] represents us locally in the area of health. This may develop important ramifications especially on the contested questions of private/government hospitals, mode of support, and selection criteria.

"A perception is being generated that the WA has almost unlimited funds, specifically for medical equipment, and that if it has insufficient funds in its regular budget it can acquire them from other sources and channel them to the proper targets. Not unrelated [to this point], another prevalent perception views [the] WA as a *de facto* extension of the Arab

³¹ KNFR: 13 May-5 June 1984.

Bank-Shoman complex [Abdel-Majid Shoman, the president of the Arab Bank Group and the primary founding member of the Association and, since, the Chairman of the Board of Trustees and the Executive Committee.]

"Most important at this stage, therefore, is to reassert the following:

"[The] WA does not act exclusively through [its health agent], nor is it its main and only source of funds. Hence, the wider-based ad-hoc advisory committee on health needs was an important and necessary development.

"The WA concerns itself with the entire health area, including basic health services on the local level, private insurance system, centralized health facilities, preventive and environmental health, health education and consciousness, etc.

"The WA is an institution with a defined strategy and a well-developed internal evaluation system: it is not and cannot be a conduit for funding, regardless of the source or size of pressure imposed on it. The only acceptable pressure should be that of the need itself.

"In our search for the appropriate local structure that can work with us towards responding to pressing agricultural developmental needs [in Gaza], two trends emerged from our meetings:

"Medium and big capitalists whose primary preoccupation is with exports, international markets and availability of cheap capital, through low-interest long-term loans, etc. Their interest was never expressed in terms of helping small farmers, or providing employment, or stopping the flow of labor to Israel, etc.

"Small farmers (citrus and vegetables) whose primary preoccupation is in finding support in acquiring pumps for irrigation, chemicals/insecticides, fuel, seeds/seedlings, means to market their product locally, etc. The concern here seems to be how to stop small farmers from going out of business, and by extension, how to stop them from turning into unskilled laborers in Israeli businesses.

"Such division reflects perhaps the nature of Gaza. Our challenge is to find a structure that merges the two concerns, weighted, however, towards the second."³²

Two months later (5-18 December 1984), I conducted another brief field mission to follow up on the two areas of intervention in the WBGS (health and agriculture), discussed in the previous mission report, in addition to a number of other issues in other areas, which I am not covering here. My relevant observations follow:

"Our approach to agriculture in Gaza is correct and we need to give it time to develop. This requires further discussions among us [internal, because of the perceived sensitivity at the time].

"Our involvement in health, especially in the WBGS, on the level of hospital equipment, has created the most confusion regarding our mission and goals. This is the area that has required the most explanation on our part as to what we aim to do. People don't seem to distinguish locally between us and other Shoman foundations or organizations.'

"The meeting in Amman under the auspices of [the] Abdel Hamid Shoman Foundation on the subject of agriculture in Jordan and Sudan, and the side discussions that ensued on the needs of agriculture, between those present and Abdel-Majid Shoman also contributed to: (a) a connection between us (WA) and Abdel-Majid Shoman, and (b) a great deal of expectations as to the role we can play on all levels, which I am afraid [the] WA cannot fulfill. [The] WA's independent status is of utmost importance and it should be preserved at all costs."³³

I learned during this mission that the Military Governor of Gaza was being fed inside information about our detailed discussions on possible interventions in agriculture from the previous meetings held with me. This background necessitated more caution on our part, especially since I understood that some of the interested 'businessmen' had been seen, repeatedly, dining with the Governor. I decided to pursue these discussions with only one reliable source, who had direct dealings with

³² KNFR: 17 September-10 October 1984.

³³ KNFR: 5-18 December 1984.

small farmers, and who was eventually arrested and tortured by the Israeli security services. I decided then that my reporting on this issue would be restricted to the eyes of the Director General. This is a graphic illustration of the tense and pressured environment under which the WA program of intervention was conducted. In the restricted part of the field report, I recorded the following observations:

"We are on the right track: met at length, twice with...and two other farmers of the informal group, spread out in the central and southern parts of Gaza. [He] was called for interrogation twice so far concerning our contacts with him: the first time about a month and a half ago, a few weeks after the meeting we had at...house. He said the details of that meeting were reported to the military authorities.

"His contacts with the farmers are very widespread. These contacts are legitimately covered because of his business [he had a nursery], but in many instances he takes the initiative in providing small farmers with all types of things: chemicals, fertilizers, seedlings, etc., at cost. It's within his ability to offer to individual farmers special deals, e.g., partnerships with him on a certain project, like raising sheep, or planting a certain crop, etc., as a means to boost individual farmers.

"Our relationship with him should remain top secret: names, sums, means of transfer, reports, etc., should, in my view, be restricted only to you and I; no correspondence with him should take place inside (letter or phone).

"With the first payment...they will buy a large quantity of fertilizers and chemicals and store it with different farmers in the region so it can be distributed and not paid for until the end of the season. He is very strict about the idea that no grants should be given to individual farmers, but our support should facilitate their tilling the land and producing and marketing. The network is there and the approach is good. I think we should try it for the first year and assess it afterwards. We have, however, to help them protect themselves and the project."³⁴

³⁴ Ibid.

This was a guerrilla approach to local-level development par excellence.

The following fieldtrip lasted nearly three weeks. The mission had a number of foci, among them: intervention in agriculture in the West Bank, small productive activities and credit availability, intervention in health, and the difficulties pertaining to interventions in Gaza. My reflections and conclusions on these issues, based on the empirical information I gathered from the field, were summarized in the 'General Comments' section of the report.

"Marketing is still the biggest problem regarding vegetables and fruits. Production is soaring making the problem more blatant.

- It is not clear how much we can do with marketing: most constraints are political, in so far as the 'bridges' are concerned.
- Priority should not be given to projects whose purpose is to increase productivity in this sector.
- Projects that help protect existing resources, e.g., land and water, should be given priority.
- Projects that help develop new resources, e.g., new marketable crops, livestock, feed for livestock, processing of existing crops, developing of local marketing networks (West Bank, Gaza Strip, '48), should be given priority.
- Local-level, small-scale industrialization of the agricultural sector should be given priority.
- Due to the increase in unemployment in Israeli enterprises and the economic recession in the Gulf, there is a return to the land. Projects that help absorb the available unskilled workers in agriculture should be given priority.

"[The] focus should always be on small farmers, since this is the group most likely to leave the land if the going gets tough. Big landowners can absorb losses.

"Support to potentially productive projects should be always in the form of loans, repayable to us or to another local organization that supervises the implementation and helps rotate the funds.

"Agricultural cooperatives in general, I am told, have money...Cooperatives may be a good channel for revolving funds to small farmers, but before we can use them efficiently we need a detailed profile of each."

My comments on the second focus of this mission pertained directly to our approach to using the Engineers' Union for credit extension.

"The Engineers' Union has made a considerable headway towards a plan for the establishment of a loaning fund on a rotating basis to unemployed engineers...the Union started discussing the plan at the same time of my meeting with them. Their emphasis is in the right direction: against subsidizing unemployed engineers; emphasis on productive projects; and emphasis on small-scale projects directed to local needs.

"The Union will have to acquire the necessary experience in administering and supervising such a fund.

"The Union expects [the] WA to be the primary financial sponsor of this project.

"The importance of such a project - if well administered - cannot be overemphasized, since it will avail money to one of the skilled sectors in the society."

Regarding the third focus, I was still reiterating my concern about the WA's involvement in the procurement of equipment for the hospitals.

"Supplying medical equipment is a big and profitable business. Many brokers, primarily doctors, are benefiting from it. For us, it is [a] risky business if we don't find ways of controlling it and making sure that the money we allocate goes directly and completely to the benefit of the institution, not the individuals."

The challenge posed by interventions in Gaza was great, and persisted for the entire duration of the period under discussion. I described it, a year later, as the most precarious period; 'our' interventions there were not yet stabilized, and I diagnosed the responsible factors as follows:

"Military occupation and ruthless practices in Gaza took their toll: many potentially active and clean individuals and groups - our potential partners - have internalized the occupation's policies. The few who have not and who are ready to maneuver with our help are being actively harassed.

"Gaza's isolation, the relentless supervision by the military authorities, and the many individuals who, in spite of the good public words insist on remaining on good terms with the authorities, render our mobility in Gaza, if not difficult, highly noticeable.

"Except in very few cases, those active individuals and groups who can identify a certain area of needs and translate it into fundable projects, prefer to do so with some external protection - through the channel of another NGO whose projects are approved beforehand. [The] UNDP, CDF [Community Development Foundation - USAID funded], ANERA, etc., come through the door, while we try to come through the window, assuming one exists. This, of course, does not apply to our projects that may serve the authorities' interest, e.g., extending support to government hospitals.

"Some of the few potential partners whom we contacted and urged repeatedly to develop a plan for action that can be funded, e.g., the Engineers' Society, have opted so far to receive free support from Jordan, [rather] than develop a potentially productive employment for their members with our help. In this case, I tried to generate some movement within the group through the members by planting the seed of a revolving fund for small productive projects. The initial response was positive.

"Most of our current projects in Gaza are being implemented through the help of other organizations (CDF, the American Friends Service Committee); transferring funds to our 'direct' projects is still problematic.

"Although [the] CDF may continue to be an important vehicle for some projects in Gaza, it is not desirable nor wise for us to continue working through them. CDF-Gaza, in particular, is suspect - both in relation to some key personnel in the office and the close coordination with the military. The mili-

tary authorities, as in the case of the sewers, could redirect the project, once approved and as long as [the] CDF is willing to comply, to serve more its needs.

"I think we need to explore the possibility of working directly with indigenous Gaza groups through West Bank (and particularly Jerusalem) mechanisms. Much more than other areas, Gaza challenges us sharply."³⁵

In my last fieldtrip of 1985, I explored the general context in which the WA was intervening by focusing on the availability of other aid funds from other sources, the various credit extension programs, and an initial analysis of WA intervention in the education sector. On the first point I noted that there was a noticeable increase in official and semi-official US money through a number of American PVOs. On the implications of this development, I noted

"The implications for the work of the WA and local development are very clear: there is big money available on the market, and probably more where that came from. We cannot compete on this level. Our edge comes from two considerations: how we allocate our money, and how we monitor and control its use. We should work hard to preserve this edge, not merely because we have to compete, but because this is where we should be going strategically - our goal is not to outspend, but to spend strategically."

On the intervention in the education sector, I commented then:

"Our approach to educational development in the West Bank, and the intervention we have made up to stage in the educational system seem to have come at a very propitious time. This is also being recognized by educational experts...with whom we are working. It is being noticed now that our interventions in the system, although in different aspects of it, are complementing each other - not haphazard. On the other hand, the situation itself is receptive to our intervention, in part because of the realization that the work we are supporting in this area is long overdue.

³⁵ KNFR: 4-23 May 1985.

"If done carefully, our intervention will form one complementary cycle: support and development for kindergartens, strengthening and introducing new elements in the curricula, i.e., computer education, and support for systematic attempts to innovate the educational process, albeit in a limited number of schools. Thus, the desired result of this work may be a re-innovated elementary cycle. This is good, and it should encourage us to push further along these holistic lines."³⁶

Insisting on clear channels for communication and uniform procedures was one of the most difficult challenges being confronted in the field. Clearly, there was no unitary channel: people who had access to Amman were receiving promises for funds; people who had access to London were also receiving promises for funds, etc. Often, we would receive oral, or semi-legible, requests to pursue in the field, transmitted via a certain member of the Executive Committee. The following case, which involves a promise to support a water project in a village in the Jerusalem District is illustrative:

"Since I had only the name of the mukhtar, I went on a fishing expedition to the village, which lies only a few kilometers from Jerusalem, off the Jerusalem-Ramallah road. At the beginning of the road leading to the village, I gave a ride to three young men from the village. I asked about the mukhtar's house, but their reaction was subdued; they could not place my motives or me. Two of them left me as they pointed towards the mukhtar's house. The third stayed with me. He actually went inside to check, and he was told that the mukhtar had left that morning for the day. When I indicated that I was interested in getting information about the water project, my companion led me to the house of another member of the 'Committee,' but it too was in vain. Then my companion proceeded to tell me about the 'Water Committee.'

"[After giving me the names of the members, he said] this is a committee of the elders of the village. It was appointed [by the Military Administration]; it is accepted by both the Israelis and the Jordanians. The Committee told the villagers that it had received US\$45,000 from CRS [Catholic Relief

³⁶ KNFR: 18 September-10 October 1985.

Services] in Jerusalem, and it was promised, after a visit to Amman, JD36,000 from 'the Arab Wealthy Society.' Upon questioning him about this group, no names were given, but he said that it has its office somewhere in Europe. The intention, he said, is to connect the water network for the village with that of the nearby settlement.

"This is not the kind of group with whom the WA should, or can afford to be associated."³⁷

Internal political and institutional factors in Gaza still posed a serious challenge to 'developmental' intervention, as I observed in my fieldtrip of 22 September-17 October 1986. Upon reaching Gaza during the morning of 29 September 1986, I recorded:

"I have not seen or observed any noticeable change in the specific setting: weather is still hot, streets are still dirty, extremely crowded, army is everywhere especially after the event of three days ago when a settler was killed in the street."

Convinced at the time that the strength of 'our' work came from 'our' credibility in action, I was still very preoccupied with 'our' perceived reputation more than two years later. I could identify many indications to that effect. I observed:

"[The head of Cooperation for Development - CD, who was implementing a loan fund financed by the European Community indicated that CD has a connection with the WA, and is supported by it. The present situation seems to demand more and more caution. Because of the good reputation the WA is known for, until now at least, various other groups, British or American, go out of their way to indicate connection with us, at least to plant in the mind of their listeners that not only do they know the WA, but also that there is a direct connection with the WA, especially in the area of funding. [The head of CD] and others may experiment in Palestine. If their plan for development doesn't work here, they simply pick up and leave and go to another country.

³⁷ KNFR: 24 April-15 May 1986.

"One hears a great deal of talk about loans, small loans, loans for small businesses, loans for productive projects, loans for Gaza. All of a sudden there is plenty of interest and concern in Gaza. According to the records of Marna House [where I always stayed], there have been a number of journalists, American, English and German, who came here interested specifically in Muslim fundamentalism during the last month. The street reaction as one can gather is split for and against [the leading traditional family in control, some of whose initiatives were financed by the WA and, directly, by a leading member of the WA Executive Committee]. In light of this, we need to be very careful as to the kind of contacts we make, or which we are perceived to have...One gets the impression that although some people, individuals and groups, are in many cases willing to get money from European organizations, they would like us to stay purely Palestinian, as it were."³⁸

Still pushing and hoping to activate the Engineers' Society in Gaza to be involved in administering a revolving credit fund for unemployed engineers, as was the case with the Engineers' Union in the West Bank, it was made clear this time that the institutional base was not stable enough or reliable enough to take this initiative. I observed:

"It is still very difficult to work with the Engineers' Society in Gaza as a body, especially formally through its board. The present board...is basically divided between [the current president - close to Fateh] and three members who support him on the one side and three other members of Al-Mujamma Al-Islami [Hamas, later] on the other. [The current president] at present is out of the country, pursuing some land deal in London. The feeling is that perhaps he may not run in the next elections lest he loses to Al-Mujamma Al-Islami. In that case, Al-Mujamma will control the Engineers' Society... they are putting their weight in that society."³⁹

The critical issue of the sustainability of developmental initiatives was omnipresent, particularly in relation to capital investment interventions, e.g., schools, hospitals, etc., which require recurrent costs for salaries, maintenance, etc. This issue always posed a challenge for WA

³⁸ KNFR: 22 September-17 October 1986.

³⁹ Ibid.

interventions, since, on the one hand, the WA was perceived to be an 'unrestricted' development assistance organization, i.e., to support all necessary aspects of a project, while on the other, it was coordinating closely with Arab and Islamic organizations (e.g., the IDB, the AF, the OF, etc.) which financed capital investment projects exclusively. Thus, having been perceived as the 'umbrella' Palestinian development assistance organization, we could not escape hearing about these problems in the field. During one of my fieldtrips, the late Faisal Hussein alerted me to one such problematic case in the Jerusalem area by arranging for me to meet with the 'Local Committee for Education' in the village of Sheikh Saad.

"Sheikh Saad, a village of 3,000 people, surrounding Jerusalem on the one side, near Arab As-Sawahreh, received a year ago a new school for girls that was built on Waqf land by money from the IDB, transferred through the [Jordanian] Waqf Department. The village has about 650 pupils. The problem with this is that although the village has no other school and is forced to send its pupils to a nearby school under the control of the Municipality of Jerusalem, the new school, which was built using Muslim money, is closed now, with no furniture in it and with absolutely no money for a running budget. They contacted the official person with the Islamic Bank in Jordan and were told that the Islamic Bank is interested only in building buildings and it is not interested in allocating any money for running budgets. Somebody ought to tell [them] that this doesn't solve any problem; that building a school and having it locked, although it may save some land from expropriation, doesn't do anything in terms of responding to the immediate needs of the population involved. I learned also that the Islamic Development Bank has started building another new school in the same village for boys, and it will have, according to the fellow from the local committee, the same destiny. He asked us through Faisal to see whether we could allocate a running budget for the school at the rate of about JD12,000 per year. I had asked him to send us all this material in the hope that somebody could pressure those people who have the money to at least continue the job that they started."⁴⁰

⁴⁰ Ibid.

Nearly four years later, the WA made a one-time commitment of US\$15,000 to help operate this school. Obviously, this action did not solve the chronic problem.

The problem of safeguarding the local credibility of the WA persisted. In my capacity as a 'frontlines' representative of the Association, it seemed I alone was most preoccupied with this issue. I believed that there was a direct relation between the local credibility of the WA, in terms of coherence between actual interventions and strategic proclamations, and the 'developmental' impact of its interventions. Responsible for this persistence, in my view, was the multiplicity of 'privileged communication channels' with certain leading members of the WA's Executive Committee. A good example involves the late leading personality and former mayor of Gaza City and a certain member of the Committee. The contact was basically between two well-to-do traditional personalities, whose mode of action was based on class, privilege and access to money and the center of political power. The framework of the Association was convenient for both of them, as it provided the appearance of a modern organizational structure. The former mayor attained his economic status and his position of political authority originally as a feudal landowner, and the said member of the WA's Executive Committee - his contact - came from a similar background, although the circumstances were very different. Both had mansions in London, and in those dimensions they were considered neighbors.

Whilst planning my first field mission following the first annual meetings of the decision-making bodies of the WA, in May 1984, I was instructed to visit the 'Cultural Center' of the former mayor of Gaza and to identify its needs. Unknown to me then, his contact in the Executive Committee had already promised him support for the Center's library, from his own funds. I arranged to meet with the former mayor and toured the facility for about an hour. I observed a huge 'fortress-like' structure, with 'Danish-Interiors' imported shelves for the library and very fancy marble. At the time, the building, which was basically completed, had been sitting idle for the last two years. During the course of our discussion, the mayor admitted that there was about US\$400,000 in the Center's account. My assessment, based on this field visit, was that "he needs no help from us." Sensing the critical tone in my questions and comments, the message the mayor then conveyed to the Executive Committee (as I was told later) was, "Who is this Communist that you are sending me?"

Nearly two and a half years later, during a joint field visit, conducted with the Association's Director General, the 'Cultural Center' was still standing pretty, having received a great number of financial contributions in the meantime but without there having been any actual 'cultural' activity. In reality, the Director General was perceived - and he viewed himself as such - to represent the leading members of the Association. In certain contexts, it was more important for his credibility to market himself as such. Meeting with the then mayor of Gaza represented such a context. Commenting on the meeting, which was held at 10.30 am on 27 January 1987, at his office, I wrote:

"This visit was more of a courtesy call than a discussion of a specific project or a specific relationship between...and [the] WA. The meeting opened with a general discussion about the situation and the need for institutional development in Palestine and in Gaza in particular. [The mayor] expressed his position that the need now is more for know-how and scientific experience than for money as such. The main problem facing him is how to set up institutions on a solid basis. This is also the question that we raise. Perhaps, however, we worry about two different items!"

One of the service-delivery organizations the then mayor of Gaza created in Gaza was the 'Benevolent Society.'

"The Benevolent Society has become the official conduit for the Jordanian Plan in Gaza [supported by the Americans and the Israelis]. Its offices are open for people to come and submit proposals for possible help. This has become the address in Gaza. This, I am afraid, may create problems for the credibility of [the] WA in Gaza and the West Bank if it becomes known that [the] WA supports...in his cultural center, even though the support may be symbolic at a time when the center is pretty well funded...We ought to be extremely careful not to allow ourselves to start blurring the lines of distinctions between what is and what is not a credible group or a credible partner for us."⁴¹

My last fieldtrip before the eruption of the first Intifada was from 20 October- 15 November 1987. Understanding our, as a Palestinian organization, use of '*sumud*' (or steadfastness) as ensuring the continu-

⁴¹ KNFR: 19 January-9 February 1987.

ity of well-established indigenous institutions, big, locally-credible organizations (e.g., In'ash Al-Usrah in Al-Bireh) were relentless in their insistence that the WA should assist them in covering their recurrent costs. I met with the society's president and board at their insistence.

"They wanted me to visit the expansion of the biscuit factory, the newly established garment workshop, and the new dorm for girls, under construction. The Society has at present 126 employees, 1,400 persons receive a monthly subsidy, and 4,000 women in villages get paid by the piece to sew for the Society.

"The meeting turned into another emotional appeal to us (and others) to cover the deficit of the Society for the next three years, at the rate of JD25,000 per month, or a total of JD900,000 for three years... They are willing to accept this support as a loan. I tried to explain to them our limitations, and to indicate that they were expecting too much from us - loading us beyond our capabilities. They refused to hear it..."⁴²

By and large, all my subsequent field missions, especially during 1988, 1989 and 1990 dealt with the emergency needs generated by the Intifada and the Gulf War, as discussed earlier. Requests for support that were submitted to the WA during the first phase (1984-1987), under the pretext of strengthening the steadfastness of the Palestinians on their land, individuals and institutions, were reiterated largely during this phase, but under the pretext of support for the Intifada. Except for the notable and serious effort that the WA invested in mobilizing additional funds from other sources for emergency needs, the nature of interventions was not altered.

3.4 Decision Structure, Implementation Modalities, Monitoring

Decision Structure: General

The WA was established as a membership organization. The bylaws identified three categories of membership, primarily based on the level of membership dues to be paid. The 'Founding Members,' *primus inter*

⁴² KNFR: 20 October-15 November 1987.

pires, are those who decided to start the organization, and paid in the beginning at least US\$1 million each to set up a lasting 'Endowment Fund' for the Association, plus at least US\$100,000 to start the operation moving, plus the annual membership dues of US\$30,000. The second membership category is that made up of the 'Active (*Al-'Ameloun*) Members,' who committed themselves to paying the annual membership dues of US\$30,000. Included in this category are the 'intellectuals' who accepted the invitation of the Founding Committee and expressed their readiness to devote part of their time for the Association, in lieu of paying membership dues. The third membership category is that of the 'Supporting (*Al-Mu'aziroun*) Members,' whose annual membership dues are below US\$30,000. The basis of voting in the General Assembly, however, is the payment of the US\$30,000 annual dues. In other words, one vote equals US\$30,000; three individuals who paid US\$10,000 each, for example, would have one vote.

The Association derives its financial resources from the annual dues of its members and from unrestricted donations from individuals or groups. The General Assembly, composed of all Active Members, is the highest authority. It meets annually to discuss and approve the *Annual Report*, including audited end of year accounts, and the annual 'Program Plan.' The General Assembly elects a Board of Directors for a three-year term, which, in turn, elects an Executive Committee and appoints a Director General.

Originally, the Association was organized around three departments: the Department of Programs, the Department of Finance and Administration, and the Department of Research and Documentation. The Department of Programs

"formulates the annual programs on the basis of the Association's goals and program priorities. This department maintains regular contact with local organizations and groups in the target areas, assesses requests for assistance, and supervises the implementation of projects in the field."⁴³

Decision Structure: Programs

The decision-making process concerning programs, or actual interventions, followed roughly the following steps. Until 1991 (the first tri-annual planning exercise), program planning was done on an annual basis.

⁴³ WA. *Annual Report 1985*. (Internal unpublished report.)

A formal 'Program Plan' was prepared primarily by the Department of Programs, discussed internally with the executive staff, and presented with the recommendation of the Administration to the annual meeting of the General Assembly and the Board of Directors for 'deliberation' and approval. Rarely were these documents studied, and rarely, if ever, was there any input from either decision-making body about strategic coherence or incoherence between the overall strategic objectives of the Association and the proposed emphases in the 'Program Plan.' Following the first year, the input during these annual meetings became very predictable, uninformed, boring and inane: "Why do we keep concentrating on the Jerusalem-Ramallah area?" "The North is neglected," "We should have more projects in Gaza," "Most are service-delivery, and not productive projects," "There is too much concentration on kindergartens," etc. It was predicted what kind of comments a certain member would make, as soon as he stood up, based on his natal village or town in Palestine, his experience, or his line of business. For example, one not-so-influential member always commented on the importance of WA interventions in "the 1948 Areas - Israel," whereas another, who was working at the time with an Arab regional fund that financed projects exclusively in Arab states, always dribbled about the insignificance of our "small," "non-productive" projects, and the need to have "big" projects, with buildings and equipment, as if all our continuous discussion about the sensitivity and difficulties of interventions under occupation had evaporated. This type of comment often fell on attentive membership ears, since this was the type of thing the majority experienced and understood.

The preparation of annual 'Program Plans' was made possible due to informal consultations with the main partners in the field, feedback, and ongoing assessments of projects under implementation, the size of available program budgets, any specific limitation or instruction from the General Assembly and/or the Board of Trustees (e.g., a fixed ceiling for the allocation percentage for a specific geographic area, or a specific sector, etc.), and the constantly changing environment under occupation.

Theoretically, the approved annual 'Program Plan' would serve as a basis for recommending to the Executive Committee (and later, the Projects Committee) specific projects with specific commitments, by each of the geographic areas, for approval. Thus the approved annual program budget was committed in '*tranches*' (batches), sometimes up to five per year. Approval of these '*tranches*' constitutes the formal financing decision. These decisions are then formalized into signed

financing agreements, which we referred to as 'Grant Implementation Agreements' between the Association and the Palestinian partner.

Implementation Modalities and Monitoring

The WA's strategic approach to its intervention in Palestine was to interact with active indigenous Palestinian institutions, committees, groups, etc., who became responsible for the actual implementation of the various interventions. From the outset, however, the 'developmental intervention' role of the WA in Palestinian communities under Israeli control - be it military or civilian - was viewed by those responsible for it as potentially very sensitive, and possibly vulnerable and easily affected in a negative manner by Israeli authorities, and, therefore, it was deliberately low-key and treated with an awareness of the need for secrecy. Hence, a big emphasis was placed on the political and social credibility of the potential partners and interlocutors, particularly during the first six years of operations, with this credibility being considered the main safeguard of the enterprise. This purposeful approach was often reiterated by the professional management, orally and in writing, and conveyed to the decision-making bodies of the Association. Based on their coherence with the general strategic approach of the Association, the relations with these indigenous institutions were anchored and solidified. Interaction with potential indigenous partners was formally based on three guidelines:

- That these groups fall within the 'broad national consensus' - the mainstream;
- That the relationship is based on the "quality of the services and projects that these agencies and individuals perform; and on their willingness and commitment to implement these projects, and not on its political position or party affiliation";
- That these relations progress without coordination with any official agency, in spite of the pressure imposed by Israeli authorities to do so.⁴⁴

Following the quiet, yet un-ignored presence of the WA interventions in the field, especially during the first three, formative years, pressures mounted to involve more indigenous 'mainstream' input in the selection and prioritization of projects proposed for funding. To avoid biasing the prioritization of areas for intervention towards local factional

⁴⁴ DG Report to Executive Committee: 13 March 1991.

interests, a parallel approach emphasizing 'professionally based consultations' emerged. The Program Advisory Committee recommended, following its meetings on 19-20 December 1987, "the necessity to intensify consultations with various competent individuals and institutions inside, through the setting up of professional advisory committees around the development of specific sectoral programs..." Nevertheless, the doubletalk was rampant. The leading Executive Committee members, who perceived themselves, or were perceived as expressing the views and interests of the Palestinian political/factional 'mainstream' were thinking all along of 'Program Advisory Committees' that were factionally and geographically distributed. To preempt this approach, I prepared, in consultation with the Director General, a brief internal report (in Arabic), which was distributed to the Executive Committee, about the informal structure and process of field consultations used. The following are relevant sections:

"The approach of field operations is characterized by the principle of using 'internal consultative foci' that participate in [the] planning and implementation of projects. These are dispersed horizontally and according to program needs. They are comprised of advisory committees, individuals, and established societies, according to need and objective considerations. We depend so far, in a systematic and continuous way on at least 200 informal, active, and voluntary consultants.

"The relationship with these 'consultative foci' is based on confidence, credibility and mutual cooperation, which developed as a result of shared views and convictions about the type of societal development we seek to effect in Palestinian society under occupation. This relationship is nurtured constantly through field visits, and each focus reinforces the other.

"The anchor of this voluntary cooperative relationship is the shared conviction that there is a need for mutual protection of Palestinian national interests. Protection of the sound developmental activities of the Association in Palestine is part of protecting the continuity and sustainability of these groups and individuals, hence the need for secrecy.

"Such relationships do not develop overnight. They require a special and sustained effort to stabilize them. Thus, establishing this type of consultative networks is a long-term and thorny process."

However, this emphasis on 'professionalism,' 'objectivity,' 'program determinants,' etc., obviously was not shared by the primary decision-making bodies of the Association. Their emphasis, and the pressures to which they were receptive, were traditional sociopolitical relations of privilege and influence (i.e., the institution of 'mukhtarship'), and the rising influence of mainstream Palestinian factional politics. Thus, during 1989,⁴⁵ the Executive Committee decided that 'local' advisory committees' should be formed, and directed the Administration to establish the necessary field contacts for that purpose. In the meantime, it appointed a Fateh-affiliated 'coordinator for field operations,' and gave him the responsibility of liaising with these committees and coordinating their identification of proposed priorities for funding in the different geographic areas and their recommendations about the submitted proposals from their areas. The clear intention was to ensure local Fateh factional input about allocations, inherently unrelated, and often contradictory, to earlier developmental initiatives and to counteract my perceived 'leftist' tilt! These 'local advisory committees' were tantamount to acceptable traditional 'councils of elders'!

Notwithstanding the above, the actual process of field monitoring and project follow-up evolved gradually, as the local environment made it possible, and based on the evaluation of project needs and procedures. As was discussed earlier, the primary channel for monitoring was, originally, through recurrent field visits, from Geneva to Palestine. At first, Swiss project officers were hired for this purpose at the main office in Geneva. Gradually, the process evolved into hiring local Palestinian project officers, who were responsible directly to the Department of Programs at Headquarters. Later on, in June 1991, an informally affiliated field office was registered in Jerusalem under a separate name, but whose establishment costs and operating budget were covered from the WA budget, for the specific objective of field monitoring and follow-up. Eventually, all project officers responsible for monitoring WA interventions were 'indigenized' and clustered in the field office.

3.5 Overall Assessment

In a symposium on "Economic Development Under Prolonged Occupation," initiated and supported by the WA, and held in January 1986 at St. Catherine's College, Oxford University, various papers on the Pales-

⁴⁵ WA. *Annual Report 1989*. (Internal unpublished report.)

tinian economy under occupation were presented. The interest of the Association in initiating this symposium was to force intellectual and professional discourse on issues relevant to Palestinian development. Dr. Yusef Sayegh, a notable Palestinian economist, presented a paper on "Dispossession and Pauperization"⁴⁶ in which he stated:

"The Occupied Territories do not have the option of action to free themselves of dependence. Consequently, their economies are twisted, distorted and stunted, not through the working of the invisible hand of market forces, but through the imposition and the visible hand of the occupying power."⁴⁷

He then concluded:

"Meaningful and far-reaching development cannot be achieved, or even sought, under the conditions of dependence-*cum*-dispossession. 'Dependent development' itself is not possible, since Israel's external-turned-internal colonialism blocks even capitalist transformation which mature capitalist industrial countries claim to promote in their relations with Third World countries. This being the case, it is a futile exercise to speculate whether self-reliant development can be achieved in the Occupied Territories."⁴⁸

"Given the special nature of dependence and dispossession suffered by the Occupied Territories, and the tight, wide-ranging web of control the Israelis use, it is unrealistic to set out to design broad plans and programs for development."⁴⁹

Dr. Sayegh was focusing primarily on economic development. Although I share his conclusion, partially, the factors involved in analyzing the situation holistically go beyond military occupation, into the structure of the Association, on the one hand, and the societal propensity for development, on the other. In assessing the 'developmental' impact of WA interventions in Palestine, over a period of eight years (our focus),

⁴⁶ Sayegh, Yusef. "Dispossession and Pauperization: The Palestinian Economy Under Occupation." In Abed, G.T., ed., *The Palestinian Economy*. London: Routledge, 1988, pp. 259-285.

⁴⁷ *Ibid.*, p. 267.

⁴⁸ *Ibid.*, p. 279.

⁴⁹ *Ibid.*

and after an injection of nearly US\$40 million, we need to analyze the proclaimed objectives, whether or not the interventions were on the right track towards achieving these objectives, and if not, the responsible factors behind this.

Following a structural and experiential analysis, I maintain that structurally the Association had neither the necessary capacity nor inclination in terms of effecting the desired development in Palestine (at least the one proclaimed in its literature - self-reliant, genuine, sustained, etc.). The analysis must encompass various levels:

- The WA's structural set-up and a complete lack of understanding of what development is on the part of those making the decisions;
- Inflated and naive expectations, on the one hand, and a lack of serious commitment to 'developmental' interventions, on the other
- Weak and precarious Palestinian institutional base under occupation;
- Factional and non-professional factors that were allowed to predominate the decision-making process.

I shall use the WA's poignant intervention in the context of the 'economic development program,' labeled then as the 'Pilot Loan Program,' and evaluated as such. Through this case in point, I shall illustrate the interaction of these factors and their concerted impact in undermining the possibility of effecting the desired Palestinian development.

The Pilot Loan Program

The stated objectives of the WA's 'Economic Development Program' were:

- To help preserve and regenerate the Palestinian resource base (people, land, skills, etc.);
- To support self-reliant economic growth and employment creation by local people and organizations;
- To improve planning and skills for productive purposes (human resource development).

The 'Pilot Loan Program' was initiated in 1985 in the context of the 'Economic Development Program,' aiming towards achieving the above objectives. The Program evolved over nearly two and a half years to

include a number of components: five 'revolving funds' for US\$480,000, five loans for US\$494,000 to medium-sized industrial enterprises in agricultural production, 24 small loans for US\$511,000 for the establishment of farms for animal and plant production in the northern and central areas of the West Bank, and 14 small loans for US\$383,000 for new productive activities in agriculture and industry in the Gaza Strip.

Somewhat parallel to the 'Pilot Loan Program,' the WA encouraged, financed from its own resources, and mobilized others to co-finance, local initiatives for the establishment of lending agencies, which eventually would manage loan programs, from A to Z. Two such initiatives registered as credit institutions in Jerusalem and became operational during 1987. The WA provided initial seed money, and later on the EC also assisted in financing their initial capital.

The 'Pilot Loan Program' was experimental. It was initiated with the specific objective of inducing and making it possible for unemployed university graduates in the West Bank to start themselves an income-generating activity, creating jobs for themselves and others. The target group was narrowed down to young unemployed graduates because of the problem in absorbing the large number of graduates in the economy and because of the small size of available funds for such a program. The first phase targeted specifically An-Najah University graduates. An additional, yet unstated target, was the group of 'prison graduates.'

It was decided to gear the program towards agricultural production in order to:

- Encourage young Palestinians to stay on their land, and thereby strengthen 'steadfastness';
- Build on the still available technical experience in this field, among applicants and their families;
- Counteract the decline in agricultural employment and production in the West Bank - a sector where there was room for more 'self-reliant' local production in local markets.

Initial basic eligibility requirements were:

- There must be at least two partners initiating the project.
- The loan recipients must contribute their own labor and, whenever possible, a significant part of the establishment cost.

- The loan recipients must commit themselves to implementing the co-financed project according to an approved operational plan.

The selection criteria, however, were partly formal (unemployed graduates, income level, experience, project feasibility study), and partly informal (character of applicants, commitment to project, etc.). Given the special circumstances under occupation, more weight had to be given to the intimate knowledge of applicants, as opposed to more formal criteria.

The average loan size was US\$20,000.

In December 1986, an intermediate internal evaluation of the 'Pilot Loan Program' was carried out. The relevant conclusions now follow:

- 'Unemployment of graduates' is a relative concept since half of all graduates receiving a loan have been working in a second remunerative activity, a few months after the start of their project...
- Almost all projects have two partners only: a small chicken farm can hardly employ and support more than one family, while a well-managed sheep farm can support two families after a gestation and development period.
- Changes in partners are relatively frequent ... before and after starting the project, and in half of all projects partners were (eventually) from the same family.
- Almost all sheep and bull farms asked for additional loan funds shortly after being established. The initial assessment of investment needs (including training) by both applicants and the WA has not been adequate enough to ensure sufficient funds. (In three cases, the loan amount had to be increased. On the other hand, in reviewing requests for loans, the Executive Committee whimsically reduced the requested budget by an average of 40 percent, without any sound economic reasoning.)
- Bookkeeping in all projects has been informal and non-systematic.

Based on the intermediate internal evaluation and a follow-up external evaluation, important observations were made, in terms of the original objectives of the program:

- a) The program was not successful in providing employment opportunities to unemployed university graduates; the loan provided

employment in the project to other member(s) of the recipient's family, on whose land the project operated. The university graduates accepted loans in this scheme as a temporary respite before they could secure a 'white collar' job; as soon as they did, they deserted the project. The perception at the WA offices in Geneva that university graduates would use the employment opportunity to return to the land and become active in self-reliant production leading to 'steadfastness' and the preservation of national resources proved to be a romantic wish. Thus, the primary targets of the 'Pilot Loan Program' were not properly identified.

- b) Economic development intervention under occupation should be geared clearly towards an 'economy of resistance.' Thus, smaller labor-intensive agricultural projects, not larger ones with latest technology and high-risk markets, are more adapted to the stated objectives of the program.
- c) The 'Pilot Loan Program' was started on a small scale, but without a preconceived, full-fledged formal loan system to be rigidly applied. The WA had no experience in credit extension, let alone by 'remote control' from Geneva.
- d) The 'Pilot Loan Program,' from the beginning, did not insist on providing the necessary elements that would guarantee its success, namely the required training in project management, financial control, planning, etc.
- e) The Executive Committee decided on the amount of the loan lightly and haphazardly, and, on the average, it was about 40 percent lower than the budget requested.

These are essential issues in 'developmental interventions,' particularly interventions in new economic activities. Why were they not considered seriously? The answer, I believe, must refer to the factors elucidated above. More specifically:

1. Involvement in a credit extension program, regardless of the size of loans, targets, sectors, etc., was almost an afterthought; it was not part of a well-studied and well-prepared program plan (as was the case in most other sectoral interventions), as evidenced by the fact that loan conditions and terms were improvised as we went along.

2. Intervention in a loan program resulted from two sets of pressures: one coming from the businessmen of the Executive Committee, who were more in tune with the idea of 'loans' and somehow felt that this was a more acceptable approach for spending 'their' money than grants, regardless of whether or not it gets repaid. Further, they connected 'loans' with 'productive' and 'profit-making' projects - the essence of what they understood to be 'economic development.' On the other hand, the Director General, an economist himself, was under tremendous pressure to prove that he could get the 'Economic Development Program' moving quickly and report on it to the businessmen founders and members of the Association.
3. Also, it must be noted that the first 'experimental' small target group was composed largely of An-Najah University graduates, most of whom were Fateh-affiliated, from the Nablus District. The selection was not based primarily on the merit and feasibility of their projects, nor on the potential of their projects to produce the required 'ripple effects' for self-reliant agricultural production in the region. The main consideration in the selection was that they were committed activists who had suffered economically by being imprisoned and that they needed immediate financial input to get started again. In my view, this was a very positive consideration. But, the channel was the wrong one. For a number of reasons, they viewed the loan as a grant and the success of the venture was hardly their serious concern.

At the end of this detailed analysis, one must ask the question: "Did the intervention of the WA achieve, or was it on its way to achieving, the main strategic objectives - strengthening the Palestinian institutional base, safeguarding and developing the strategic natural and human resources, effecting self-reliant and self-sufficient development of Palestinian society through the sustenance of grassroots organizations - at least during the first eight years of operations?" My answer is negative. Although, I believe, as I tried to show earlier, that interventions were attempting to aim consciously towards realizing the major strategic objectives during the 'Steadfastness' Phase of the first three or so years, the whole developmental *raison d'être* of the Association, following that phase, became distorted and ambiguous. On one level, it became supplanted by the immediate and pressing basic needs of the society - the target of the developmental intervention - while, on the other, it lost its primary 'developmental' concern and succumbed (without resistance) to the fervor of the truncated and

uneven peace process, by responding to directives and pressures from the dominant factional leadership - Fateh - which was directing it.

Irrespective of the self-perception of an important segment of the Palestinian 'nationalist capital,' which comprised the membership of the WA, of the significant work they were doing in 'developing Palestine,' the serious 'developmental' momentum of the first three years or so fizzled out and lost its rudder, so to speak, as did the first Intifada after its first year.

My field visit for the period 14 May-6 June 1991 was very critical in terms of my analysis of prevalent indications of the 'fizzling out' situation, its impact on the attempted 'developmental' interventions, and, what I saw, as required future trends for 'developmental' interventions and the role of the WA in them, if it was serious about it. I summarized my conclusions, immediately after this field mission, in an internal memo.⁵⁰ The relevant conclusions are presented below:

"Developmental ambiguities prevail on the ground due to the absence of a clear, comprehensive developmental plan, a unitary coordination authority, and due to the multiplicity of contradictory political aid sources and agencies...each seeking to gain political influence and credibility under the guise of the 'development' of Palestinian society in the WBGS, while competing among themselves as to who can disburse their funds faster, without any real consideration whether or not it has any local developmental impact.

"My current visit to Palestine coincided with a three-person EC mission, discussing how best to spend the approved emergency support for credit extension and housing, as well as, representatives from various European agencies...The Dutch Government approved political aid for the economic sector... and, I am told, they have no clear plan or idea how to spend it.

"It seems that the basic concentration [of this political aid] is on economic activities, primarily through credit extension. [Then, I listed known agencies and amounts earmarked for credit programs, including the WA.]

⁵⁰ KN internal memo: 7 June 1991.

"The readiness of the Military Administration to grant permits for new projects is not accidental, and the permits are not haphazard. One notices the duplicating of permits for the same project in the same geographical location, which resulted in the unnecessary dissipation of resources. For example, in Beit Lahya (Gaza) a permit was granted to the mayor to produce and export strawberries, although an active and specialized cooperative that does the same work exists. In Khan Younis, a number of permits were granted for similar dairy projects.

"On the Palestinian side, great efforts are being invested on the formation of 'higher councils,' as coordinating channels to receive approved [political aid] funds. Although, this step may seem positive at first glance, it is surrounded by serious dangers: that these 'higher councils' become, as it appears now, empty shells, void of content, and a platform for factional competition ...

"On the positive side, however, there is increasing awareness and realization at the level of grassroots organizations (women, agriculture, health, etc.) that a separation should be made between expected 'factional benefits' from development projects, and the capacity to implement these interventions to achieve their important economic objectives. There is a serious review process going on within the grassroots women's organizations..."

What should be the role of the WA in light of all this? I recommended:

- There is no longer a justification to continue being involved directly in a loan program...
- There is an urgent need to reexamine the identity of the Association and define its objectives and its role. It would be difficult for the WA to continue with its split personality - being from inside and outside Palestine, simultaneously...
- It is imperative that the Association maximizes its intervention in intellectual sectors, the enhancement of the institutional base, and the serious and comprehensive intervention in human resource development.

To my knowledge, some of these recommendations were incorporated in the post-1993 directions characterizing the WA's interventions in Palestine.

Chapter III:

Developmental Interventions: Post-Oslo Accords of 1993

Having analyzed, in the previous chapter, the 'developmental' interventions during the period ranging from 1978 to 1992, with a particular focus on the role of the WA, and having shown that that type of intervention failed to develop Palestine, this chapter will focus on 'developmental' interventions from 1994 until mid-2002, in general, but with a specific detailed focus on the role and involvement of the EU, or EC, through its executive arm, the European Commission. The analysis in this chapter relies on EC primary documents and on my actual role in monitoring the EC's interventions during this entire period, in my capacity as an EC consultant for the education sector; hence, the present analysis attempts to distinguish, whenever possible, between the formal and experiential levels.

1. General

After the Oslo Accords of September 1993, the international community, at the Donors' Conference in Washington, pledged US\$2.4 billion for a period of five years (1994-1998) to the development of the Palestinian economy, in order to underpin the peace process. At the Washington Ministerial Meeting of November 1998, following the Wye River Memorandum (October 1998), donors' representatives pledged an additional amount of over US\$3 billion for a period of five years (1999-2003). The total donor pledges, however, for the period 1994-2001, increased to almost US\$6.1 billion, of which US\$5.1 billion was committed against specific projects and nearly US\$3.4 billion was actually disbursed to the WBGS.¹

The influx of aid from donors has been considerable and concentrated in a limited geographical area. "At US\$175 per person, aid to the WBGS represents one of the highest levels of per capita official devel-

¹ PA, MOPIC, Aid Cooperation Department. *MOPIC's 2001 First and Second Quarterly Monitoring Report of Donors' Assistance*. 30 June 2001.

opment assistance anywhere in the world."² The number and variety of donors are also considerable: more than 40 donors, over two dozen multilateral organizations and UN agencies, and hundreds of local and international NGOs are involved in this process.³

Since 1993, an elaborate and complex "architecture" of donor coordination has been put in place in order "to facilitate agenda-setting, reduce duplication, and foster synergies."⁴ At the top of the coordination pyramid is an all-donor forum, the Consultative Group for Palestine, which is chaired by the World Bank. Below it, is the Ad-hoc Liaison Committee (AHLC), the main policy coordinator at the international level, which is chaired by Norway, while the World Bank serves as its secretariat. The AHLC meets twice a year. Both of these tiers of the structure were set up in October 1993, immediately after the signing of the Declaration of Principles. In 1994/1995, this structure was complemented by the establishment of local aid coordination bodies: the Joint Liaison Committee (JLC), the Local Aid Coordination Committee (LACC), and the various Sector Working Groups (SWGs). Coordination within the UN system was facilitated with the establishment of the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO), headquartered in Gaza.

At the level of the PA, MOPIC was identified as the official Palestinian counterpart for all external developmental interventions. With its two arms, the planning and the cooperation, MOPIC was responsible for the articulation of national Palestinian development priorities, on the one hand, and the monitoring and overseeing of the process of aid coordination, on the other. Palestinian development priorities were articulated, by and large, in 'shopping lists,' submitted to donors through the various coordination bodies. Some major donors assisted MOPIC in producing a coherent, systematic and multi-year planning tool, in the form of the 'Palestinian Development Plan' (PDP), which became, at the surface at least, and not to all donors, the main reference and yardstick for directing external developmental interventions during this phase.

² The World Bank Group. *West Bank and Gaza Update*, November 2001.

³ The World Bank and the Government of Japan. *Aid Effectiveness in the West Bank and Gaza*. Jerusalem, June 2000.

⁴ *Ibid.*, p. 16.

With the first PDP,⁵ Palestinian development planning started focusing on a longer-term vision of planning priorities. In consultation with the donors, four key national goals were set: (1) economic growth and employment generation; (2) rural development; (3) improving social conditions and human resource development; and (4) the development of financial institutions and policies. These key goals were translated into four main supra-sectors, namely, (a) Infrastructure and Natural Resource Management; (b) Productive Sector Development; (c) Human Resources and Social Development; and (d) Institution Capacity Building. Under each of these supra-sectors, a number of sectors and sub-sectors were lumped, as the following table shows:

Table 3: Sectors and Sub-Sectors in the PDP

Infrastructure	Productive Sector	Social Sector	Institution Building
Energy	Agriculture	Children and youth	Democracy development
Environment	Industrial development	Detainees/returnees	Institutional capacity building
Housing	Private sector	Education	Legal affairs
Infrastructure	Productive sector development	Human and social development	Police
Solid waste	Tourism and cultural resources	Humanitarian aid	
Telecommunications		Women	
Transportation		Health	
Water and sanitation			

Through a series of *Quarterly Monitoring Reports of Donor Assistance*, MOPIC's Aid Coordination Department monitored the scope and process of external donor assistance through 'performance indicators,' focusing primarily on the rate and type of commitments, rate of disbursements, speed of implementation, allocation per sector, targeted local partners, etc. The first combined two *Quarterly Reports* of 2001

⁵ PA, MOPIC. *Palestinian Development Plan 1998-2000*. Ramallah, February 1998.

provided useful and clear information on external development assistance, valid until June 2001.⁶

A composite picture of the overall external development assistance, since the process began, is shown in the following table.

Table 4: Total Allocations by Disbursements

Years	Total Pledges (US\$)	Total Commitments	Total Disbursements
1994-2001	6,092,168,000	5,161,781,000*	3,399,215,000**

* Represents 84.7% of total pledges

** Represents 65.9% of total commitments

About 84 percent of total commitments have been in the form of grants; the rest are loans. Further, about 92 percent of total commitments were directed to the PA, while eight percent were directed through Palestinian NGOs. In terms of sectoral allocations, about 40 percent of total commitments were allocated to infrastructure; about 24 percent to the social sector; about 20 percent to institution capacity building; and about 12 percent to the productive sector. A change in the rate of disbursements is noticed, where the rate for 2000-01 of nine percent is half of the rate for 1994-95. Since 1996-97, the disbursement rate has been steadily declining.

2. European Union

2.1 Origins⁷

The EU started providing assistance to the Palestinians in 1971, with aid limited to Palestinian refugees and channeled through UNRWA for its five areas of operation: West Bank, Gaza Strip, Jordan, Syria, and Lebanon. In 1981, and in connection with its overall political support for the Middle East Peace Process and its expecting to have a pivotal

⁶ All data in the present section are from: PA, MOPIC, Aid Cooperation Department. *MOPIC's 2001 First and Second Quarterly Monitoring Report of Donors' Assistance*. 30 June 2001.

⁷ This section relies heavily on: Special Report no. 19/2000 on the *Management* by The Commission of The Program of Assistance to Palestinian Society. 32001Y0131 (01).

role, the EC expanded its support beyond UNRWA and the Palestinian refugees to provide direct aid through NGOs, both Palestinian and European, and to target various Palestinian communities under occupation in the WBGS. The level of EC involvement was stepped up substantially in 1991 following the Gulf Crisis, when the PLO sources of funds for the support of the Palestinian communities under occupation were severely curtailed. The noticeable involvement of the EC at that time was in supporting the running costs of Palestinian tertiary educational institutions (i.e., colleges and universities).

After the signing of the Oslo Accords in September 1993, and in the context of mobilizing the international community at the Donors' Conference in Washington, the EC started a special program of assistance, by pledging ECU 500 million from 1994-1998: each year, ECU 50 million to be provided in grants and ECU 250 million in the form of long-term loans to be made available by the European Investment Bank. The EU pledge was renewed for the same amounts for the years 1999-2003.⁸

2.2 Strategy of Intervention

The EC's strategy for developmental intervention in Palestine is anchored in the EU strategy for the Mediterranean Region. It is set out in various official documents: *Country Strategy Paper (CSP)*, which states the general long-term strategy (so far, it has been for six years); the *National Indicative Program (NIP)*, which formulates the mid-term triennial sectoral strategies; and the *Annual Financing Plan*, in which specific projects to be funded are identified and specific amounts are committed.

Concerning the EC's global intervention strategy, it was stated that

"Community development policy is grounded on the principle of sustainable, equitable and participatory human and social development. Promotion of human rights, democracy, the rule of law and good governance are an integral part of it... The main objective of Community development policy must be to reduce and, eventually, to eradicate poverty. This objective entails support for sustainable economic and social

⁸ The legal basis for the special program of assistance is Council Regulation (EC) No. 1734/94 of 11 July 1994, on financial and technical cooperation with the Occupied Territories (OJL 182, 16 July 1994).

and environmental development, promotion of the gradual integration of the developing countries into the world economy and a determination to combat inequality.⁹

As southern European countries (on the northern Mediterranean littoral, i.e., France, Italy, Spain, Portugal) joined the EU, so pressure grew to extend aid to non-EU countries bordering the Mediterranean. Thus, the Barcelona Declaration of 1995 provided the basis for the Euro-Mediterranean Partnership Framework. Under Council Regulation (EC) No. 1488/96 of 23 July 1996, "on financial and technical measures to accompany the reform of economic and social structures in the framework..." which became known as MEDA I, more than Euro 3.4 billion were committed for the period 1995-1999.

Five years after the start of the Barcelona Process (i.e., the implementation of MEDA I), it was noted that although much had been done, "the efforts had been spread too thin" and they had not achieved the desired strategic impact.¹⁰ At the Marseilles Ministerial Conference (November 2000), it was realized that it was "necessary to strengthen the link between the MEDA Program and the implementation of reforms initiated by the Mediterranean Partners under the Association Agreements." This led to a revised MEDA legal framework for the period 2000-2006 resulting from a new regulation adopted by the EU Council of Ministers, on 27 November 2000, dubbed as 'MEDA II,' and with an indicative figure of Euro 5.35 billion.¹¹

Article 2(2) highlights the objective of the intervention as

"achieving sustainable development leading to long-term stability and prosperity. Particular attention shall be paid to the economic, social and environmental impact of economic transition, to regional and sub-regional cooperation and to building the capacity of Mediterranean partners to integrate into the world economy."¹²

Article 4 emphasizes the need for coordination and "reciprocal and regular exchange of information" with Member States regarding, particularly, the preparation of strategy papers, NIPs, and annual financ-

⁹ The European Community's Development Policy Statement by The Council and the Commission, 2000.

¹⁰ *EUROMED Special Feature*. Issue no. 21, 3 May 2001.

¹¹ Council Regulation (EC) No 2698/2000, *EOJ*, 12 December 2000, L 311/1.

¹² *Ibid.*, p.2.

ing plans, "to ensure the effective coordination of the assistance efforts undertaken by the Community, including the European Investment Bank...and individual Member States..."

The Head of the 'Middle East and Southern Mediterranean' Directorate asserted that "the new Regulation was meant to be much more program-oriented and strategic than its predecessor" and that "under MEDA II we will strive to intensify economic dialogue with the Partners at the bilateral as well as regional level."¹³ By way of indirect criticism of how EC interventions were planned and implemented under MEDA I, the Head of the 'Middle East and Southern Mediterranean' Directorate affirmed, in no uncertain terms, that "we want to substantially increase the Partners' sense of ownership of actions to be financed on their territory...The aim is to make Partners have a strong feeling of ownership of programs and projects."¹⁴

This is the overarching strategic context, with its concomitant regulatory instruments, that provides a justification for the EU's interest and concern in being involved in the 'development' of Palestine at this historical juncture. Thus, it is clear that the EC's strategy for Palestine cannot be understood in isolation of the EU's strategy for the Mediterranean region, and especially in the framework of the Barcelona Process.

In Santa Maria da Feira, the European Council, on 19-20 June 2000, adopted a *Common Strategy of the European Union on the Mediterranean Region*, which will guide the policies and activities of the EU in advancing the Euro-Mediterranean Partnership, established by the Barcelona Declaration in 1995.¹⁵ This *Common Strategy* reaffirms what was delineated above, and 'reinvigorates' what has become known as the 'Barcelona Process.' This document is composed of four main parts, as follows: Part I, 'Vision of the EU for the Mediterranean Region'; Part II 'Objectives'; Part III 'Areas of Action and Specific Initiatives'; and part IV 'Instruments and Means.' It is worth delineating in detail the main elements in this '*Common Strategy*,' as they apply to the region, encompassing 12 partners, including Palestine as one of the EU partners.

¹³ *Euromed Special Feature*. Issue no. 21, 3 May 2001, p. 1.

¹⁴ *Ibid.*, p.2.

¹⁵ *Common Strategy of the European Union on the Mediterranean Region*. SN 2000/00 ADD1.

In the section on the EU 'vision' for the region, it is stated:

"The Mediterranean region is of strategic importance to the EU. A prosperous, democratic, stable and secure region, with an open perspective towards Europe, is in the best interests of the EU and Europe as a whole."¹⁶

While this policy is guided by the "principle of partnership," it "builds on the Euro-Mediterranean Partnership established by the Barcelona Declaration and...the Berlin Declaration and the European Union's long-standing policy towards the Mediterranean with its bilateral and regional components." Concerning the peace process, the *Common Strategy* reiterates further:

"The EU is convinced that the successful conclusion of the Middle East Peace Process on all its tracks, and the resolution of other conflicts in the region are important prerequisites for peace and stability in the Mediterranean...The Union aspires to play its full part in bringing about stability and development in the Middle East...The Union will therefore support the efforts of the parties to implement the peace agreements. ...While the European Union will continue to play its full role in the Middle East Peace Process according to its acquis including the Berlin Declaration, *the Common Strategy will cover the EU's contribution to the consolidation of peace in the Middle East once a comprehensive peace settlement has been achieved.*"¹⁷

Bearing the above 'vision' in mind, the EU sets for itself the following objectives:

- "To promote conditions which will help the parties implement agreements concluded among themselves;
- To develop the basis for normal good-neighborly relations and encourage the parties to engage in regional cooperation;

¹⁶ Ibid., p. 1.

¹⁷ Ibid., p. 2. (Emphasis added.)

- To contribute to the consolidation of peace in the region, including economic integration and mutual understanding between civil societies.¹⁸

The EU commits itself to "undertake a comprehensive review of the Barcelona Process with the aim of...making it more action-oriented and results-driven." Thus, Part III covers specific initiatives, whose aim is to "invigorate the Process." These initiatives are focused in the following areas of action: "political and security," "democracy, human rights and the rule of law," "peace in the Middle East," "economic and financial," "environment," "social and cultural," and "justice and home affairs."¹⁹ It is clear that every aspect of life in the Mediterranean Region (including Palestine of course) is a legitimate target for EU potential intervention, insofar as it enhances political stability and security in the Mediterranean basin, and consequently the political stability and security of the EU's southern flank, its soft belly, as it were. All intervention means and instruments at the disposal of the EU (i.e., the European Council, the European Commission and Member States) will be used in a full and coordinated manner.

Translating Strategy into Action

The role of the EU as a source of international aid has shifted remarkably over the last 15 years or more particularly with the fall of the Iron Curtain in 1989.²⁰ The EU's external aid started with development aid for former colonies of the Member States in Africa, the Caribbean and the Pacific. The EU now has a "global reach and extends well beyond development assistance, comprising...areas such as reconstruction, institution building, macroeconomic support, electoral observation and human rights."²¹ The EC currently delivers "more than ten percent of total Official Development Assistance worldwide," amounting to Euro 9.6 billion in 2000. It is the largest donor of humanitarian aid in the world. EC aid increased by a factor of 2.8 over the last ten years, whereas staff levels increased by a factor of only 1.8. An increasing amount of money was being committed and not disbursed year after year, which undermined the credibility of the EU as a donor worldwide.

¹⁸ *Ibid.*, p. 3.

¹⁹ *Ibid.*, pp. 4-9.

²⁰ *The Times: Foreign News*, 16 May 2000.

²¹ External Relations: DN:IP/00/480, 16 May 2000, p. 3.

"We can't go on as we have been,' one senior official said. 'Wherever Mr. Patten goes, he finds that rather than people being grateful and welcoming assistance, they either have a long list of things that are late or going badly, or the attitude that because the procedures are so long and burdensome they prefer not to have Community assistance because it might close the door on other aid. It reflects terribly on the whole image of the EU internationally.'"²²

Against this background, and based on the principal recommendations of the evaluations of EC aid (including the MEDA Program), which were adopted by the European Council in May 1999, an internal debate on the 'effectiveness' of EU external aid was launched, which led to "an ambitious reform to overhaul the management of external assistance programs," spearheaded by Chris Patten, the new Commissioner for External Relations.²³ The reform covers the following main areas:

"Radical overhaul of programming to better reflect the EU's policy objectives and priorities; integration of the project cycle from identification of projects through their full implementation; creation of a single body in charge of project implementation; extensive devolution of project management to the Commission's external delegations and, where possible, to authorities in third countries; and urgent measures to eliminate old and dormant commitments."²⁴

This led Chris Patten to declare:

"This reform will radically transform the way the Commission manages external assistance programs. It will restore its credibility as a foreign policy actor in one of the major fields in external EU action. We will provide EU tax payers with more value for their money and meet legitimate expectations of our partners abroad who wish to see a speedier delivery of our aid."²⁵

In a 'Joint Debate on Common Strategy for the Mediterranean and Reinvigorating the Barcelona Process' at the European Parliament, the

²² *The Times: Foreign News*, 16 May 2000.

²³ External Relations: IP/00/480.

²⁴ *Ibid.*, p. 1.

²⁵ *Ibid.*

Commissioner for External Relations reiterated in his speech²⁶ the main emphases underlying the 'reinvigoration' of the Barcelona Process, the MEDA II Regulation, the Marseilles Ministerial Conference, and the structural reform of the Commission. On the Mediterranean region, the Commissioner affirmed

"The Mediterranean is our 'near abroad' on our Southern flank. Thus, it should enjoy a special place in our external relations...The objectives agreed on at Barcelona remain fundamentally valid and even increasingly relevant: working together for peace and stability, creating shared prosperity through establishing free trade and providing the economic and financial assistance to meet the challenges...and helping to improve mutual understanding and tolerance..."²⁷

On the political situation in the region, Patten reaffirmed

"the considerable significance of the Middle East Peace Process for EU policy in the Mediterranean. The Madrid Peace Conference, the breakthrough at Oslo were major factors in making the Barcelona Process possible...We should continue working towards Barcelona regardless of difficulties in the Middle East."²⁸

Let us examine how the EU's global and Mediterranean strategies were adapted to Palestine.

Strategy for Palestine

Towards the end of 1999, the EC strategy of intervention concerning Palestine was put as such:

"The Commission...considers the major challenge being twofold. On the one hand, to stop the present deterioration in the economic activity, to restore economic growth and to utilize the existing potentials and capabilities in Palestinian society in order to achieve positive development and modernization. On the other hand, to be able to achieve this in an environment of constraints due, *inter alia*, to the exis-

²⁶ Speech/01/49, Brussels, 31 January 2001.

²⁷ *Ibid.*, p. 2.

²⁸ *Ibid.*

tence of heavy structural imbalances and the high degree of uncertainty about the future...The strategic objective for the EC cooperation with the West Bank and Gaza Strip will continue to be the transition from structural dependence on Israel towards an economy founded on a more developed productive base and equitable trade relations with its regional and international partners."²⁹

This strategy was translated into the NIP, an EC-generated document which gets approved by the PA and constitutes the basis for defining specific projects/programs for support:

"Cooperation will be directed to continuing the support for initiatives of the Palestinian Authority with the aim of underpinning the Middle East Peace Process by way of fostering social and economic development... EC support is aimed at strengthening the Palestinian Authority's political, economic and social instruments of government. The EC's strategy in this context will have to be adapted...to changing circumstances on the ground."³⁰

As a result of the critical evaluation of the Commission's record of intervention in Palestine, the slow, cumbersome and inefficient procedures used to implement the MEDA Program, the faltering peace process, and against a background of implicit ministerial criticisms and prodding that the EU should play a more active role in the peace process, the Commissioner for External Relations defended, in his speech to the Parliament, the Commission's record.

"Let us not underestimate our contribution [to the peace process]. We are the major donor to the Palestinian Authority. Last year [2000] Euro 155.6 million was earmarked from the Community budget, which included Euro 90 million for a special cash facility... to preserve the institutional framework of the Palestinian Authority that we have helped to create and fund. And there are other ways in which we are raising our profile: J. Solana is an active member of the Committee established to find out the facts behind the recent troubles.

²⁹ European Commission. *West Bank and Gaza Strip Country Strategy Paper 2000-2006*. (Draft), p. 17.

³⁰ European Commission, *National Indicative Program West Bank and Gaza Strip, 2000-2002*. (Draft), p. 1.

Our Special Envoy, M. Moratinos, is in close touch with all the parties involved in seeking a settlement."³¹

At the level of strategy, the two ingredients of economic and political interventions are always mentioned and emphasized, but not necessarily equated.

2.3 Record of Intervention: Official

As mentioned earlier, once defined, the CSP gets translated into a NIP, which becomes an integral part of the *Common Strategy* document. The NIP for Palestine is tri-annual; it is implemented according to the rules and principles laid down in the 'Framework Convention on the Implementation of Financial and Technical Cooperation under the MEDA Program,' between the EC, represented by the Commission, and the PA. This Convention was signed in March 1998.

The NIP specifies: priorities for intervention within and across sectors; 'financial envelopes' including the indicative timing and size of each installment of Community contributions; specific objectives and expected results for each area of cooperation; and the specific programs to be implemented in pursuit of these objectives, the intended beneficiaries and the type of assistance to be provided (e.g., macroeconomic support, technical assistance, training, investment, supply of equipment, etc.). Four objectives were specified in this document: "economic growth and employment generation," "revival and development of rural areas," "improving social conditions/human resources development," and "development of institutions and policies." These objectives were translated into three "priority sectors," namely, "infrastructure and natural resources management," "institutional capacity building," and "private sector development," in line with the priorities listed in the PDP, and as reiterated in the AHLC and Consultative Group meetings in Frankfurt, Germany in February 1999.

In light of the adoption of 'MEDA II Regulation, Structural Reforms in the Commission,' the strong criticism by some Member States (e.g., Ireland) due to the lack of serious consultation between the EC and Member States in the process of preparing the CSP and the NIP, and concomitant with the rapidly and massively deteriorating conditions in the lives of the Palestinians during the Intifada, resulting from Israeli

³¹ Speech/01/49, Brussels, 31 January 2001, p. 3.

aggression on persons, properties and livelihoods (especially since 28 September 2000), the *National Indicative Program 2000-2002* remained a draft and was not formally approved. Most of the proposed allocations in the indicative budget for 2000, which were included in the NIP, were scrapped and replaced by urgent support for the PA national budget. Additionally, the actually approved allocations for 2000 were more than double what was originally proposed.

Allocations for 2001 were made on an emergency basis: "to help alleviate the severe financial difficulties facing the Palestinians," on the one hand, and "to prevent the collapse of local services" on the other.³² Thus, in addition to the direct budget support of Euro 10 million per month, a further Euro 7.5 million in emergency food aid was provided through UNRWA, bringing the total amount of 'humanitarian' aid for 2001 to Euro 27.6 million. In an interview published in the *Ha'aretz* newspaper,³³ the EU Representative to the PA asserted that "the European countries are determined to continue assisting the Palestinians for both humanitarian and political reasons despite Prime Minister's Sharon's request that the EU 'stop contributing to the Palestinian Authority.'" The EU, the Representative revealed, "donated about US\$300 million to the PA and non-governmental organizations" during 2001.

However, to get the process of programming back on track, according to EC procedures within the overall context of the MEDA II Regulation, the systematic preparation of a new NIP for 2002-2004 was ordered at the beginning of the second quarter of 2001. In his note to the Heads of Delegations of eight Mediterranean Partners (including Palestine), the Director of the 'Directorate Middle East, South Mediterranean' provided specific guidelines for the preparation of the tri-annual programming document:

"As regards choice of instruments, considerations of efficiency and effectiveness should determine the choice. In line with the provisions of the revised MEDA regulation, the use of (sector) adjustment facilities is encouraged. Care should be taken that budget allocations for these operations are linked to the cost of reforms, and that guarantees are obtained regarding (i) quality of budget management (trans-

³² *Euromed Report*, issue no. 29, 5 September 2001, *Euromed Synopsis*, issue no. 164, 7 December 2001.

³³ *Ha'aretz* Newspaper, 9 December 2001.

parency), (ii) macroeconomic management, (iii) visibility of Community support."³⁴

The Director instructed the Heads of Delegations that the contents of the revised NIP would be defined around the same priority headings used in the 2000-2002 NIP, namely "support for economic transition", i.e., "support for the reform process and development of the private sector," as well as support for "socioeconomic balance and the environment."³⁵

Thus, to jumpstart the process, a programming mission from Brussels was sent here in mid-May 2001. The local process started with a day-long brainstorming session with EU Member States' local representatives, in which I took part, on potential areas of intervention for the years 2002-2004. It became amply clear, however, that with such a large group (about 25 individuals), informed, well-thought out and useful strategic discussion was impossible, and that the implicit objective of such consultation seemed to be merely to satisfy the formal requirement from Headquarters.

To my knowledge, as of the end of 2001, the NIP 2002-2004 for Palestine had not been finalized. The direction of intervention, however, has been made clear already.

2.4 Record of Intervention: Actual

To better analyze intervention during this time period, I propose to classify it informally into two phases, which could explain the shifting patterns of interventions. I refer to the first phase as the 'Autonomy' Phase and to the second as the 'Emergency Needs' Phase. I view the 'Autonomy' Phase as having characterized most of the period under discussion, or roughly from 1994-1999. The 'Emergency Needs' Phase certainly characterized the best part of the last two years, starting roughly in mid-2000 and until this writing. Clearly, all aspects of 'developmental' interventions during this time period were shaped, altered, modified, restructured, etc., according to the contingencies of these two phases.

³⁴ European Commission, Directorate Middle East, South Mediterranean. *Note for the Heads of Delegation [sic] in Algiers, Amman, Beirut, Cairo, Damascus, Jerusalem, Rabat and Tunis*. RELEX/F/HD D (200) 600860, 20 April 2001, p. 3.

³⁵ *Ibid.*, p.4.

The 'Autonomy' Phase

Preparing to support the successful implementation of the peace process between the Palestinians and Israel in the framework of the Oslo Accords, the World Bank provided the potential aid agencies with an 'Investment in Peace Program.' It generated in 1993 a six-volume plan for "Developing the Occupied Territories," focusing on "the economy," "private sector development," "agriculture," "infrastructure," and "human resources and social policy."³⁶ This six-volume framework constituted the original 'Bible,' so to speak, for successful 'developmental' intervention in supporting the peace process, thus producing the generally promised and anticipated 'peace dividends.' Although the immediate, short-term interventions were directed towards 'emergency' intervention programs, in order to rectify, rapidly, the social, economic and political institutional shambles following 30 years of military occupation and total neglect, the main overall agenda was the consolidation of the peace process. All aid agencies shared this objective. Various aid sources intervened, during this phase, by 'fitting' their own national priorities and concerns within the overall framework, which the World Bank provided, and by insisting on a prerequisite that a Palestinian agency for 'development and reconstruction' be created to channel and monitor the incoming aid. Thus, and prior to the return of the official Palestinian leadership from Tunis, the 'Palestinian Economic Council for Development and Reconstruction' (PECDAR) was created.

The EC strategic objectives, as discussed earlier, were within this overall frame. They aimed at assisting in consolidating the peace process, and, more specifically, to intervene in "social and economic development," in "strengthening the PA's political, economic and social instruments of government," and in assisting the Palestinian economy in the "transition from structural dependence on Israel towards an economy founded on a more developed productive base and equitable trade relations with its regional and international partners."

Unlike the initial euphoric expectations, however, and "despite the progress made in reform of the enabling environment during the interim period," the United Nations Conference for Trade and Develop-

³⁶ The World Bank. *Developing the Occupied Territories, An Investment in Peace*. (Six volumes: Vol. I: Overview; Vol. II: The Economy; Vol. III, Private Sector Development; Vol. IV, Agriculture; Vol. V, Infrastructure; Vol. VI, Human Resources and Social Policy). Washington, DC, 1993.

ment (UNCTAD) report concluded, after examining economic performance for the period 1996-1999, that

"the Palestinian economy today remains dependent on an adverse growth path emerging from the impact of prolonged occupation. This path is characterized by...heavy reliance on external resources...weak domestic employment generation capacity, and distortions in the use of economic resources
...³⁷
..."

It became clear during 1998 and 1999 that the peace process was going nowhere. I had summarized (in my capacity as a team leader) the main 'ups' and 'downs' of the peace process, and basically the gradual evolution into, what I am characterizing here as 'phase two,' in the first two annual reports (for 1998/99 and 1999/00), which the MEDA Team – West Bank and Gaza submitted to the European Community Representative Office (ECRO) in Jerusalem. I reproduce them below:

"The peace process was stalled during the entire period of the report. To get the process unstuck, intensive meetings were held in the Wye Plantation (Maryland, USA), under the direct sponsorship of the US Government, in which Palestinian, Israeli and American top leadership actively participated. These discussions led to the Wye River Memorandum, signed on 23 October 1998.

"Signing the Wye River Memorandum generated new confidence that the peace process would start a new revived momentum. Subsequently, President Arafat visited Vienna, seeking new aid pledges by the European Union. A month later (30 November 1998), major donors convened in Washington DC at a Conference to Support Middle East Peace and Development, during which substantial new pledges of aid were made. About US\$3 billion were pledged during this conference for the forthcoming five years.

"After the initial implementation of certain articles of the Wye Memorandum, i.e., a minimum redeployment and release of prisoners, on the Israeli side, and affirming the

³⁷ UNCTAD. *The Palestinian Economy: Achievements of the Interim Period and Tasks for the Future*. Geneva, 2001, (UNCTAD/GDS/APP/1), p. 9.

revocation of certain articles of the Palestinian Covenant on the Palestinian side, the Wye River Accords were stuck again.

"On the Israeli side, the order of the day was dictated by the preparation and vigorous campaigning for the election of the next Prime Minister and parliament (Knesset), which were held on 17 May 1999. All parties tacitly agreed to postpone activities about the peace process until after the Israeli elections. The results were the election of a new Prime Minister from the Labor Party, Ehud Barak, and the formation of a new government supported by a wide-base coalition (75 members out of 120). The platform on which the new Prime Minister campaigned and elected was the resumption of the peace process.

"On the Palestinian side, the Palestinian leadership responded to international pressures and advice to refrain from declaring an independent Palestinian state with the termination of the transitional period on 4 May 1999, as defined in the Oslo Accords.

"Against this background of continuous waiting for key political developments, Palestinian economic development was severely hampered, especially in the areas of mobility of goods and persons, foreign trade, private sector investments, and other areas that require Israeli approval.

"The noticeable trend concerning the subject of aid coordination, and which became obvious during the reporting period, is to increase the effective involvement of the responsible PA ministries in the already established fora of donor aid coordination, partly under the encouragement of the donors themselves. Viewed positively, this trend could indicate a shift away from the formula of 'donor-recipient' to 'donor-partner.'³⁸

³⁸ KANTOR Management Consultants (MEDA Team WBGs). *Final Report for Services Rendered in the Period 26 June 1998-25 June 1999*. Athens, September 1999.

A year later, we summarized the political-economic environment as follows:

"On the political level, the region witnessed an 'on again' 'off again' peace process, during this year. On the Palestinian track, only certain aspects of the interim agreements signed with Israel were implemented; many were not. Formal negotiations on the 'Permanent Status' issues (e.g., status of Jerusalem, borders, settlements, refugees) have been, too, on and off again: first, publicly in the region, and, second, secretly in Stockholm, Sweden, and, third, semi-publicly in Washington, DC, with a last push from the Americans to conclude an agreed upon 'framework' prior to the 13th of September, the date set for the declaration of the Palestinian state. However, each side seems to be digging its heels deeper in reaffirming their declared positions.

"Palestinian popular sentiments, in support of political prisoners who staged a hunger strike in Israeli jails, erupted in violent clashes in a number of locations in Palestinian cities, between demonstrators and Israeli army and police. The net result was four Palestinian youth killed and over 300 wounded. These violent clashes led to another flurry of initiatives, entrenchments, and reaffirmations of perceived 'red lines' on all sides. This development reflected the complex and deep-rooted frustration on the Palestinian 'street,' partly resulting from the unrealized expectations and 'dividends' from the peace process, which cast their shadow on the standard of living, increasing the gap between the 'haves' and the 'have-nots,' and the deteriorating human rights conditions and freedom of expression.

"Although anticipated for July of this year, the abrupt withdrawal of Israeli troops from the occupied areas in South Lebanon, after 22 years, was interpreted as a success for the Lebanese resistance movement. Consequently, it provided impetus and credence to the voices calling for armed resistance as an effective means against occupation and led to drawing parallels between the Lebanese and the Palestinian situations. The net result of all of this is increasing pressure to arrive at a quick political settlement for the Israeli-Palestinian conflict and the surfacing of more vocal popular Palestinian opposition to the current situation.

"Dissatisfied with their very low wages, Palestinian teachers in basic and secondary education went on strike to challenge the PA to improve their economic lot. Some confrontations ensued; the head of the Teachers' Union was arrested, and then under pressure, teachers went back to work, without gaining their demands.

"Concerning social development and poverty, a recent World Bank report (April 2000), which was carried in the respected Israeli daily *Ha'aretz*, on 'Poverty in the West Bank and Gaza,' maintains that the 'observed incidence of poverty in WBGS is actually somewhat higher than the other countries in the MENA region' (Middle East and North Africa). About one fifth of the households in the West Bank and Gaza had to live on the equivalent of less than US\$2 a day in 1998. The share of the population living in poverty is more than twice as high in Gaza as it is in the West Bank. The World Bank Report suggests that a significant part of poverty in the WBGS may be attributed to its actual level of development, which is probably lower than generally stated.

"Managing the environment and scarce natural resources continue to be a big challenge to the Palestinian Authority, as well as the donors. According to a recent publication of the Palestinian Central Bureau of Statistics [PCBS], the availability of clean drinking water in the rural areas constitutes a very serious problem. Slightly more than 38 percent of the rural communities are without running water. Aquifers in the Palestinian Areas face a threat of contamination, and they are being overused to supply Israeli settlements and increasing Palestinian demand. However, although per capita consumption of water in the West Bank and Gaza is only one third of that in Israel, and below the minimum amounts recommended by WHO [World Health Organization], 40-50 percent of water in West Bank/Gaza municipal systems is lost in transmission and distribution."

Based on MOPIC's reports of donors' assistance, total donor financial commitments to the development of the Palestinian economy and society, since October 1993, has amounted to US\$4,064 million. As of the end of 1999, 67.7 percent of commitments had been disbursed, of which 89.4 percent were in grants and the rest in loans. Total donor commitments in 1999 showed a reduction of about 18 percent, com-

pared to 1998. Nearly 60 percent of donor disbursements in 1999 were concentrated on activities in five sectors, namely, water and sanitation, institution building, health, education and infrastructure. About 45 percent were concentrated in public investment, and 25 percent in technical assistance.

"It became obvious during the reporting period that donors were urged to effect a shift in their funding strategies, from individual projects to comprehensive programs, and to sector-wide approaches. An initiative push came from the World Bank, trying to utilize the Comprehensive Development Framework (CDF), which was tried in other countries. Using this approach in this context was encouraged by MOPIC. Testing it, however, remains to be seen, most likely during the next three years. Whatever the case may be, donors' thinking is being pushed towards more comprehensive programs."³⁹

The 'Emergency Needs' Phase:

The changing environment was brought clearly to the fore with the eruption of the second Intifada in late September 2000. The trend, however, was becoming gradually clear in 1999, with the peace process revolving around its axis; with the Israeli side refusing to implement the various accords and the imposition of a selective, at first, and then complete siege on the Palestinian Areas, etc., that what was instituted since 1994 was being gradually destroyed. The 'surface' concerns of intervening aid agencies – and the PA's concerns as well – were how to intervene immediately in order to prevent the collapse of the PA and its basic service-providing institutions, i.e., health, education, social welfare, local government, and how to provide humanitarian assistance to the most needy, in terms of shelter, food, income, emergency health services, etc. 'Developmental' program plans, from both sides – the PA and the 'aid' agencies – were reprioritized in this direction. The bulk of the EC's allocations for 2000 and 2001, for example, were redirected towards national budget support, i.e., paying the salaries of the public sector, etc. Numerous reports and missions focused on keeping tabs on the ensuing losses to the economy (UN-SCO, etc.), on monitoring the rapidly changing humanitarian situa-

³⁹ KANTOR Management Consultants (MEDA Team WBGS). *Final Report for Services Rendered in the Period 26 June 1999-25 June 2000*. Athens, September 2000.

tion,⁴⁰ etc. During this phase it became almost heretical to talk about plans for 'developmental' interventions, especially with the responsible PA agencies.

Below, I shall focus on the particular intervention role of the EC.

Per capita, Palestinian society in the WBGS "is one of the main recipients of EU aid in the world; the EU is the largest donor to Palestinian society."⁴¹ Since 1994, the financing of EU interventions has relied mainly on three budget lines: (1) Community operations connected with the Israeli-PLO peace agreement, with yearly commitments of Euro 50 million; (2) Aid to UNRWA, which finances EC-UNRWA Conventions; and (3) MEDA from which projects of assistance to Palestinian society have been financed along with those for other Mediterranean non-member countries. Total commitments for 1994-1999 on these three budget lines amounted to Euro 639.1 million. In addition to the above three budget lines, the EU Court of Auditors identified commitments for more than Euro 66 million under 12 other budget headings. On the other hand, the European Investment Bank made available to the Palestinians, from 1995-1999 Euro 214 million in loans and risk capital for 11 projects.⁴²

My purpose here is not to review the complete inventory of EC-financed projects in Palestine, either cumulatively or year by year, nor is it to evaluate the efficiency level of the Commission in discharging these commitments. At the most basic layer of analysis, I am interested in showing, through an analysis of selected interventions, if and how the proclaimed, formal EU strategy for intervention is translated into action on the ground, and through which mechanisms. The discrepancies between the proclaimed and the actual will be assessed in a separate section. Eventually, my ultimate objective, however, is to analyze the impact of specific EU interventions on effecting Palestinian development, as I understand it, and as I believe it should work.

Until now, EU interventions have been limited to specific actions in the form of individual projects characterized by a limited time duration, validity and commitment ceiling, and with the rationale that they fall in

⁴⁰ See, for example, UN OCHA, *Humanitarian Update on Gaza Strip and West Bank* Newsletters.

⁴¹ EU, Court of Auditors. *Special Report No. 19/2000 on the Management by the Commission of the Program of Assistance to Palestinian Society*. 32001Y0131 (01), p. 3.

⁴² *Ibid.*

the priority sector areas. By and large, none of these interventions so far can be considered a part of a comprehensive strategy for the sectors. However, in the few exceptional cases where interventions could be construed to be a part of a sectoral strategy, the sectoral strategy was prepared by another donor, and the EU simply co-financed specific interventions within the already existing framework (e.g., Local Rural Development Program of the UNDP). This is not the behavior of a major donor!

The actual interventions have been clustered into six sectoral categories: education, health, institutional capacity building, infrastructure and natural resources management, private sector development, and rule of law and civil society. These sectoral categories were never really defined systematically and logically; whereas some were obvious (e.g., education, health, etc.), others were 'catchall' categories (e.g., institutional capacity building). In the sector (considered a priority by the NIP) of infrastructure and natural resources management, the primary interventions focused on water, wastewater, solid waste management, roads, construction of schools, and rehabilitation of the physical infrastructure of some historical buildings. In the health sector, the main focus of EU intervention was the construction, equipping and commissioning of a state-of-the-art hospital in Gaza and the establishment of a national 'Women's Health and Family Planning Program.' In the rule of law and civil society cluster, the actual interventions that were lumped there included: assistance in the preparation of elections and electoral observers, 'MEDA Democracy' Programs, human rights advocacy, 'people to people' and 'permanent status' activities, and the social rehabilitation of Palestinian ex-detainees.

Below, I shall analyze in detail selected interventions in three proclaimed priority sectors: (1) institutional capacity building, (2) private sector development, and (3) education with a focus on human resource development.

Institutional Capacity Building

Until the publication of the Task Force Report, *Strengthening Palestinian Public Institutions*⁴³ during the second half of 1999, which was financed substantially by the European Commission, no comprehensive institutional capacity building program existed that provided a pro-

⁴³ Council on Foreign Relations. *Strengthening Palestinian Public Institutions*. A Taskforce Report. New York: Council on Foreign Relations Publication, 1999.

grammatic framework for EC interventions. Consequently, a number of barely related interventions were lumped together under this heading. Although, it was never made explicit that the overall objective under this heading is the building and enhancement of PA institutions (i.e., ministries, authorities, agencies, etc.), implicitly this was the focus.

The draft *West Bank and Gaza Strip Country Strategy Paper 2000-2006* continued to assert the importance of this sector, in spite of the fact that it "has been one with great problems." Although "the sector had to be built from scratch...with donor assistance the [PA] institutions have been partially established and the goal is now to raise the capacity, the democratic functioning and the regulatory and organizational environment from which they operate."

With this in mind, I shall examine below four case studies in detail, by analyzing the relationship between the original objectives of the intervention and the actual outcome, in terms of the proclaimed priority of institutional capacity building. The four interventions under analysis include: a 1995 intervention in support of five PA ministries (with a commitment of Euro 2.5 million); two interventions aimed at enhancing the capacity of the Ministry of Finance (with a combined commitment of Euro 6.2 million); and one (with a commitment of Euro 700,000), aimed at enhancing the capacity of the Orient House/The Arab Studies Society in preparing sectoral plans for the development of East Jerusalem.

One of the earliest interventions was a commitment of Euro 2.5 million for the support of five PA ministries, namely, Local Government, Education, Economy and Trade, Transportation and Telecommunications, with the bulk of commitment having been earmarked for the Ministry of Local Government. The Ministry of Finance was to supervise the implementation of this project.

Although, originally, the objective was to assist the said ministries in upgrading their technical skills and capacities, including paying the salaries of key staff, providing necessary training, supplying expatriate technical assistance, and some equipment, the project turned to focus, later on, largely on equipment (vehicles, office equipment, etc.) in favor of the Ministry of Local Government. After considerable delays and problems with implementation, less than half of the committed amount was disbursed, and the remaining balance was cancelled. Furthermore, in all instances, the Palestinian technical experts, who were recruited specifically to enhance the capabilities of these ministries and whose

salaries were financed by this intervention, are no longer with those ministries.

The idea for the second intervention was developed in the context of the EC-PLO Association Agreement on Trade and Cooperation.⁴⁴ The overall objective of this intervention was to enhance the capability of the PA to provide effective customs services through the provision of expert European advice and training. The targeted partner was the Directorate General of Customs and VAT [Value Added Tax] at the Ministry of Finance. A commitment of Euro 1.2 million was made, and a Financing Agreement signed with the Ministry in November 1998, to be implemented in two years, i.e., unless formally extended, the official EC financial commitment would be terminated by November 2000. Following EC procedures, the necessary Terms of Reference (TOR) to recruit appropriate European expertise were drafted in June 1998. However, due to a number of factors, most of which had to do with the cumbersome bureaucracy at the EC Headquarters, no action was taken centrally to recruit the European experts during the validity of the Financing Agreement. In the meantime, the local ECRO initiated a request to extend the duration of the Agreement for an additional two years, but to no avail.

After a delay of about two and a half years, Brussels decided that the implementation of this project should have political priority following the meeting of the PA-EC Committee in Brussels and the deliberations concerning the EC-PLO Interim Association Agreement in May 2002. Thus, we (the monitoring experts in the field) were instructed by the EC to get the project moving. After several meetings with the Director General for Customs and VAT, the TOR were revised to reflect the actual current needs of the Directorate of Customs and VAT and were sent to Brussels for action. The tender for technical assistance was to be launched by Headquarters in February 2001. However, the tender was not launched. Later on during the year, we were notified that Brussels had decided to cancel this project. So, no technical expertise in customs was provided and no enhancement of Palestinian capabilities in this sector resulted from this intervention.

The aim of the third intervention was to institute a tax administration computerized system, which would unify the Palestinian tax system. The specific objective of this intervention was to provide a detailed

⁴⁴ European Commission, *EC-PLO Association Agreement on Trade and Cooperation*, February 1997.

functional analysis of the overall tax administration system, including customs administration, with special focus on VAT and income tax. The intervention would have produced a fully integrated system for all administrative levels within the PA tax administration system.

The Ministry of Finance considered intervention in this area to be a top priority, and it provided the rationale for the need for external technical expertise in tax systems, in the absence of locally developed expertise. The Deputy Minister played a pivotal role in urging the EC to finance this intervention, and with the valuable technical assistance of a Canadian tax expert, the Ministry provided the design. The EC actually committed Euro 5 million for this project. The Financing Agreement was signed by the Minister of Finance in Gaza on 14 September 1999, for a duration of 42 months, after a long delay.⁴⁵ The intervention was intended to provide technical expertise in tax administration systems at different levels, as well as system analysis, software design, hardware analysis and installation, and the necessary equipment and vehicles, etc., to support the new system.

It was agreed, according to EC tendering procedures and in order not to delay the implementation, that tendering for installing, training and testing the system would be done as one package, for 96 percent of the allocated amount, to be launched centrally at Headquarters. All required documents (i.e., work plan, TOR, etc.) were drafted locally without delay and were forwarded to Brussels for action. The tender was to have been launched during November 2000, and the European Technical Assistance team was to have been mobilized in the field, to assist the Ministry of Finance, by March 2001. In the meantime, the Ministry was proceeding with the required steps, according to the signed agreement (e.g., constituting a Steering Committee for the project, etc.), as it awaited anxiously the arrival of the technical assistance team. Furthermore, it became necessary for the ECRO to initiate a formal request for the extension of the duration of the agreement, in order to ensure that the validity of the original financial commitment remained in force.

In spite of repeated requests for information, which I initiated through the local ECRO as the expert responsible for monitoring this project,

⁴⁵ This delay between drafting the necessary documents locally and having them signed in Brussels led the Director General of Budget to claim, in a meeting with her in Gaza on 20 July 1999, that the "Ministry of Finance is the most affected by EC restructuring and delays." (From my field notes.)

concerning the status of this specific tender, for the best part of 2000 and all of 2001, the information was very scarce. Certainly, as of the end of 2001, the long-awaited European technical assistance team was not mobilized. It became clear during the second half of 2001 that EC Headquarters was planning to cancel the funds for this intervention. Thus again, after more than three years of designing this intervention to enhance the technical capabilities of the Ministry of Finance in a very vital domain, the action did not materialize.

Preparation for the fourth intervention started in mid-1996, in collaboration with the late Faisal Hussein, the PLO Executive Committee member in charge of Jerusalem Affairs, in the context of preparing a comprehensive development plan for East Jerusalem. In 1997, the Arab Studies Society (which was chaired by Faisal Hussein) started working with the EC in order to secure funding for such a development plan. The first part of the intervention was a study commissioned by the EC on a multi-sector review and development plan for East Jerusalem, which was carried out by a Dutch-American planner, over a period of three weeks August-September 1997 (Burkhart von Rabenau, 1997). The study provided a rationale for EC involvement in East Jerusalem and a readymade proposal for financing. Consequently, the EC took a positive decision to allocate Euro 700,000 for a 'Multi-Sector Review of East Jerusalem' to be finished over a maximum period of 18 months. An agreement to that effect was signed between the EC and the Arab Studies Society in 2000. The agreement stipulates that about 50 percent of the allocated funds should be earmarked for a European technical assistance team to assist local Palestinian experts in developing the strategy for East Jerusalem.

The intervention aimed at analyzing, assessing and addressing the needs of the Palestinian population in East Jerusalem in all functional spheres, namely health, education, social welfare, economy, culture, heritage and human and civil rights. Due to the political nature of the intervention and the potential bearing it was perceived to have on the 'Final Status' negotiations, Brussels accorded this project certain urgency and priority. In order to ensure hands-on control and supervision over the course of implementation, a special mission from Headquarters was dispatched to Jerusalem during the first week of September 2000 to review all documents related to the implementation of this particular intervention. As a result of these deliberations, it was agreed that: the duration of the agreement would have to be extended and that the local Palestinian team of experts would be recruited by

mid-January 2001 in anticipation of the arrival of the European technical assistance team by 1 March 2001.

Locally, all necessary actions, according to the signed agreement, were taken. A Steering Committee for the project was established. A Palestinian project manager was recruited and hired. A small project office was established. A local Palestinian team of experts was hired to conduct sector reviews and analyses of three major sectors: the social sector (health, education, welfare and youth), the economic-private sector (banking, finance, business and industry, tourism, housing and infrastructure), and the culture and heritage sector. On the other hand, the tender for recruiting the European team of experts was not launched by Brussels as planned and the anticipated date of mobilization of this team, 1 March 2001, was not met. When the steering committee of the project insisted on knowing the status of the recruitment of the European team of experts, it became clear that the potential mobilization date had been repeatedly pushed back. In the meantime, the local sectoral experts had completed their reviews and presented their results in a seminar on 1 November 2001. The last information I received was that the European team could be mobilized during January 2002.

This is one of the few cases where the team of local Palestinian experts has been anxiously awaiting the arrival of international experts, who are expected to have varied and more comprehensive experience in developing a sectoral strategy. In reality, however, the current status is that half of the allocated budget, which was reserved for the European team of experts, is not spent yet, and the anticipated professional input, necessary in the process of enhancing the capabilities of local planners, as was foreseen in this intervention, is still missing, after a lag of nearly five years.

Private Sector Development

The earliest EC interventions in private sector development were in the extension of credit to small and medium enterprises (SMEs). Starting in 1987, through 'remote control' from Brussels, the EC had financed three Palestinian credit agencies. Within this framework and following the setting up of the PA, the EC provided technical assistance to help these agencies to merge into the Palestinian Development Fund (PDF), as medium-term lender to SMEs. Additionally, in 1995 the EC financed the establishment of the Center for Private Enterprise Development (CPED), in order to provide technical assistance to Palestinian enter-

prises. Furthermore, the European Investment Bank has been active in the Palestinian areas, since 1995, in providing loans to support private and public investments.

To date, and despite recurrent 'private sector development missions,' initiated by Brussels since 1999, to recommend a strategy for intervention in this sector (at least three in whose briefing and debriefing I participated), the above two actions remain the only EC interventions in this sector. Although the two programs were initiated roughly in the same timeframe, and although there is some degree of overlap in their functions, the two behaved as competing 'projects.' Both were managed by European experts – the PDF by a British banker and the CPED by an Irish private enterprise development expert. Because of its origins, the PDF considers itself – and indeed it is – a genuine Palestinian financial credit institution lending money to Palestinian businesses, with an overseeing board composed of Palestinian businesspersons, and chaired by the then Ministry of Economy and Trade. With its transformation into the Palestinian Banking Corporation, the PDF anchored itself firmly into Palestinian economic development, with the continued proclaimed support of the EC. Whenever it discusses its involvement in the development of the Palestinian private sector, the EC invariably points to the PDF as the 'flagship' of its private sector development strategy, even though it does not yet exist on the ground!

The CPED, on the other hand, was an unsuccessful EC initiative. A special mission from the External Relations Unit at EC's Headquarters was dispatched the last week in May 1999, with the specific remit of evaluating the work of the CPED and determining whether or not to recommend the renewal of its mandate beyond August of that year. The evaluation was negative, and the life of this intervention ended at the end of August 1999 with a good portion of the allocated funds unspent. The CPED was managed by an Irish consulting firm, which won the European bid for this project. The *Program Report* for the project shows that during its three-year life, Euro 2 million (61 per cent) of the Euro 3.3 million spent went towards 'management fees.' Interviews with randomly selected enterprises from different sectors revealed negative reaction across the board: for example, "Their sole concern was to have big fancy offices," one private sector institution commented.

Aware of this caveat, the EC commissioned in the summer of 2000 a 'Sectoral Feasibility Study.' The proposed feasibility study was to focus on three areas: "the private enterprise sector, the financial and bank-

ing sector, with an emphasis on investment patterns and credit extension instruments, and trade."⁴⁶ Preliminary findings and recommendations for a comprehensive private sector development program were submitted to Headquarters. As of this writing, however, no such program has been adopted.

Human Resource Development/Education

The involvement of the EC in the support of Palestinian education preceded the formal establishment of the PA in 1994. During the period 1988-1993, the EC financed a number of small, random and unrelated interventions in education in the WBGS through NGOs and the educational institutions themselves (i.e., schools, colleges, universities). Some of these interventions supported the running and operational costs of, for example, the training of pre-school teachers, selected non-formal education activities, providing teaching aids and related equipment, equipment for training in some vocational training centers, new study programs at some universities, equipment for laboratories, etc. The interventions were project-driven activities, horizontally dispersed, and frequently duplicated others.

During the first five years of the PA's life, which began in 1994, the EC responded to Palestinian requests to assist in ensuring the survival of Palestinian educational institutions as an emergency measure. Hence, the Commission directed about 70 percent of the aid it provided to the education sector to recurrent costs for general and higher education.

Immediately after the establishment of the new Ministry of Education and Higher Education, in 1994, and in order to strengthen the fledgling Ministry in extending its educational services, a one-time, very limited EC intervention provided salaries for senior personnel at the Ministry. Later on in 1995/96, two one-time interventions provided funds to cover the salaries of basic and secondary school teachers for about three months. Since then, the EC's intervention in supporting general education has focused on the construction, rehabilitation and equipping of schools, in the WBGS, first through UNRWA, and then directly through the Ministry of Education.

⁴⁶ This feasibility study mission was planned centrally at Headquarters, under the title, "The Development of Palestinian Private Sector and Trade." I had access to the TOR.

Additionally, the EC supported human resource development in technical and vocational education and training by supporting the entire exercise of developing a national vocational education and training strategy, and by allocating some funds for the construction of a pilot training center, in order to test this strategy. However, although the design for this intervention was prepared, completed and submitted for EC financing in 1995, the first phase of implementation is starting only now (in 2002) - nearly seven years later.

Below, I shall focus in detail on EC intervention - proclaimed and actual - in the higher education sub-sector. This intervention took a slightly different path. It also preceded the formal establishment of the PA. In the aftermath of the first Gulf War, in 1991, the PLO, which was the virtual Palestinian authority responsible for the support of Palestinian institutions, appealed for support from the EC for the recurrent costs of the tertiary educational institutions. This step was taken in order to prevent the collapse of these institutions, following the interruption of funding from the Arab Gulf states. The EC responded positively and committed about Euro 53 million towards this objective, in five separate agreements starting in 1994, over a period of five years.

With the termination of this multiyear assistance for the recurrent costs of colleges and universities, the EU expressed its willingness to continue its commitment in developing and upgrading Palestinian higher education in order to meet human resource development needs, especially in science and technology and advanced academic training. Thus, in 1996, about 25 percent of the funds allocated for recurrent costs were diverted for 'development,' more specifically, the 'upgrading' of university libraries, laboratories and workshops. Again, although the financial commitment was made in 1996 and the Financing Agreement signed in 1998, the major component of the intervention (i.e., scientific equipment for laboratories, etc.) is yet to be implemented, six years since the idea was proposed originally, and four years since the Agreement was signed.

The proposed rationalization of the higher education system was the *sin qua non* of the continued EC intervention. During the first half of 1997, the Commission encouraged and supported the Ministry of Higher Education (by that time it was established as a separate Ministry) to generate a five-year 'Rationalization Plan' for the higher education sub-sector, with the intent of rendering the sector more cost-effective, self-reliant, and with a clear quality assurance mechanism, and making the academic training more responsive to the needs of the

emerging economy, while enhancing the employability of the graduates of the system. The Ministry produced a first draft of this plan, and the then Minister presented it formally to the Commission in Brussels in May 1997. The Commission expressed a strong interest in assisting in the implementation of the plan. In the meantime, initial steps were taken to implement it, with the assistance of the EU and other donors.⁴⁷

One of the components of the 'Rationalization Plan' was the establishment of a national Student Revolving Loan Fund, which would support qualified needy students, on the one hand, and allow for raising and/or adjusting tuition and fees requested by the universities, on the other. In order to implement the Plan seriously and qualitatively, the Ministry agreed with the ECRO to focus its intervention, first, on funding this component. The Commission approved of this approach. An initial commitment of Euro 3 million for this action was introduced in the 1999 budget year. The Ministry, during the second half of 1998, prepared the necessary technical proposal, with the technical assistance of a top American expert in the field. The ECRO prepared the required financing proposal document and sent it to Brussels, early in 1999. After a considerable delay resulting from the failure of Headquarters to respond, it became known that the allocated amount of Euro 3 million had been cancelled. Informally, however, we found out that this particular financing proposal was aborted whimsically in Brussels because of the term 'revolving' in the title of the intervention, since simultaneously, the implementation of another, already financed 'revolving fund' project in an unrelated sector was faltering and was causing the officials in charge a great deal of political grief and negative exposure.

However, the decision at the level of the local ECRO was to push forward with the rationalization of the sector. Since funds for technical assistance were available, the TOR for a feasibility study for "rationalizing selected Palestinian university programs" were drafted in April 1999, and invitations to tender were issued to a number of European professional consulting firms in November 1999. A Dutch team of consultants was commissioned to study how to rationalize the four pre-selected program clusters, discussed and endorsed by the Ministry of Higher Education and Scientific Research. The team of consultants submitted their draft report in January 2001. The report was reviewed

⁴⁷ These steps included, *inter alia*, the drafting and adoption of the Higher Education Law, the equipping of some technical colleges, the instituting of university-based modest funds for student loans and grant aid, etc.

and endorsed by the Ministry of Education and Scientific Research and the ECRO, and hence it became the basis for a complete financing proposal document, which was submitted to Headquarters for action. Originally, EC financing of this intervention was to be committed from the 2000 budget, then the possibility of financing it was pushed to the 2001 budget, but currently, the feeling is that the financing of this intervention could be earmarked in the NIP 2002, if at all.

Although this case is not exceptional in terms of the long delay involved in taking a decision, the exceptional character of it lies in the fact that the proposal for intervention was part of a plan initiated and endorsed by the EC. The sequence of events, as delineated above, casts doubt about the seriousness of the reiterated claim of strategic concern in terms of developing human resources. I shall come back to this point, later on, in the section on assessment.

2.5 Decision Structure, Implementation Modalities, Monitoring

Decision Structure

So far,⁴⁸ the EC decision-making structure is highly centralized, with its 'epicenter' at Headquarters in Brussels. The MEDA regulations (MEDA I and MEDA II, adopted in November 2000) specify three strategic base documents, according to which interventions are made: the CSP, the NIP, and the 'Annual Financing Plan.' Article 4 of the MEDA II Regulation stipulates

"The Commission shall, in liaison with the Member States and on the basis of a reciprocal and regular exchange of information on the spot, especially with regard to strategy papers, the national indicative programs, annual financing plans, and the preparation of projects and monitoring of their implementation, ensure the effective coordination of the assistance efforts undertaken by the Community, including the European Investment Bank...and individual Member States, in order to increase the coherence and complementarity of their cooperation programs. In addition, the Commission shall promote coordination and cooperation

⁴⁸ Until 'deconcentration' (the process of decentralization of decision-making) takes hold.

with international financial institutions, the United Nations cooperation programs and other donors...⁴⁹

The Regulation also specifies the jurisdictional mandate of the Commission, the EU Member States and the European Investment Bank. Further, "a management committee shall be established," which is referred to as "the MED Committee."⁵⁰ The above base documents will have to be approved by the MED Committee, as well as all financing decisions exceeding Euro 2 million. Financing decisions below this ceiling shall be adopted by the Commission.⁵¹ Furthermore, the Commission can introduce amendments to certain financing decisions, as long as they are not "substantial" or do not entail "additional commitments in excess of 20 percent of the original commitment."⁵²

This is at the formal 'scriptural' level. In reality, so far, the ECRO on the ground (East Jerusalem), which is a formal part of the Commission apparatus, is often left, embarrassingly, in the dark concerning different levels of decision-making, the results of which it has to monitor. In certain instances, strategic decisions about a 'political priority' intervention, disbursing a quick payment for a high visibility project, etc., are the result of direct contact between the PA and EC Headquarters, of which the Local Representative has no knowledge, so that responsible officials on both sides can be in the limelight!

On the whole, there are some variations in the process of decision-making concerning interventions to extend aid, depending on the 'budget line' or 'budget heading' for the specific intervention. For example, the process of financing an intervention from the 'NGO co-financing line' differs from that associated with the MEDA line, and so on.

On the Palestinian side, the formal counterpart for the EC at the level of programming is MOPIC. It is MOPIC's minister who, on behalf of the PA, endorses the NIP document (the tri-annual programming document) before it can be formally implemented. Having said that, the actual level of MOPIC's involvement in determining the content of this document, so far, has been minimal. It must be said, however, that over the last year, the EC has taken concrete steps to enhance the

⁴⁹ *Council Regulation (EC) No 2698/2000.*

⁵⁰ *Ibid.*, Article 11.1.

⁵¹ *Ibid.*, Article 9.5.

⁵² *Ibid.*, Article 9.4.

cooperation with MOPIC, especially as a result of the severe criticisms directed at the Commission by the European Parliament in this regard.

Implementation Modalities and Monitoring

Formally, the 'Framework Convention' signed between the PA and the EC embodies the rules and principles for the implementation of the NIP. In its communication with the EC Delegations,⁵³ the Quality Support Group at Commission Headquarters stated: "The NIP will be the main reference point for implementation. It should therefore be used as a management tool and be made subject to *regular dialogue between the Delegation and the partner country*" (emphasis in original). Such dialogue should input the Government/donor coordination process, the monitoring of progress by Headquarters, and the periodic operational and strategic reviews. Thus, the Quality Support Group reiterates that the "NIP shall be periodically reviewed" in a "stocktaking exercise" which critically examines interventions and recommends necessary changes, etc. Any change in priorities, i.e., the deletion or modification of certain individual activities, etc., "needs to be *agreed with the Office*" (emphasis in original).⁵⁴

Overall, EC interventions should follow the Project Cycle Management. This is a loop of five phases: the 'Programming' Phase, the 'Identification and Appraisal' Phase, the 'Financing' Phase, the 'Implementation' Phase, and finally, the 'Evaluation' Phase, with the lessons learned from the 'Evaluation' Phase feeding into the next programming, and so on. EU internal evaluations of EC interventions found actual adherence to the Project Cycle Management wanting at all levels of the Cycle, especially in terms of the 'Programming' and 'Implementation' Phases. Thus, in the restructuring of the Commission's aid operations, a new Directorate General - DG I -, named the 'EuropeAid Cooperation Office' (for short, AIDCO), was created and became effective as of 1 January 2001. AIDCO is in charge of preparing and managing all EU external assistance programs. "The new Directorate General of the European Commission manages the full 'Project Cycle,' from identification to evaluation and is responsible for the technical, contractual and financial aspects of the projects."⁵⁵ In an interview with the Head of the 'Regional Integration and Institutional Support' Unit within AIDCO's

⁵³ Quality Support Group. *Guidelines for Implementation of the Common Framework for Country Strategy Papers*. 4 May 2001.

⁵⁴ *Ibid.*

⁵⁵ EUROMED *Special Feature*, issue no. 20, 10 April 2001.

'Southern Mediterranean and Near and Middle East Directorate,' it was stated that the rationale for the creation of the new Directorate General is "to improve the quality and actions prepared for EU funding and to speed up their effective implementation."⁵⁶ This Directorate makes on the average 2,500 payments a year, for a total amount of around Euro 400 million. It processes some 80 calls for tender, which are launched, examined and awarded from Brussels, in addition to about 400 calls for tender which are launched by Commission Delegations in the Mediterranean Partner countries.⁵⁷

"The External Relations Directorate General retains responsibility for all political matters [and] for multi-annual programming... Once this framework and multi-annual programming have been endorsed by EU Member States, EuropeAid is called upon to identify concrete actions, prepare projects, monitor implementation, ensure their proper operation as well as assess them."⁵⁸

This is at the level of Headquarters. I shall describe below the actual process of backstopping and field monitoring, focusing primarily on EC field operations.⁵⁹

In 1991, a Commission Representative was appointed to the Occupied Territories. The Representative worked initially from Brussels until February 1994, when an EC Technical Assistance Office was set up in Jerusalem for the management of the aid program directed to the Palestinian Areas.⁶⁰ The Office started with the Representative and three European technical assistants. According to the agreement with the Israeli Government, the Office would be staffed by a maximum of six expatriate staff, plus some local personnel. The staff of the Office was complemented by 'local agents,' i.e., Palestinian technical assistants with project monitoring responsibilities. In 1998, the activities of the European Community Technical Assistance Office were taken over by the ECRO.

⁵⁶ Ibid., p. 1.

⁵⁷ Ibid.

⁵⁸ Ibid., p. 2.

⁵⁹ This section draws heavily on the EU Court of Auditors' Report, which was adopted by the Court of Auditors in Luxembourg at its meeting of 11 and 12 October 2000, *Special Report No. 19/2000 on the Management by the Commission of the Program of Assistance to Palestinian Society*, 32001Y0131 (01).

⁶⁰ "The Israeli authorities did not allow the Commission Representative to open and operate an office in that capacity." Ibid.

"From its establishment, [the] ECRO depended for the management of assistance actions on the support of technical assistants. From 1998 onwards, this support was provided by technical assistance offices called MEDA teams. The MEDA teams provide an important technical input, but the limited duration of the contracts makes them only a short-term solution. The scope of their action is also limited, since they cannot carry out public authority tasks."⁶¹

Thus, from the summer of 1998 until the end of December 2001, the technical expertise necessary for the field monitoring of EC aid programs was provided by the 'MEDA Team - West Bank and Gaza Strip.' Following the EC's decision to outsource the provision of technical assistance in the Mediterranean region, a European tender was launched. The bid to provide a technical assistance team in support of the ECRO in Jerusalem was won by a Greek consulting management company. The MEDA Team consisted of six professionals (referred to as 'experts'), plus six administrative support staff.

The general objective of the project entitled 'MEDA Team - West Bank and Gaza Strip' was "to maximize the benefit of the Palestinian Authority from the opportunities for cooperation offered by the MEDA line financed programs, through the provision of technical assistance, and overall coordination and monitoring of program implementation." The TOR of the Team stipulated that it should provide "technical expertise in the areas of development of private sector, macroeconomic developments, rural development and environment, population education and health issues, information and culture, NGO and civil societies activities."⁶²

The six experts who were to provide this technical assistance were originally hired one for each of the following sectors: economy, private sector development, infrastructure, education, health, and civil society and human rights. In reality, however, and to accommodate the actual EC program of interventions, the original TOR were amended, by the end of the first year of operations, to include two infrastructure experts, and one each for education, health, private sector, and human rights. What this experience shows is that the original TOR were drafted by Headquarters in the absence of any real knowledge con-

⁶¹ Ibid., p. 7.

⁶² Contract between the European Commission and KANTOR Management Consultants, no. ME1/B7-4100/IB/97/0584-10, signed 26 June 1998.

cerning the requirements of the actual program. This point will be addressed later.

Formal monitoring was complemented by monitoring or evaluation missions performed by the responsible unit(s) at Headquarters, especially if a certain intervention acquired high political visibility or vulnerability. Since the decision-making system was very centralized, such missions were essential. Implementation, on the other hand, was the responsibility of the beneficiary party. Specific implementation requirements, e.g., tendering, disbursement of funds, reporting, etc., were always delineated in the financing agreements between the EC and the beneficiary.

2.6 Overall Assessment

I shall utilize in this section different levels of assessment: evaluation reports initiated by the Commission itself of its 'developmental' program; the results of evaluation missions carried out by, or on behalf of, the European Parliament; the *Special Report* by the Court of Auditors; and my own hands-on and on the spot assessment of how the work of the EC is being done. Without underestimating the external constraints on the program in the context of the Oslo Accords, i.e., lack of sovereignty of the PA, continued military occupation, absence of territorial contiguity, no free movement for Palestinian trade, the PA dependence on transfers from Israel for its operating budget, etc., the focus in the following section will be on the internal (structural) constraints on the EC program of assistance.

2.6.1 Strategy

I focus my analysis on the dialectic between two levels: (1) the political reference for the intervention, and (2) its translation into priority areas, with a close look at the results.

As discussed in detail earlier: "Cooperation will be directed to continuing the support for initiatives of the Palestinian Authority with the aim of underpinning the Middle East Peace Process... EC support is aimed at strengthening the Palestinian Authority's political, economic and

social instruments of government.⁶³ Towards this end, the EC aimed to achieve four main objectives:

- "Economic growth and employment generation", with an emphasis on the development of the private sector;
- "Revival and development of rural areas";
- "Improving social conditions/human resources development," with an emphasis on health and education; and
- "Development of institutions and policies," with an emphasis on building "modern, functioning and democratic institutions."

It is amply clear that the main reference point for EC intervention is the nurturing and eventual success of the peace process. The driving force and *raison d'être* is political and not necessarily 'developmental,' in the sense discussed in Chapter I. Therefore, for Palestinian academics and 'development experts' to keep persisting on stoking the 'conspiratorial' claim that there is a hidden political agenda, etc., is a non-productive analytical approach. The main reference point is clear and transparent. I suggest that our approach should focus instead on examining the following questions: Given the transparent political reference point for the intervention (regardless of how it is labeled), is EC economic aid producing the results it seeks to produce? Can it produce these results in the context of the peace process it aims to sustain? And if not, why not? This is what I hope to address.

Based on the mixed results of the evaluation of EC assistance to the PA "in support of local economic and social development of the West Bank and Gaza Strip" during the period 1993-1997, the Commission posed, in its Communication of January 1998, the question "whether the extraordinary amount of Community financial resources devoted to the peace process had worked." The answer it gave itself and Member States was the following:

"From the point of view of economic development and regional integration the result of the effort is unsatisfactory. From the political point of view, however, the European Union's political input and economic contribution has been the

⁶³ European Commission. *National Indicative Program West Bank and Gaza Strip, 2000-2002*. (Draft.)

determining element for the survival of the Palestinian Authority, and with it, the peace process.”

This auto-assessment was made, of course, four years ago. I am not certain it holds true as I write. And I suggest, further, that today we are urged to reexamine the basic components of ‘survival.’ Is it, for example, the type of ‘survival’ that EC aid offers that hooks entire PA institutions to a ‘life sustaining machine,’ which manages to inject intravenously small, yet steady doses of cash to keep the entire public sector afloat? This is obviously worrisome to the planners themselves. The various programming documents contain many allusions that “external constraints on the program” and the “complexity of the political situation” are not sufficient to explain fully the inability of these interventions to meet their proclaimed objectives. In the draft *Country Strategy Paper 2000-2006* there was candor in admitting this dilemma: Community and Member States’ assistance to the Palestinians was one of the EU political priorities. This was because

“preventing the Palestinian economy and society from collapsing was seen by all...as a key contribution to peace. There is consensus that this objective has been achieved. However, not collapsing is a far cry from real sustainable development of the kind that might rally the Palestinian population to wholeheartedly support peace.”⁶⁴

At the EC level, there is a cluster of factors that mitigate against achieving the desired results from the large amounts of financial interventions, or that dilute the impact of actual results. Included in this cluster are factors concerning *deficient planning* of proposed interventions; *unhealthy competition over control* between EC officials at Headquarters and the Delegation in the field, which invariably resulted in unduly heavy centralization and unjustified and very prolonged delays, and which transpires from a *lack of seriousness and commitment* to effect Palestinian development; and a *high level of dilettantism* in the provision of technical assistance.

2.6.2 Planning

The process by which the main programming documents (e.g., the NIP) were produced, so far, especially concerning the identified areas

⁶⁴ European Commission. *West Bank and Gaza Strip Country Strategy Paper, 2000-2006*. (Draft.)

for intervention and the indicative figures for allocation, reflected a high degree of haphazardness, 'ad-hoc-ness' and considerable personal whims. The Court of Auditors stated:

"The Commission has not yet been able to set up a pipeline of projects, to be identified, prepared, approved and launched in a continuous process. Instead, many projects are prepared and decided under pressure, in order to commit the large volume of budgetary funds available annually. Most of the decisions and commitments for projects are actually made at the end of the financial year. Little consideration is given to the size of project portfolio which can be managed effectively by the Commission's services, in Brussels and on the spot, and to the capacity of the Palestinian institutions to absorb assistance."⁶⁵

A number of actual cases support the above conclusion. 'Inadequate preparation' characterized early interventions, pre-PA, in the first part of the 1990s (e.g., the European Gaza Hospital, the Palestinian Housing Council), and continues to characterize some post-PA interventions (e.g., the 'Cargo-handling Facility' at the airport, and the 'Social Rehabilitation Program for Palestinian Ex-detainees,' both of which are 1999 commitments). Furthermore, a number of additional commitments were made for subsequent phases of certain projects, either because of high visibility, or because of political considerations, or because the activity was considered 'quick-disbursing,' or because allocated funds in the budget had to be committed quickly, etc., without conducting a serious assessment of the earlier intervention, and without exerting a serious effort in finding out whether the same activity was supported by others (e.g., the Municipal Support Program, the rehabilitation of ex-detainees, the construction of schools, the construction of court-houses, etc.).

On the other hand, 'whimsical' decisions were made at Headquarters, without any informed analysis and consideration in regard to the possible success or failure of the proposed intervention. I can think of two clear examples: one, where the already made pledge (in 1999) to provide seed money of Euro 3 million for the proposed national Student Revolving Loan Fund was cancelled without prior warning, at the whim

⁶⁵ EU, Court of Auditors. *Special Report no. 19/2000 on the Management by the Commission of the Program of Assistance to Palestinian Society*, 32001Y0131 (01), p. 9.

of certain officials in Brussels (as discussed earlier in this chapter). The other may be considered, in a way, the opposite of the first; the decision to earmark, from the 2000 budget, an amount of Euro 2 million for the Government Finance Management Information System (GFMIS) Project, under pressure from the Ministry of Finance, without any project design whatsoever that could provide at least some indicative budgeting for the proposed intervention. As if it came from nowhere. Why two million, and not four or one, for that matter? The exercise was absolutely haphazard, so much so that we had no idea who else was negotiating with the Ministry (particularly, the Director General for Budget) to finance this very legitimate and needed intervention.

Having been responsible also (i.e., in addition to the education sector) for monitoring and following up EC projects in the sector of 'institutional capacity building,' and since the proposed GFMIS intervention was intended to enhance the capacity of the Ministry of Finance, I was handed the 'imaginary' file and was requested to prepare the necessary documentation for financing. Consequently, I interviewed all persons who, in one way or another, were connected to the idea. I discussed the idea at length with the Ministry of Finance Director General for Budget, the Ministry of Finance Deputy Minister, and the International Monetary Fund (IMF) Representative; I also reviewed a stack of documents and reports, which a consulting firm had prepared about the initial (and, I must add, aborted) phase of this proposal. I discovered in this process two important things: on the one hand, no one questioned the need and urgency for a GFMIS, and, on the other, the Norwegian Government, unknown to us, was seriously considering the idea of being involved in the financing of this idea. A Norwegian technical mission was dispatched to the Palestinian Areas, specifically to appraise the feasibility. It concluded that successful implementation would require at least a one-year 'Preparatory' Phase. I felt embarrassed on behalf of the Commission. My recommendation was that the required financing documents could not be prepared at this stage and that the logical and effective approach would be to coordinate with the Norwegians in co-financing this proposal, after much more thorough planning. To my knowledge, this is what was agreed upon.

2.6.3 Headquarters and Field Office

Until the establishment of the AIDCO on 1 January 2001, the responsibility for the management of the projects, financed under the main budget headings, was shared between the geographical unit of the External Relations Directorate General (RELEX DG) and the technical

unit of the 'Joint External Relations Service' (Service Commun Relex - SCR). "In neither service," concluded the Court of Auditors, did

"the allocation of Commission staff reflect the priority given by the EU, financially and politically, to the program...At the RELEX Directorate General, the program is handled on a full-time basis by two people: the desk officer and an assistant. In the technical unit of the SCR, most of the projects are the responsibility of one official, who is also responsible for other non-Palestine projects...the total number of staff available is insufficient to manage a program of this size and scope effectively."⁶⁶

In the assessment report (early 1999) of the 'Committee of Independent Experts' of the working of the EC, with a special focus on the Mediterranean Region Program (encompassing Palestine) and the Commissioner responsible for it, the following assessment was made:

"The introduction and implementation of the MED programs were thus marked by improvisation, haste and, indeed, incompetence, with grave consequences: irregular delegation of powers, failure to comply with competitive tendering rules and, above all, manifest conflicts of interest caused by the Commission services themselves."⁶⁷

Following this sweeping indictment, which in the process zeroed in on specific Palestinian projects (e.g., the European Gaza Hospital), the European Parliament initiated a mission to Palestine (April 1999) to look into the overall management of EC interventions in the field. In the meantime, reports about alleged PA 'corruption' surfaced and gained international attention and momentum, including in EU circles. The President of the Commission and all the Commissioners were forced to resign.

Against this background, all information, analyses, recommendations, etc. that the EC field office initiated were regarded by Headquarters with extreme suspicion and built-in bias against the Palestinians. In effect, this situation undermined Headquarters' confidence in field reports and affected the integrity of opinions coming from the field of-

⁶⁶ Ibid., p.6.

⁶⁷ *Committee of Independent Experts' Report*, 1999, p. 53. (Internal report.)

fice. One side effect, of course, was extreme delays in the process of decision taking by EC central services concerning Palestinian projects.

In addition to the geographical and technical units, several services at Headquarters were involved at different levels in the management and control of the Palestinian program. As a result, according to the Court of Auditors Report, "decision-making is slow, cumbersome and sometimes even unclear...responsibilities are fragmented and coordination between units needs to be improved."⁶⁸

The ECRO did not fare any better. Since its establishment, it depended for the management of its aid program on the support of technical assistants. During the entire period, until the end of 2001, the technical assistants, whether incorporated within the Office or in a separate office (as was the case with the MEDA Team from mid-1998 until the end of 2001) received instructions from, or provided their input to the EC Representative and/or his deputy who managed the 'Cooperation Program' on behalf of Headquarters. Both are EC officials. Although I have not had a chance to study the details of their formal responsibilities, the overall division of labor between the two was somewhat clear, especially as it concerned major issues. Being a diplomat accredited to the PA on behalf of the EU, the Representative has always had a diplomatic status granted by Israel. In addition to his diplomatic functions, he oversees the Commission's program of assistance to the Palestinians and ensures that it is proceeding as planned. Generally, he intervenes in case of undue delays, political obstacles, etc. Although he is kept briefed about the program, by his deputy and/or the responsible technical assistant, it is not his job to get involved in the nitty-gritty of implementation. This is supposed to be his deputy's role.

In 1999, when the then Representative returned to Brussels, it took the Commission five months to appoint a replacement. During this period, there was only one young official to manage the entire program. "In view of the size and the high profile of this politically sensitive program" the Court of Auditors Report stated, "this was insufficient to carry out the task." However, this was only part of the problem. Since these appointments are political - responding to the internal political configurations of the Commission power structure, and who is the *protégé* of whom - the deputy, who was sent to the field office,

⁶⁸ EU, Court of Auditors. *Special Report no. 19/2000 on the Management by the Commission of the Program of Assistance to Palestinian Society*, 32001Y0131 (01), p. 8.

and his current replacement, were the product of the system. Having the responsibility of managing the Commission's aid program on the ground, they did not have the necessary knowledge, political acumen and maturity. They were simply '*fonctionnaires*' of the political bureaucracy in Brussels - high-level, very well paid 'errand boys' conveying literal messages to the Palestinian partners, 'brokers' for Headquarters, rather than active and thinking development agents. As long as they are part of the '*fonctionnaires*' system, their ultimate interest is to further their own personal career and 'grade level' in order to move more lucratively within the globalized EC aid grid. I worked closely with both. Neither showed any genuine concern in terms of the development of Palestine. However, neither was detracted from pushing their pet projects for their favorite counterparts. I have experienced both behaving in front of certain Palestinian counterparts from the PA with appalling naivety, in some instances, and with an embarrassing show of arrogance, in others. On the other hand, both showed obvious political and human sympathy with the plight of the Palestinians under occupation.

In their *Special Report*, the EU Court of Auditors captured the above situation, but characterized it in more diplomatic language:

"A large and complex program such as that in favor of Palestinian society should preferably be managed by staff with experience of comparable programs. This has not, however, been the case. In addition to the insufficient number of staff in [the] ECRO and at the central services, the educational and experience profiles of those who are there do not always correspond to the tasks to be performed. As a result, key members of staff have in practice had to learn by doing."⁶⁹

2.6.4 Technical Assistance

This section of the assessment focuses on the provision of technical assistance as an integral and ubiquitous part of the EC aid program, both at the level of assisting the EC in the monitoring of its interventions, and at the second level of providing technical assistance to the beneficiaries in implementing the specific projects. My current emphasis is on their role and competence in the provision of needed technical

⁶⁹ Ibid.

assistance. Like other international aid agencies, the EC always relied on expatriate technical assistants for the management of its aid program worldwide. The case of Palestine is no exception.

My strident criticism and assessment of the role and function of technical assistants in the process of developing Palestinian society is based on my intimate and continuous personal knowledge and experience of working in this area for the last 17 years, the last eight of which have been with the EC. Here, I am trying to analyze their role.

In a presentation I gave a year ago,⁷⁰ where I labeled the category of technical assistants connected to aid programs as the 'New Mercenaries,' I wrote:

"those hundreds - if not more - of technical consultants who invaded this part of Palestine, or were enticed to come, since 1994, with the setting-up of the Palestinian Authority institutions, in order to put their technical experience and expertise to use in establishing the Palestinian Authority institutions, and consequently, the continuity of the peace process. The actual rise of the New Mercenaries, however, as a global phenomenon, much preceded the establishment of the Palestinian Authority."

Furthermore, the following observations, which I made then, have been reaffirmed, in my view, day in and day out:

"The New Mercenaries are a rapidly emerging category of global professional hustlers, who compete via the international media to sell their 'expertise' and 'experience' to the highest bidder...They roam about unhindered by national boundaries or limitations...The New Mercenaries are the 'nomads' of globalized economies and societies, and the ubiquitous hallmark of development projects. They are transient; only a few of them experience the repetition of seasons in the same place. Thus, they rarely see the results of their work.

"Notwithstanding minor individual variations, the New Mercenaries reveal no genuine commitment to the national ide-

⁷⁰ Nakhleh, Khalil. "The New Mercenaries: Consolidation of an Ancient Model." Paper presented at Birzeit University, January 2001. (Unpublished.)

als and aspirations of the people with whom they are supposed to work. When challenged, they express commitment to blurry and undefined 'liberal' and 'advanced' ideals, couched often in the context of modernity, progress, anti-corruption, transparency, the primacy and importance of civil society, democratization, the rule of law, good governance, good practice, efficiency, competence, productivity, quality, etc. Repeatedly, on the other hand, they show disgust towards what they perceive as incompetence, unreliability, laziness, dishonesty, etc., of the native population and authorities, who generally constitute their targets. Their interaction with their human targets reveals a high level of paternalism, condescension, arrogance and non-candor. To protect their often-unjustified position of privilege (material and professional), they rarely reveal their true intentions and agendas to their human targets, and they become masters at camouflaging their roles. They, in a way, are the antithesis of what they proclaim."⁷¹

The structure by which the ECRO relied on the services of technical assistants may be described as having gone through three phases, the last of which is just starting. Phase one extends from the ECRO's establishment in 1994 until 1998, and phase two from 1998-2001, while phase three began in January 2002.

During phase one, five or so technical assistants were incorporated within the ECRO to manage and monitor various EC interventions. Interventions were in the following areas: education, health, economy, public finance and credit extension, infrastructure, projects directed to women and NGOs, agriculture, electoral preparation and supervision, anti-terror training, and a catchall category referred to then as 'institutional building.' The educational and experiential profile of the five expatriate consultants in the office shows that only two had actual expertise in their sectors. One consultant had formal training and expertise in economics and public finance, and the second was a civil engineer. Managing EC involvement in the election process of 1996 was done directly from Brussels. As for the intervention in the 'anti-terror training,' it was managed outside the ECRO by a special EU team. Management responsibility for the rest of the projects was allocated haphazardly, depending on the decision of the Representative and the inclination, propensity, and personality of the consultant. For

⁷¹ Ibid.

example, the only female consultant was responsible for health, agriculture, women and NGO projects, without having formal training, competence or experience in any of them. Consequently, a number of 'pet' project proposals were pushed through, and a number of partners and NGOs were nurtured into becoming the *protégé* of this or that consultant.

During phase two (June 1998-December 2001), the EC restructured the system to allow it to outsource the provisions of technical assistance through the creation of the 'MEDA Teams.' MEDA teams were established in 1998, through a European tender, in Mediterranean Partner countries, as well as centrally at Headquarters. As mentioned, a Greek Management Consulting Company won the bid for the MEDA Team - West Bank and Gaza Strip. Thus, according to this contractual arrangement, the MEDA Team - West Bank and Gaza Strip became an EC project, whose objective was to provide technical expertise in specific sectors. The contractual arrangement stipulated that the Company would ensure the provision of at least three CVs for each specific expert, for the approval of EC central services. The Company is compensated on the basis of time input, i.e., no approved expert, no money.

This system was replete with problems and difficulties. The contracts with experts were for a one-year duration, renewable for a maximum of five years. The MEDA team experienced a high rate of replacement: at the end of 1999, and 18 months after the signing of the contract, only one member of the original team of six remained. The case of the 'private sector development' expert is illustrative. The post was vacant for nearly 15 months, during which Brussels could not decide whom to approve, even though at least eight CVs were screened and submitted. The then Representative was pushing to appoint his own choice, but Brussels rejected it. Finally, less than a year and a half before the entire MEDA team project was aborted, an incompetent, unmotivated, and void of initiative, European private sector development 'expert' was hired for the post. Later on, he accepted another offer in Africa, only a couple of months before the end of the contract. For over a year he was in this post, and to my intimate knowledge of the case, for over a year he did absolutely nothing of 'developmental' value or substance, while getting compensated handsomely.

I wrote a year ago on this very point the following:

"By and large, the New Mercenaries are marketed by their countries, their companies, their employers, or themselves,

as *'la crème de la crème'* of what is available in the requested field of expertise. They are supposed to have accumulated 15-20 years of actual field experience of being mercenaries in different parts of the world (which were destroyed and are waiting to be rebuilt). The basic, yet untested premise, of course, is that short bits of mercenary experience in various parts of the world are cumulative, on the one hand, and generalizable to other settings, on the other. With only a few notable exceptions, my personal contact and firsthand experience with many of the New Mercenaries, show generally that the body of experience being marketed is shallow, mechanical, un-insightful, not relevant, based primarily on self-claim, and, at most, it is a paper (CV) record. Such a 'field' experience can be characterized as 'butterfly hopping,' ranging from 'several visits,' on the one end, to a few months and a few years, in a few cases, on the other. The calendar dates for these 'hops' then get telescoped into selling statements, such as: 'The consultant has worked for many years in developing countries...,' '... more than ten years of European and developing countries experience ...,' '...18 years of experience in transition and developing economies and countries ...,' '...long business involvement in the Middle Eastern countries and thorough knowledge of local business practices, mentality and culture [!],' etc. A serious content analysis of the rapidly proliferating and expanding databases of New Mercenaries is certain to reveal interesting patterns and trends."⁷²

Notwithstanding the limited competence, experience and personal motivation of the available technical assistants, the concern for Palestinian 'development' was simply lacking. The paramount concern was for ensuring a lucrative remuneration.

⁷² Ibid.

Chapter IV:

Comparison of Interventions: Pre- and Post-Oslo

1. General

So far, I have been grappling with the various attempts at 'developing' Palestinian society and its economy, in an overall non-sovereign context, and attempting to analyze and understand why these attempts have failed. After re-anchoring the analytic framework in the context of globalization and trans-nationalization, as it affects Palestine, I presented a detailed analysis of 'developmental' interventions during two time periods, which were demarcated by the intervening Oslo Accords of 1993, the result of which was Palestinian autonomy in specific areas in the WBGS. For each period, my analysis focused on the role of one major intervening agency - through my direct involvement in it, which claimed to have aimed at 'developing Palestine.' For the pre-Oslo period, I focused on the role of the WA (Chapter II), which was rightly perceived as the preeminent 'development assistance' organization intervening in Palestine, whereas my focus during the post-Oslo period was on the role of the EU - the source of the largest total of aid commitments to Palestinian society (Chapter III).

The crosscutting question, which I posed from the outset, revolves around the following. What are the requirements and dimensions that need to be present to ensure that people-centered, indigenously generated and sustained, comprehensive and continuous development is effected in the context of globalization, where people like us are not in the decision-making position? How do we - Palestinians under occupation - ensure that we take an active and critical role in the developmental intervention process, which is often imposed on us, in order to veer it towards increasing our capacity to influence our future? In short, how do we redirect the development process towards empowering our present and our future generations? To shed light on these questions, I shall compare the two periods, over the last 17 years, based on my direct personal involvement and continuous reflection and analysis. Relying on the accumulated practical experience and an initial assessment of the impact on Palestinian society, I shall attempt

to dissect the various factors that facilitated or impeded this 'developmental' process.

My discussion will focus on two time periods, during which different approaches were followed to effect the desired development of Palestinian society and its economy. As indicated earlier, I constricted the first time-period to 1984-1992, when I was the Director of Programs at the WA in Geneva, Switzerland, and the second time period to 1993-2001, when I was a consultant, in the sector of education, for the European Commission Development Program in the Palestinian Areas. I shall characterize the developmental work in which I was involved during the first time period as 'underground' or 'hit-and-run' development, and during the second as 'aboveground' and 'transparent' development. I shall compare the two approaches in terms of selected variables, and I shall show that both approaches, albeit an adaptation to different prevailing conditions, were similar in terms of their failing to generate the desired sustainable Palestinian development.

The comparison between the two time periods, pre- and post-Oslo, is not ad-hoc; it is an intentional analytical tool to look in depth at the critical variables at work. Since the Palestinians in both time periods can be characterized as lacking total sovereignty, I want to examine whether the genuine development for which we - at least I am - are aspiring, is at all feasible in a non-sovereign context. The kind of non-sovereignty to which I am referring is a comprehensive state of political, social and economic powerlessness, resulting from sustained and relentless physical military occupation.¹

The Context of Non-Sovereignty

There seems to be no confusion about the pre-Oslo time period. There is no doubt that the Palestinian Areas were under direct military occupation and administered and controlled, unambiguously, through a series of military orders. No legitimate Palestinian national leadership was allowed to exist or flourish. All aspects of Palestinian life - the social, political, and economic - were governed by the Military (misleadingly termed 'Civil') Administration. At the face of it, at least, the Palestinians were formally prevented from deciding about their future.

¹ I addressed this issue earlier, in Nakhleh, Khalil. "Development of Democratization in a Non-Sovereign Context: Palestine." Paper presented at University of Tampere, Finland, in a colloquium on "Transition to Democracy in the Middle East," 11-14 October 2001. (Unpublished.)

The confusion seems to have begun with the signing of the Oslo Accords and the creation of an autonomous national authority with a specific jurisdiction over specific geographical areas, sanctioned internationally. 'Autonomy' began to be perceived by the newly constituted PA as tantamount to 'sovereignty.' Concomitant questions were raised, especially during the early euphoric phase of, perhaps, the first three years, about the nature of our status in light of the Oslo Accords. Some of these questions were: Are we still occupied? Are we not empowered to take sovereign-type actions on the ground? Should we not start establishing basic institutions in preparation for an independent state? etc. The more the PA, with the assistance of transnational political aid, tried to act on its perceived new status, the more it was confronted with the reality of its non-sovereignty, even in areas under its own jurisdiction. In reality, in the framework of the Oslo Accords, the PA was never viewed as a sovereign entity. The degree of whatever sovereignty it possessed was determined, *de facto*, by Israel, and not by the Accords it had signed. The glaring clarity of this statement was made very obvious during the last two years, when the Palestinians decided to assert their right for freedom, the end of military occupation and independence.

The most concise description of Palestinian non-sovereignty was summarized in the Task Force report of the Council on Foreign Relations:²

"...The Palestinian Authority has lacked undisputed control over key resources such as land, water, and contiguous territory. It does not have exclusive jurisdiction over the legal and administrative systems that serve its population, nor does it have unfettered access to external markets. A large share of its operating budget - 40 percent in 1998 - remains dependent on transfers of taxes and duties collected by Israel on its behalf, reaching 40 percent of the Palestinian Authority's domestic revenue in 1998.

"Furthermore, by May 1999 Israel still exercised full control over 71 percent of the West Bank and 30 Percent of the Gaza Strip, and over the movement of people and goods between the two areas and within them. Israel also held responsibility for overall security in an additional 19 percent of the West Bank that came under the territorial and functional

² Council on Foreign Relations. *Strengthening Palestinian Public Institutions. A Task Force Report*. New York: Council on Foreign Relations, 1999, p. 4.

control of the Palestinian Authority, and in which roughly half the local Palestinian population resided. Finally, Israel has retained complete control over all external borders, airspace, territorial waters, and the electromagnetic sphere of the West Bank and Gaza Strip.”

This is the context of non-sovereignty to which I am referring. However, this is not the complete story. The non-sovereign status of the PA has been remarkably exacerbated since October 2000, with the beginning of the Intifada, and particularly since March 2002, when Palestinian autonomous physical areas were invaded by Israeli tanks and warplanes and the symbols of perceived sovereignty were systematically and methodically destroyed. Furthermore, the reality and perception of non-sovereignty and the de-empowerment of the people themselves have become extremely magnified over the last 17 months, with the almost total restriction on daily mobility and access to places of work, services, family visitations, etc., and the real danger to people’s lives and property posed by the occupying forces.

Since the beginning of the second Intifada, on 28 September 2000, the Israeli army has imposed a continuous siege on the Palestinian areas under PA jurisdiction. The impact of this siege on the Palestinian economy has been succinctly summarized³as follows:

“Travel and transportation became very difficult, so has movement of goods and products. Both exporting and importing have been totally banned (85% of Palestinian foreign trade has been either with or through Israel). Tens of thousands of Palestinian workers were prohibited from working in Israel or even reaching their working places in other Palestinian cities such as Jerusalem, causing a high rate in unemployment. Direct losses have been recorded in the fields of production, consumption, investment, and foreign trade. Indirect losses were also recorded causing a decline in economic activities and, consequently, unemployment and poverty. Deficit in the PA budget has been recorded and capital migration exhibited a sign of high risk. National wealth has been destroyed.”

³ PECJAR. *People Under Siege [sic]: Palestinian Economic Losses, September 2000-September 2001*. 9/2001, p. 35. (Unpublished.)

Israeli actions against the Palestinians, particularly since the beginning of the Intifada, have laid bare the degree of flagrant Palestinian economic dependency on Israel. The clearest areas of dependency are in trade, labor, finance, and infrastructure.

In the meantime, any remaining illusion, or perception, that there are 'autonomous' Palestinian areas or an 'autonomous' PA, has been forcefully dissipated by the physical military reoccupation of these areas, since 29 March 2002. Like the ordinary Palestinian individual, the PA has been under siege, and it was rendered incapable of supervising the provision of basic daily services.

2. Period I

The duration of the pre-Oslo period under discussion is eight years, from 1984 to 1992. As detailed in Chapter II, the period witnessed initiatives for developmental interventions, both external and internal. Externally, there were few 'development' agencies committing aid to Palestine. Prominent among them was the WA, operating from Geneva. At the same time, a number of indigenous grassroots organizations emerged and operated. However, their continuity became dependent on the external agencies. For the purpose of analysis, and in order to benefit from my direct personal experience, I have focused only on the developmental interventions of the WA. During this period I occupied the post of Director of Programs at the WA.

As elaborated in Chapter II, the Association was financed solely by an Endowment Fund (Trust), the fixed annual membership dues, and contributions. The main approach was based on the principle of ensuring the financial sustainability of the Association, where the principal component of the Endowment Fund was never to be touched, while the annually accrued interest from the investment was to be used for financing the programs, i.e., developmental interventions in Palestine. Hence, there was a base program budget every year, guaranteed by returns from the investment of the Endowment Fund. This volume of return on investment ranged, during my period at least, from US\$5.5 million to US\$2 million. Concerning the availability of funds, at least this approach allowed us to plan from one year to the next, but not necessarily to make multi-annual commitments.

The Association followed what could be described a 'centralized' intervention approach: engaging in development by 'remote control,' from Geneva to Palestine. In this case, all decisions about strategy, priorities,

ties, projects, commitments, partners, etc. were taken in Geneva. This was the case at least for the first five years. As the Director of Programs, I was involved, in conjunction with the Director General, in defining and refining strategy and priorities, in generating financing proposals in field discussions with potential partners, in analyzing the feasibility of project ideas and implementation, in preparing the necessary financing documents, and in defending the proposals in front of the Executive Committee (and later the Projects Committee) of the Association, in order to get them to make actual financing commitments, and in preparing, later on, summary reports about the 'fitting' of the financed projects within the overall strategy of the Association. As mentioned elsewhere, in order to fulfill my duties effectively and efficiently, I was in direct physical contact with the field, conducting an average of three-four field visits per year, with each field visit lasting somewhere in the region of three weeks. During the first five years, from May 1984 through November 1988, I actually held in the field an average of 175 meetings per year, during which I discussed ideas for developmental interventions with a host of people - individuals and organizations, - reviewed the implementation of projects, and performed general backstopping and 'fire-extinguishing' functions, as necessary.

I concluded, based on a detailed analysis of this period, that the nature and approach of developmental interventions shifted, and were modified, following three distinct phases, leading eventually to the second time period. I classified the first phase as the 'Steadfastness' (*sumud*) Phase (1984-1987), the second phase as the 'Emergency Basic Needs' Phase (1988-1990), and the third as the 'Preparation for Autonomy' Phase (1991-1993). The third phase led gradually into the first phase of the second period, during which the implementation of Palestinian autonomy, in the context of the Oslo Accords, was to be realized.

3. Period II

The duration of this period is eight years, from 1994-2002. As my detailed analysis in Chapter III has shown, this period starts in the wake of the Oslo Accords, beginning on 13 September 1993 with the signing of the Declaration of Principles, which were premised on the massive and public intervention of international aid agencies in support of the peace process and the establishment of a functioning national authority. Thus, the basic overall agenda was to assist in consolidating the peace process, through developmental interventions in Palestine, and

consequently enhance peace and stability in the region. The strategic guiding principle for all, influenced by the already prepared framework for 'investment in peace' by the World Bank, is the classic intervention for 'development and reconstruction.'

I returned from Geneva to Palestine in September 1993. Upon my return, I worked as a consultant with the European Commission, the executive arm of the EU, in monitoring the Commission's development projects in Palestine, mainly in regard to the education sector. Since 1999, I have been the head of a team of experts whose responsibility is to monitor all EU-financed projects in the WBGS, on behalf of the Commission.

As a consultant, I was responsible for the Commission's activities in the education sector, as a whole, including monitoring, follow-up, assessment of submitted reports, streamlining implementation, and liaising between the ECRO and local implementing agencies, in the education, vocational and technical training, and general institutional sectors. In this capacity, I interacted, at the official level, particularly with the Palestinian ministries of Higher Education and Scientific Research, Education, Labor and Finance, as well as with MOPIC. On the unofficial level, I interacted with all stakeholders, i.e., beneficiaries, implementing agencies, etc. In other words, I tried to maintain contacts with all educational institutions (universities and colleges), indigenous and international educational organizations, other donors concerned with the education sector, and Palestinian educationalists, in addition to monitoring and participating in the various educational workshops and activities that were initiated locally.

The developmental approach during this period was public, transparent and 'aboveground.' Priorities were discussed openly with the PA, as well as with EU Member States and other donors, with the overall awareness of the Israeli authorities in a framework of total international sanction. Developing Palestinian society in the areas under the jurisdiction of the PA was not only condoned but also encouraged by the entire world in the context of the international support for the Middle East Peace Process. Consequently, financial transparency and accountability, in the form of complete, frequent, public and supervised reporting, became an international requirement.

As discussed in the previous chapter, to analyze interventions during this period, I maintain that it should be viewed as being composed of two phases. The first phase is the 'Autonomy' Phase, (1994-1999), and

the second, the 'Emergency Needs' Phase (2000-2002). As is the case with the first time period, the pattern of intervention shifted depending on each phase. The interesting thing to note, however, is that 'developmental' interventions are forced to follow a cyclical pattern, under the pressures of non-sovereignty, where the existing potential for genuine developmental intervention gets undermined and preempted by the pressures of emergency basic needs, resulting from prolonged occupation.

4. The Two Periods Compared

I shall compare the two periods identified above in terms of a set of 12 basic variables, which generally constitute the main components of the developmental intervention process. Further, I shall analyze how the intervention was changed to adapt to the different phases in each time period, which were generated, in the first place, by the persistent Israeli military and economic occupation of the Palestinian Areas. This comparative analysis will highlight, additionally, the internal national dimensions that concerted to impede the realization of comprehensive sustainable development in Palestine.

The variables are:

1. The political environment
2. The legal environment
3. Aid agencies and the potential for cooperation among them
4. Strategic objectives for intervention
5. The nature and size of projects
6. The selection of local partners
7. The quality of local institutions
8. Monitoring and implementation modalities
9. Financial disbursements
10. Financial documentation and reporting
11. The provision of technical assistance/expertise
12. The replication of results and experience

The following table contrasts, schematically, the two periods in reference to the variables mentioned above.

Table 5: The Two Periods Compared, by Variable

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
<p>1. Political Environment</p>	<p><u>'Steadfastness' Phase (1984-87):</u> Overt military occupation of WBGs; PLO - the legitimate leadership - in Tunis, following its forced exit from Beirut; Contact with the PLO discrete and constitutes grounds for imprisonment; All official developmental interventions to be approved <i>a priori</i> by the Military Governor; allocations for specific activities (projects) to be approved by the Military Administration; Most indigenous organizations did not seek approval; major external aid agencies, e.g., UNDP, USAID, and some American NGOs, always sought the approval of the Military Administration for their overall program of intervention and for specific projects; In some cases, approval was sought for a program, but not for each project; The WA did not seek the approval of the Military Administration for its interventions.</p>	<p><u>'Autonomy' Phase (1994-99)</u> Signed Oslo Accords divided the WBGs into three area categories: 'A,' 'B,' and 'C'; Termination of overt military occupation in area 'A' and its continuation in areas 'B' and 'C'; <i>De facto</i> military occupation continues in entire area; Internationally sanctioned PA set-up, with the PLO at its head; became responsible for provision of basic services and set up ministries and agencies for this purpose; International aid agencies pledged funds for a five-year period, in a public pledging conference, for development and reconstruction of Palestinian Areas; <i>A priori</i> approval of occupation authorities for interventions not required generally for projects in areas 'A' and 'B' but required for projects in area 'C'; However, projects for drilling water wells and other projects that went beyond the limitations of the Economic Paris Protocols (e.g., quality and quantity of export and import through border points, etc.) require <i>a priori</i> approval; According to these Accords, Israeli Treasury is to remit to the PA tax clearances on the following basis: all VAT collected by Israel on goods sold by Israel to the Palestinians,</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
	<p><u>'Emergency Needs' Phase (1988-90):</u> Popular uprising against continued occupation and oppression; Military Administration increased oppressive measures against active individuals and organizations; Palestinian workers in Israeli firms expelled; Rise in unemployment, and serious deterioration in the economic conditions and standard of living; Mushrooming demand for basic daily needs; Unemployed workers sought other sources of income, some by 'going back to the land'; Continuous closure imposed on the Palestinian Areas; many educational institutions closed by military orders; PLO funds, whose source was the Gulf States, which were channeled to indigenous institutions, mostly dried up; Many local (neighborhood) committees formed, underground, to respond to emergency needs; A number of umbrella organizations created to act on behalf of the PLO; also a number of individuals claimed to act on behalf of certain factions within the PLO; Confusion reigned and lack of clarity prevailed, especially concerning legitimate leadership, decision-making, law and order, strategies of resistance, etc.</p>	<p>75% of income tax paid by Palestinian workers in Israel, 100% of income tax paid by Palestinian workers in the settlements, all customs and excise duties collected by Israel on goods imported through Israel for the PA.</p> <p><u>'Emergency Needs' Phase (2000-02)</u> After the first three years, the implementation of the Oslo Accords was faltering, and by 1999 the peace process came to a complete halt; A second Intifada erupted against the continued military occupation and seeking the realization of an independent Palestinian state; Many Palestinians were killed and injured; Israeli army began destroying all PA security offices, installations, and many public institutions and economic facilities; Complete closure was imposed on Palestinian Areas, and mobility within Palestinian Areas was completely curtailed; Due tax remittances frozen by Israel; Palestinian workers prevented from reaching their jobs in Israel; The PA on the brink of bankruptcy and forced to depend on the external injection of funds to meet the public payroll.</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
	<p><u>'Preparation for Autonomy' Phase (1991-92)</u> Active preparation for negotiated settlement; Fizzling out of the Intifada; Informal yet overt coordination with political leadership outside; Madrid Conference; Emergence of semiformal, would-be formal institutions of an autonomous authority; More overt internal factional competition; Public 'peace' negotiations in Washington, and covert 'peace' negotiations in Oslo.</p>	
<p>2. Legal Environment</p>	<p>Legitimate legal environment non-existent; Palestinian Territories 'governed' by a conglomeration of military orders, Jordanian and Egyptian laws, and Israeli laws (in the case of Jerusalem); Military orders challenged and ignored when possible, especially during the last two phases.</p>	<p><u>Autonomy Phase (1994-99):</u> PA with its institutions, totally in area 'A,' partially (all but security) in area 'B'; Military occupation authorities in area 'C' and Israeli laws in Jerusalem; Legal environment emerging, and in certain cases non-existent: no actual separation of powers; Archaic judicial system; Elected, but impotent, PLC; Highly centralized executive powers; Rule of Law permeates public discourse, but absent in practice.</p> <p><u>'Emergency Needs' Phase (2000-02):</u> Undermining legitimate legal authority; An increasing degree of chaos and the gradual emergence of</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
		<p>the 'rule of gun'; Non-functioning legal and legislative public institutions, due to the siege and non-mobility; PLC unable to meet in full sessions; Public order seems to depend on the will of the centralized Executive and a few functioning security apparatuses.</p>
<p>3. Aid Agencies and Potential for Coordination among them</p>	<p><u>Agencies:</u> Some Palestinian organizations, principally, the WA (Geneva), Jerusalem Fund (Washington) and JC (Amman); European and American NGOs, UN agencies, specifically UN-RWA and UNDP; Generally, absence of direct official bilateral support, with the exception of USAID; the EC intervened during the early part of this period through UNRWA, and, later on, directly through Palestinian NGOs; By and large, these agencies operated from outside the boundaries of Palestine; Absence of international, multilateral funding agencies, e.g., the World Bank.</p> <p><u>Coordination:</u> Absence of formalized coordination mechanisms on the ground; when coordination took place, it was ad-hoc, informal, and often at the initiative of and through the beneficiaries; WA initiated a number of regular coordinating mechanisms, outside Palestine, among aid agencies involved</p>	<p><u>Agencies:</u> Official aid agencies of governments that supported the peace process; Bilateral and multilateral donor agencies, regional funding agencies, NGOs, UN agencies; Donor agencies, by and large, opened 'development' or 'cooperation' offices in the PA areas (generally, in Ramallah, East Jerusalem, and in some cases in Gaza and Jericho), performing the dual mission of diplomatic and development; Considerable number of aid agencies: more than 40 donors, over two dozen multilateral and UN agencies, and hundreds of local and international NGOs.</p> <p><u>Coordination:</u> An elaborate structure of mechanisms for donor coordination was put in place, at the insistence of the major aid agencies themselves. The formal Palestinian counterpart is MOPIC. The structure included the following mechanisms, from the most overarching to the sub-sectoral level in the field: (1)</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
	<p>in 'developmental' interventions in Palestine, including Arab and Islamic regional funds, the EC and a number of European NGOs.</p>	<p>The Consultative Group for Palestine, All-Donor Forum, chaired by the World Bank; (2) AHLC, Principal Policy Coordinator - International Level, chaired by Norway; (3a) JLC, Discussion Forum on Economic Policy and Practical Matters of Donor Assistance, Shepherd: Norway and Gavel-Holder: PA; (3b) LACC, Local Discussion Forum (Priority Setting), chaired by Norway, UNSCO, World Bank; and (4) SWGs, sectoral priorities and projects of the PA, with UN and World Bank input.</p> <p>The elaborate structure did not ensure cooperation among aid agencies and there was a high degree of duplication, redundancy and wasteful competition. On the other hand, cooperation between aid agencies and MOPIC was lacking, particularly during the early part of the period.</p>
4. Strategic Objectives for Intervention	<p><u>'Steadfastness' Phase (1984-87):</u> Undermine hegemony of occupation; Decrease (and end) dependence on Israeli economy and resources; Increase self-sufficiency in production; Strengthen indigenous institutional base; Increase social cohesion; Magnify indigenous ability to resist;</p>	<p><u>'Autonomy' Phase (1994-99):</u> Consolidate the peace process between Israel and the Palestinians; Strengthen peace and stability in the region; Strengthen the PA's political, economic and social instruments of government; Support an independent Palestinian economy, and increase its productive base and trade relations, regionally and internationally;</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
	<p>Safeguard national resources; Follow sustained and long-term action.</p> <p><u>'Emergency Needs' Phase (1988-90):</u> Provide basic health, economic and social welfare needs; Focus interventions on employment generation; Mobilize additional funds, international solidarity and humanitarian support; Undermine the potential of emigration of youth.</p> <p><u>'Preparation for Autonomy' Phase (1991-92):</u> Coordinate interventions with PLO political leadership; Support semi-formal and would-be formal institutions, taking into consideration political factional distribution and the pre-eminent role of Fateh; Focus more on classical economic interventions, in preparation for a state.</p>	<p>Help create formal state institutions, through the provision of financial and technical support.</p> <p><u>'Emergency Needs' Phase (2000-02):</u> Provide basic health, economic and social welfare needs; Focus interventions on employment generation; Fund emergency measures to ensure the operational continuity of PA service ministries and agencies; Make provisions for national budget support to ensure the continuity of the PA; Monitor, on a regular basis, losses to the economy resulting from re-occupation and permanent closures, and monitor humanitarian needs in PA areas.</p>
<p>5. Nature and Size of Projects</p>	<p><u>Nature of Projects</u></p> <p><u>'Steadfastness' Phase (1984-8):</u> General operational support to existing institutions; Provision of services and procurement of equipment, espe-</p>	<p><u>Nature of Projects</u></p> <p><u>'Autonomy' Phase (1994-99):</u> Projects aiming at developing the economy and institution building, i.e., primary focus on physical infrastructure (e.g.</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
	<p>cially for schools and hospitals (stopgap measures); Loans to construction of individual homes; Rarely visible physical infrastructure projects (e.g., roads, big buildings, sewage projects, etc.), except where approval for the interventions was sought and granted (e.g., UNDP); Institutional capacity building; Training of preschool teachers; Small job creation projects for unemployed graduates from universities and prisons; Grants and loans to food production and food processing projects; Provision of agricultural inputs to small farmers; Agricultural roads and small land reclamation projects; Small credit extension schemes; Renovation of homes and small enterprises in the Old City of Jerusalem; Assistance to Gaza fishermen; Generally, avoid supporting municipalities (with appointed municipal councils), village councils, government schools, etc. - public institutions in general that were under the responsibility of the occupation administration, so as not to relieve the occupation of its responsibilities; Absence of sector-wide intervention, e.g., sectoral reform, rationalization, etc.</p> <p>Visible 'developmental' interventions were limited to what</p>	<p>roads, buildings, sewers, airport terminal, seaport, etc.); Enhancing and upgrading human resources (mainly through short-term training schemes); Instituting a system of modern governance (e.g. enhancing the capacity of the PLC, the election process); Increasing the productivity of the economy, credit facilities, financial institutions, private sector development institutions, trade and increasing competition in international markets; Joint (Israeli-Palestinian) industrial areas; Provision of international (read American and Western European) technical assistance; Human rights and the rule of law, etc.</p> <p>No formal support to Jerusalem projects or projects outside the defined parameters of the Oslo Accords, e.g., increasing agricultural production, developing and expanding the capacity of agricultural lands, etc.</p> <p>Support for security forces through the provision of basic equipment and vehicles, training for riot control, 'counter-terrorism,' etc.</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
	<p>could be authorized by the occupation authorities: for example, planting palm trees in the Ghor region, digging new water wells, were not permitted. On the other hand, maintaining already licensed water wells, through the purchase of pumps, etc., was considered a priority.</p> <p><u>'Emergency Needs' Phase (1989-90):</u> Provision of medical supplies, medicines and ambulances; Cash support to neighborhood committees for immediate humanitarian food and welfare support for needy families; Operational budget support for service delivery institutions; Legal support for prisoners and their families; Support for household food production.</p> <p><u>Size of Projects</u></p> <p>Throughout the period, generally, small commitments, in the thousands or tens of thousands of US\$ in the maximum.</p>	<p><u>'Emergency Needs' Phase (2000-02):</u> Direct budget support on a monthly basis, to the PA, to continue paying salaries; Provision of medical supplies, medicines and ambulances; Direct emergency support to basic service delivery ministries, i.e., Ministries of Education, Health, Social Welfare, and Local Government; Employment generation; Mechanisms to monitor humanitarian situations on a regular basis; Mechanisms to monitor ongoing losses to the economy.</p> <p><u>Size of Projects</u></p> <p>Basically, limited by the size of aid package for the period, which aid agencies committed publicly. Some commitments for certain programs reached up to US\$40-50 million.</p>
<p>6. Selection of Local Partners</p>	<p><u>'Steadfastness' Phase (1984-8):</u> Generally, implicit but not formal criteria: Indigenous community-based organizations; Clean and credible reputation (politically and financially); Demonstrated and proven track record of delivery;</p>	<p><u>'Autonomy' Phase (1994-99):</u> Bilateral aid directed mainly to PA agencies: ministries, commissions, organizations, etc.; Certain programs targeted exclusively civil society organizations: NGOs, charitable societies, human rights organizations, etc.:</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
	<p>Evidence of community support; Benefit general and wide-based; Organizational accountability; Individual partner not too marginalized; Individual partner in political mainstream; Possible contradiction in emphasis between being in 'mainstream' and having track record of delivery, between political affiliation and technical and professional delivery; In reality, criteria for selection favored those in the political and social 'mainstream.'</p> <p>Generally, not governmental institutions, appointed and supervised by the occupation administration, but exceptions were made in the case of governmental hospitals (provision of basic medical equipment, which the Military Administration did not provide). This exception created ambiguity about the selection criteria and a contradictory approach. With some aid agencies, insistence was on evidence of formal registration, irrespective of the beneficiary being governmental or community-based.</p> <p><u>'Emergency Needs' Phase (1989-90):</u> Organizations with local knowledge, communal connections and credibility and ability to deliver emergency services quickly; Indigenous professional or-</p>	<p>ganizations, etc.; Other programs targeted Palestinian civil society organizations willing to conceive and implement joint projects with Israeli NGOs, etc.; UN agencies; International NGOs; Transnational consulting firms.</p> <p><u>'Emergency Needs' Phase (2000-02):</u> Focus on immediate service delivery ministries, i.e., Ministries of Education, Health, Social Welfare and Local Government; Ministry of Finance for budget</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
	<p>ganizations with proven track record, especially in health; Informal localized neighborhood committees.</p> <p><u>'Preparation for Autonomy' Phase (1991-92):</u> PLO-initiated organizations and institutions with potential of becoming state institutions; More obvious focus on 'main-stream' institutions.</p>	<p>support, and IMF for control; UNRWA for service delivery to refugee camps; International NGOs.</p>
<p>7. Quality of Indigenous Institutions</p>	<p>Varied: some were only physical structures with equipment and furniture, no organizational structure or basic trained human resources - empty physical shells; Some were 'private' institutions and testimonies to the 'cleverness' of their one and only founder and sole decision maker, and his ability to muster the necessary funds to keep it going; Some, on the other hand, were full of vitality and clarity of vision, and with professional organizational structure; Many charitable societies had fixed geriatric leadership, behold to the existing governmental structure, starting with the Jordanian and Egyptian and ending with the Israeli Military Administration, with a very traditional view of their role; Some were there merely because of their formal registration, but without any identifiable activities.</p>	<p>Mainly existing institutions, often recommended by the PA, and all PA-created institutions: ministries, etc.; Local government structures (i.e., municipalities, village local councils, rural development committees, etc.); Regional authorities, etc.</p> <p>Uneven quality, in terms of human resources, experience, resourcefulness, commitment, etc.; Most PA institutions was stacked with political appointments who were not necessarily the most qualified for the task; Indigenous civil society organizations that survived from the previous period carried the same quality attributes, described earlier.</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
<p>8. Monitoring and Implementation Modalities</p>	<p><u>'Steadfastness' Phase (1984-8):</u> Since no new visible structures could be established without the consent of the occupation authorities, the challenge was how to utilize existing structures to implement and monitor interventions; Aid agencies who sought and received <i>a priori</i> approval from Israeli authorities established local monitoring offices in Jerusalem, e.g., UNDP, some American PVOs, other church-related NGOs; Most aid agencies had their monitoring offices outside Palestine; Monitoring implementation by remote control; At first, the WA experienced difficulties in monitoring implementation: forwarding documents back and forth between Geneva and Palestine, ubiquitous apprehension about being stopped on route; Severe limitations on registering new community-based organizations; Our constant attempt to expand the ceiling of existing organizations to cover others - to create umbrella organizations, but quietly; Arrest of some partners hindered implementation, deferred contacts, reporting, and in general undermined the transparency of the project, often killing it (e.g., the case of agricultural intervention to assist individual farmers in Gaza).</p>	<p><u>'Autonomy' Phase (1994-99):</u> No formal restrictions on implementation as long as projects were within the parameters of the Oslo Peace Process. Possible implementation restrictions could be the result of inability to implement on the part of the beneficiaries or procedural restrictions on the part of the donors.</p> <p>All aid agencies insisted on having their own monitoring agents to check both the progress and the proper utilization of the financial resources; Transnational consulting agencies were recruited to do the monitoring, and to ensure the applicability of 'good practices' according to procedures of aid agencies; The sudden rise and prevalence of the 'New Mercenaries,' the new transnational technocratic elites; Prominence of the role of international 'development agencies,' e.g., the World Bank, the IMF, and specific institutions they created, in monitoring and in the provision of technical training.</p> <p>Practically, all aid agencies established 'cooperation' offices in Palestine to monitor the use of their funds.</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
	<p>Gradually, monitoring responsibilities were shifted to Palestinian consultants on the ground; Eventually, an informal field office to monitor the implementation of interventions was established; In the meantime, an informal local structure in the form of a 'Local Advisory Committee' was devised to get input from the 'mainstream' and to cover the various geographic areas.</p> <p><u>'Emergency Needs' Phase (1989-90):</u> More informal and discrete monitoring effort, with more monitoring responsibilities being shifted to the implementing committees.</p>	
<p>9. Financial Disbursements</p>	<p>Circuitous routes and accounts: moneychangers, personal accounts abroad, sharing the account of another similar organization (e.g., Red Crescent Society in Gaza through Arab Thought Forum's account in London), or through a foreign NGO with a local account (e.g., Fishermen Cooperative in Gaza through Community Development Foundation's - US PVO working in Gaza - account); Beneficiaries often requested the disbursement of the entire amount of the grant; The WA's project database for this period showed approved funds being transferred to accounts in Geneva, London, Paris, Dublin, New York, Amman, Cairo, Beirut, etc.</p>	<p>Overt and transparent routes and accounts at local commercial banks operating in the Palestinian areas under the supervision of the Palestinian Monetary Authority;</p> <p>Disbursement procedures generally were stipulated in the financing agreements or contracts, which are public record; Disbursement amounts are dictated by the nature of the project being financed, in consultation with the Palestinian counterpart who signs the agreement, and in accordance with the procedures of the specific aid agency.</p>

Variable	Time Period One: 1984-1993	Time Period Two: 1994-2002
10. Financial Documentation and Reporting	Uneven, often incomplete; Indigenous organizations produced two sets of financial reports: official (to present to the military authorities for tax purposes), and unofficial (real) reports; Submitted financial documentation about a specific activity always required conscious scrutiny; Care had always to be taken to watch for 'double' funding and 'double' counting.	Explicit and highly public field monitoring agencies and/or individual experts a general condition set by the donors, with the task of ensuring that the necessary reporting is done; Aid agencies insist on complete, detailed and audited financial reporting; Care had always to be taken to watch for 'double' funding and 'double' counting.
11. Provision of Technical Assistance/ Expertise	Minimal; Not a requirement of every intervention; Focusing on 'benign' projects, e.g., pre-school training, research, etc.	Provision of expatriate technical assistance a primary component of all donor-financed projects, at least 20-30% of every commitment is for technical assistance and goes back to the source; An entire 'industry' of technical assistance seems to have developed as a result; Very minimal transfer of technical know-how in the process.
12. Replication of Results and Experience	Discrete effort depending on the interest of the aid agency; Hardly any publicity or public dissemination of specific information.	No serious effort seems to be invested in disseminating results, either by the Palestinian counterparts or the aid agencies, in identifying and highlighting successful projects, for the purpose of replicating the benefits or the experience; On the other hand, projects that are perceived as having had a positive impact are publicized by the aid agencies themselves, for their own visibility and credibility, and for the benefit of their own constituents; No effort to learn from the lessons is evident.

Summing Up

1. The purpose of this exercise is to diagnose the process of trying to develop Palestinian society and its economy over the last 17 years, by comparing two distinct time periods through which this process has gone and in which I was directly and personally involved. Although the overall and implicit objective of the process in each of the periods was to develop Palestine - first from a Palestinian initiative and perspective as a counterweight to the prevailing Israeli military occupation, and second from an international initiative and perspective with public international sanction - the objective, as foreseen, was not materialized. The underpinning major question, which I am trying to address in this analysis, is why did this process fail in achieving the desired developmental objective, and were the necessary and sufficient conditions present in Palestine?
2. Whereas the Israeli invasion of Lebanon in June 1982 provided the impetus for the WA - the leading aid agency during the first time-period - initiative, the Oslo Accords, which were signed between the PLO and Israel on 13 September 1993, ushered and provided the impetus for the second time period.
3. The Israeli military invasion of Lebanon challenged a number of wealthy Palestinians and intellectuals, who were shook up by it, to establish a 'Palestinian Endowment Fund' aimed specifically at financing projects and activities in the Palestinian communities in historical Palestine, for the purpose of strengthening the communities' resolve to remain on the land, develop their institutions, and strengthen their culture and identity. The underlying premise of this approach was the need to seize the initiative in counteracting the cultural oppression, dispossession and prolonged occupation imposed by Israel on the Palestinians. In a way, this was a positive response and challenge to the occupation and domination. An initial Endowment Fund of US\$11 million was established. By the time I left the Association in 1992, the Endowment Fund had multiplied nearly three times.
4. However, the WBGS were under formal military occupation. The Palestinians were dispossessed of their land in favor of Jewish settlements. While settlements proliferated, Palestinian municipalities and village councils had no land for housing and farmers suffered confiscation and harassment. Productive activity was

heavily regulated and hampered. Money remittances from abroad were very limited or forbidden. The freedom of circulation of Palestinians, both inside the WBGS and abroad, was severely limited. Palestinian institutions and national symbols, as well as any organization that in any way claimed to have a 'national' character, including the PLO, were actively repressed. Although Israel collected taxes from the Palestinians, it let basic social services - health care and education systems - deteriorate, and basic physical infrastructure (roads, water supply networks, sanitation, etc.) to fall into grievous disrepair. With the eruption of the Intifada in December 1987, these problems became even more acute.

5. Under such circumstances, the impediments to sustainable development were readily obvious. Some of these impediments may be summarized in the following. There was an absence of legitimate political national reference, or authority, on the ground, only self-proclaimed representatives. Consequently, nationally identified, coherent and enforceable development priorities were absent. In the absence of national Palestinian institutions, local development agents were the NGOs and the conglomerate mixture of community-based organizations. Among them, those with the most active political-factional affiliation were also the most active developmentally. They were the ones who often defined development priorities, perceiving them as national, but in isolation of each other, because of restrictions on their movement by the occupation, inter-factional competition, and as a way of protecting 'privileged' bilateral connections with specific international aid agencies.

6. The overt military occupation of the WBGS during the first period, limited the size and scope of developmental intervention. The amounts committed for activities or projects were small, in order to match the limited absorptive capacity of indigenous Palestinian organizations, a capacity which could not develop under the prevalent situation. Consequently, the scope of intervention was limited to selective assistance in enhancing the provision of education and health services, provision of training programs, limited agricultural inputs to farmers, limited (and subdued) rehabilitation of cultural facilities, provision of office equipment and other supplies for health and education activities, etc. The intervention was short-term, and it was rarely sustained to ensure the survivability of the indigenous organization itself. Under these types of conditions, the actual reins of potential development were in the firm hands of the aid agencies and the occupation authorities.

7. The second period was inaugurated with the public signing of the Oslo Accords on the White House lawn on 13 September 1993. The event generated international utopia, which moved the World Bank to declare⁴ that "peace, at last, now promises to provide the foundation for sustainable development in the Middle East." At that juncture, the World Bank provided the necessary 'developmental' platform for the world and stood ready to provide experience, advice and financial resources, in order to help the WBGS "to build the infrastructure and the institutions of a modern economy to provide employment and raise living standards." The 'international community' committed financial resources, in excess of US\$6 billion for this process, for the period 1994-2001.
8. On the Palestinian side, 'official' planning for development for the 'Autonomy' Phase started about two and a half years prior to the signing of the Oslo Accords. At that time, the PLO Economic Department invited a leading Palestinian economist to prepare a developmental plan for Palestine. Consequently, a Palestinian professional team produced *The Developmental Program for the Palestinian National Economy for the Years 1994-2000*.⁵ The Program, as one PA official characterized it, was "an important document in Palestinian developmental planning, especially as it pertains to objectives and strategy..."⁶ The '*Developmental Program*' was based on the major premise that the dependency of the Palestinian economy on Israel had to cease. Although the document was ready by June 1993, three months before the signing of the Oslo Accords, it was shelved and was not used as a basis for developing the Palestinian economy in the new context, primarily because it negated the political and economic determinants of the Oslo Accords.
9. In its place, the World Bank, in coordination with the donor countries, prepared an 'Emergency Rehabilitation Program' (ERP), which

⁴ The World Bank. *Developing the Occupied Territories, An Investment in Peace*. (Six volumes: Vol. I: Overview; Vol. II: The Economy; Vol. III: Private Sector Development; Vol. IV: Agriculture; Vol. V: Infrastructure; Vol. VI: Human Resources and Social Policy.) Washington, DC, 1993.

⁵ PLO, Department of Economic Affairs and Planning. *Program for Development of the Palestinian National Economy for the Years 1994-2000: Executive Summary*. Tunis: PLO, 1993.

⁶ Al-Abed, Samih. "The Experience of Planning in Palestine." In Said, Nader Izzat, ed., *Economic Planning in Palestine*. Ramallah: Birzeit University and MOPIC, Planning for Development Series No. 1, September 1998, p. 14 (Arabic).

was submitted to the first Consultative Group in December 1993. The ERP was a list of priority interventions needed for the Palestinian economy, for a period of three years, beginning at the end of 1993 and ending in mid-1995. The ERP, which estimated the size of emergency investment needed for the three-year period at US\$1.2 billion, targeted four priority areas, the most important of which was the rehabilitation of the physical infrastructure (50 percent of proposed allocations). Furthermore, the bulk of the aid for this program was to be channeled through the Palestinian Economic Council for Development and Reconstruction (PECDAR), which the 'international community' insisted on setting up specifically for this purpose.

10. In the meantime, the newly created 'autonomous' PA, in order to circumvent the limitation imposed by the Oslo Accords against having a Ministry of Foreign Affairs, established MOPIC. Within its mandate, the Ministry has become identified as the responsible PA agency for international cooperation and donor coordination, and, thus, the official Palestinian counterpart for the aid agencies in this process of development and reconstruction.
11. During the second Consultative Group meeting in October 1995, the World Bank and the IMF were requested to assist the PA in preparing a program for 'developmental' intervention, for the medium term (three years), to submit it to the 'Donors' Conference,' planned for January 1996. The PA consequently submitted the *Development Strategy for Palestine: 1996-1998*, in which it delineated the main components for medium-term intervention, with a price tag of US\$1.32 billion. As before, and following the World Bank Emergency Rehabilitation Program, nearly 59 percent of the requested allocations were to be earmarked for physical infrastructure rehabilitation. Although the medium-term program listed a number of major strategic objectives, *inter alia*, creating job opportunities, increasing economic growth, decrease dependency on Israel, protection of the environment, etc., "the main objective" of this program, as characterized by one of its authors, "was to present it in an acceptable framework to the donor countries. In reality, it was nothing more than a list of priority projects which the PA needed."⁷
12. Following this experience, MOPIC, in consultation with the donors and with their assistance, generated the first 'Palestinian Devel-

⁷ Ibid., p.16.

opment Plan' (PDP) for 1998-2000, which reflected "a developmental strategy commensurate with the prevailing conditions and problems confronting the Palestinian economy." The PDP identified four main sectors, namely, (a) infrastructure, (b) productive sector, (c) social sector, and (d) institution building, which were expressed as the priorities of the newly-established PA, reflected and molded through those of the 'international community.' The PDP then monitored the performance of donor commitments according to these sectors. The emphasis of these priorities was on developing human and physical resources and on providing more direct assistance to the private economy.⁸

13. At the face of it, the titles listed under each sector are appropriate and relevant for state building. In reality, however, the development process in most of the listed sectors was curtailed, and often severely truncated, by the non-sovereign status of the newly created PA, and, consequently, the absence of control over the essential requirements of sustainable development (as elaborated later). Take the following obvious examples: all economic productive activities, e.g., agricultural production, industrial production, depend on external markets. Such a necessary movement of products is totally dependent on whether or not the international passage points (the bridges with Jordan, the Rafah crossing with Egypt, the airport in Dayniyyeh, etc.) are open or closed, in addition to the movement of goods, materials and personnel between the West Bank and the Gaza Strip. The total control of these necessary elements for effective economic activities in terms of production and trade is with the occupying authorities. The sectors entailing water and land are another illustration of what I am discussing here.
14. The EU has been the major financial contributor to this process. The evaluation of EC assistance to the PA "in support of local economic and social development of the West Bank and Gaza Strip," during the period 1993-1997, had mixed results. As discussed in the previous chapter, the Commission posed, in its Communication of January 1998, the question whether the extraordinary amount of Community financial resources devoted to the peace process had worked. The answer it gave itself and Member States was mixed: "From the point of view of economic development and regional integration the result of the effort is unsatisfactory. From

⁸ PA, MOPIC. *Palestinian Development Plan 1998-2000*. Ramallah, February 1998.

the political point of view, however, the European Union's political input and economic contribution has been the determining element for the survival of the Palestinian Authority, and with it, the peace process." This auto-assessment was made, of course, four years ago, and certainly before the latest military onslaught of re-occupying Palestinian cities and towns and destroying the physical, social and administrative infrastructure, the basic elements of which were created after 1994.

15. In spite of the above, the EU, like many other donors, renewed its pledge for an additional five-year period, 1999-2003, at the donor pledging conference in Washington, DC in November 1998, following the Wye River reaffirmation of the Oslo Accords. The European Commission considered the "major challenge" facing the European role in the process of Palestinian development is "...to stop the present deterioration in the economic activity, to restore economic growth and to utilize the existing potentials and capabilities in Palestinian society in order to achieve positive development and modernization, [and] to be able to achieve this in an environment of constraints due, *inter alia*, to the existence of heavy structural imbalances and the high degree of uncertainty about the future." The "strategic objective" of the EC intervention in this regard will be "the transition from structural dependence [of the WBGS] on Israel towards an economy founded on a more developed productive base and equitable trade relations with its regional and international partners."⁹ How can this be achieved under a non-sovereign PA, which does not have the actual and ultimate control over the movement of goods and labor?
16. Even before the beginning of the current Intifada, certain indicators were pointing towards deteriorating conditions in the main human development areas: regression in the real value of the Gross Domestic Product, an increase in poverty rates and a perception of relative deprivation in marginalized areas and groups, etc. Budget allocations for education and health have gradually been reduced. Moreover, there has been an increase in unemployment, as well as in the gap between rich and poor, and a very low degree of sustainable institution building. The largest share of Palestinian imports (75 percent) originates in Israel, and more than 95 percent of Palestinian exports are destined for the Israeli

⁹ European Commission. *West Bank and Gaza Strip Country Strategy Paper 2000-2006*. (Draft), p. 17.

market. Palestinian foreign trade with the Arab World is extremely limited. "Movement restrictions have resulted in transaction costs for Palestinians which are about three times higher than those faced by producers in neighboring countries."¹⁰

5. Epilogue - Reoccupation Phase: The Un-development of Palestine

My original intention, as expressed at the beginning of this chapter, was to compare and analyze 'developmental' interventions over two time periods, in which I was directly involved. The first time period preceded the internationally sanctioned benchmark of the signing of the Oslo Accords, in September 1993, and the second, lasting eight years, began with the beginning of the formal peace negotiation process between the PLO and Israel and the creation of the PA and ended at the beginning of 2002. The evolving events since the beginning of 2002, and particularly the premeditated and comprehensive reoccupation of PA areas, the systematic undermining of PA legitimacy, and the destruction of PA institutions, under our eyes, reinforced dramatically my analysis throughout, and demanded that I expand the timeframe to include what I am labeling as the 'Reoccupation' Phase.

Following my set program of producing this book, I started drafting the various chapters during the first week of January 2002, from my home office in the city of Ramallah. Since then, the city has experienced four 'incursions' (read: 'invasions') of Israeli tanks and armored personnel carriers, with the fourth one being a full-fledged sweeping reoccupation of all major cities and towns under PA jurisdiction, including the entire city of Ramallah. The reoccupation was characterized by heavy and continuous gunfire, from helicopter gun ships, tanks, and an assortment of heavy machinegun fire. Each time some of the tanks and armored personnel carriers rumbled down the road in which I live, visible and audible from my office window, I would continue, calmly and coolly, to analyze the process of 'developing' and 'un-developing' Palestine.

Since the end of March 2002, the Israeli army, under orders from its political leadership, has been using every conventional means at its disposal to destroy every institution of the supposedly autonomous PA.

¹⁰ UNSCO. *The Impact on the Palestinian Economy of Confrontation, Border Closures and Mobility Restrictions*, 1 October 2000-31 December 2001. (Draft.)

This 'campaign' is peaking, as of this writing. So far, all 'autonomous' Palestinian areas have been reoccupied, and facilities, one by one, are being methodically destroyed, or rendered inoperable. It started with the various security institutions - the police, the presidential guards, the preventive security, etc. - and is extending to encompass all symbols of Palestinian autonomy - the elected president, airport, seaport, service-delivery ministries, infrastructural institutions of water, telecommunications, etc., physical infrastructure of roads, sewage networks, power grids, etc. All what has been done, as a result of international aid, since 1994, is being undone by sheer force. Various trained personnel staffing PA institutions have been killed, maimed or arrested.

After the first two weeks of military curfew and 24-hour house arrest, my wife and I recorded the following 'reoccupation' notes:¹¹

"This is the fourth time our curfew has been lifted. The first time it was rainy and cold, and we were uncertain about the news, so we did not go out. The second time, we went out with our friends to get basic food supplies, but did not venture far into town. The third time, my wife and I walked into the heart of town and did a cursory check of the destruction, with the determination to return. The fourth time, yesterday, we made a point to notice and register what we saw, and where we saw it.

"The more we went out during the highly cherished few hours of lifting the curfew, shuffling slowly and methodically in awe, through the rubble, broken glass, twisted aluminum frames, and the mangled and plowed paved roads, surrounding our city of Ramallah, the more we saw the purposeful destruction, which we did not see the 'outing' before, and the more we realized the official and well orchestrated big lies about the objectives of this military reoccupation, which Israel has fed the world, and which the gullible parts of the world have swallowed!

"This is a process of **un-developing** Palestinian society, undermining and dismantling any potentially viable Palestinian institution. For no apparent reason, the army shot its way through our Ramallah Municipality, ravaging offices,

¹¹ Nakhleh, Khalil and Lois. "Reoccupation Updates," March-August 2002, Ramallah.

meeting halls, archive rooms, equipment, walls, records, blowing open the safe, etc., thus rendering it out of commission for a while. Like everywhere else, this is a service-providing local institution. Yesterday, we saw the mayor and some municipal council members sifting through the wreckage and reassessing the damage, perhaps for the umpteenth time, with awe at the size of it. He looked at us, and with sad yet firm commitment, assured us 'We will rebuild it.'

"It seems that our local society is coming apart at the seams. During these 'outings' we notice with alarm a degree of societal lawlessness - absence of any legitimate and reliable reference point, a societal rudder. We don't know where to get reliable information anymore about, for example, whether we have changed to summer time, the lifting of the curfew from which hour to which, etc. Yet, somehow, each one of us seems to know, sooner or later, and often sooner, about what is happening that is affecting our immediate lives. I wonder how this information is circulated. I know, at least for us, how we get it. Yesterday our reliable neighbor called and informed us about the lifting of the curfew. I asked him about his source. He said it was the 'shop that sells chicken.' I did not question that information! After the intentional destruction of our local TV and radio stations and the absence of official sources of information, the 'shop that sells chicken' is as reliable [a source] as any, if not more. Consciously and systematically, we're being pushed to revert to becoming a small village, where our 'national' concerns become reduced to ensuring that our trash is picked up, our drinking water is not contaminated with the sewers, our internal streets are good to drive on, etc. Sharon's plan is to render us into disconnected localized communities, 'autonomous' in our trash collection...

"In this reoccupation, there is a desperate Israeli attempt to undermine the **national** identity of our people, our young generation. How else can I explain the purposeful attack and destruction of the Palestinian Ministry of Education? The destruction of schools, private and public? The attack and destruction of youth centers? The torching of the offices of a local NGO, which specializes in training young teachers in new pedagogical methods in math and science?"

Chapter V:

Why Political Aid Failed to Develop Palestine, and How to Break the Cycle of Un-Development? Policy Implications Under Fire

1. What Happened?

At least since the turn of the century until now, Palestine has been the target for intervention from outside. Yet no 'development' has taken place. Actually, in some cases, interventions produced 'un-development.' To explain this phenomenon, I shall assess the nature of these interventions in terms of their context, objectives, approach and societal impact, by relating them to the detailed analysis presented in previous chapters. The second section of this chapter will address the ubiquitous and seminal question: "What's to be done?" In this section, I shall try to consolidate and synthesize existing, yet floating, ideas, urge for seizing a genuine 'developmental' initiative, through Palestinian self-evaluation and self-re-empowerment; and push for a conceptual redefinition and redirection of the type of 'developed' society we want to create, almost in spite of, and because of the ongoing military occupation and persistent political and economic non-sovereignty. In a way, this section addresses policy implications - official and non-official alike - under fire.

1.1 The Context

The context of intervention has always been defined from outside. Palestinian society was always at the receiving end, and never the initiator of 'developmental interventions.' What we are analyzing today is not an exception, although the intensity and scope have been magnified. To understand what is happening, however, we need to telescope the current context of intervention beyond the parameters defined by the Oslo Accords, back into the modern history of Palestine, when the entire society became a legitimate target for internationally sanctioned intervention in response to incipient economic globalization under the guise of fulfilling the aspirations of a national liberation movement.

The Zionist settler-colonialist enterprise in Palestine, with the beginning of the 20th Century, spearheaded this process. Framed in concepts of 'national liberation' and self-determination for an oppressed people, the imported settler-colonialist enterprise in Palestine transplanted new structures to allow it to achieve control over the main ingredients of globalized production. It targeted transnational capital (mostly 'Jewish' money), skilled and technocratic labor, and, persistently and methodically, laid claim to indigenous land and water resources. This settler-colonialist enterprise was based on the exclusion of the indigenous population. It reinforced existing relations of asymmetry between it and the indigenous Palestinian population, and within the Palestinian population itself, and restructured them towards increased pauperization and dependency. Indigenous land resources were purchased, at the beginning of the enterprise, and later were confiscated through a complex web of legal justifications, created by the enterprise itself.

This internationally sanctioned and massive intervention in Palestine, during the first half of the 20th Century, resulted not only in the pauperization and dispossession of the indigenous Palestinian population, but also in the destruction of the Palestinians' cohesive social fabric, thus weakening the society from within. In his book on Arab agriculture and Jewish settlement in Palestine prior to the establishment of the State of Israel, Charles Kamen¹ addressed the question "of the extent to which Jewish immigration to the country [i.e., Palestine] contributed to Arab progress." He concluded:

"In certain respects Jewish settlement, and in particular the Zionist policy of economic exclusiveness, hindered Arab economic development. Colonial administrations often limited the access of indigenous peoples to positions of power and influence, and racist attitudes regarding the 'capacities' of members of the local population served to justify policies restricting their employment in jobs requiring responsibility and skill, which could provide training and experience relevant to the operation of a capitalist economy. The situation in Palestine was complicated by the presence of two independent elements - the government and the organized Jew-

¹ Kamen, Charles S. *Little Common Ground: Arab Agriculture and Jewish Settlement in Palestine, 1920-1948*. Pittsburgh, Pennsylvania, USA: University of Pittsburgh Press, 1991, p. 271.

ish community - whose policies were undermining traditional Arab rural society."

On the other hand, for a simple point of reference, Maghniyyah Al-Azraq's analysis of the rise of classes in Algeria within the context of French settler colonialism in that country is of relevance here. "The French," she wrote, "were determined to destroy existing social relations to facilitate the establishment of a hegemonic colonial rule."² The third chapter of her book is devoted completely to a detailed analysis of Algerian social structure under French control. After invading the city of Algiers, the French "started implementing a policy aiming at the systematic destruction of Algerian society."³

The settler-colonialist enterprise is one and the same. In our case, the Zionist settler-colonialist enterprise, which started during the first half of the 20th Century, prior to its embodiment in the State of Israel, was consolidated and expanded, without much transmutation, with the occupation of the remainder of Palestinian territory, i.e., the WBGS, in 1967. Thus again, the newly occupied areas became the target of intervention from outside. In the meantime, the global international political powers created a supra-national structure, UNRWA, and provided it with an international sanction and legitimacy for humanitarian intervention in special segments of the Palestinian population, i.e., the 'refugees,' wherever they are in the region.

From the mid-1970s until the late 1980s, the context of intervention in Palestine became more globalized, as major global economic powers perceived that strategic Arab oil resources could be threatened, following the 1973 October War and the ensuing Arab oil boycott. The expansion of the Zionist settler-colonialist enterprise into the WBGS, through military occupation, and the continued suppression of the indigenous Palestinian population, which involved, amongst other things, their being dispossessed of land, water, and political freedom, was perceived to have the potential of destabilizing the region, with its strategic oil resources, unless settled to the satisfaction of the people. Again, all the machinations for the type of intervention necessary, as well as the 'when' and the 'how' of the proposed interventions, were

² Al-Azraq, Maghniyyah. *Nushu' At-Tabaqat fi Al-Jaza'er (The Rise of Classes in Algeria)*. Samir Karam, Translator. Beirut: Arab Research Society, 1980 (originally published in English in 1975), pp. 14-15.

³ *Ibid.*, p.49.

external to the indigenous Palestinian population. They were done, supposedly, 'on their behalf,' and 'for their well-being.'

At this juncture, the involvement of the US was open and direct. In the Camp David Framework, initiated by the US in 1978, the 'Palestine Formula' had two elements, which came to define the context of intervention, at least until the beginning of the first Intifada, at the end of 1978 (as discussed in Chapter II). The first element was that the neighboring states of Egypt and Jordan would negotiate on behalf of the Palestinians. The second, meanwhile, emphasized the need for immediate intervention to improve the 'quality of life' of the Palestinians under occupation. Defining the context in this way was premised, presumably, on the assumption that 'happy' Palestinians, with jobs and steady income from employment, particularly in the colonial settler enterprise, and with a functioning administrative structure at the local level, would be willing to negotiate for a political settlement, even though under occupation. In support of this premise, the US 'invested,' through its own channels, i.e., American PVOs, nearly US\$77 million in official aid during this period.

In order to try and counteract this trend, major Arab countries, in conjunction with the Palestinian political leadership outside Palestine, met in Baghdad in 1978, pledged funds, and established a new bureaucratic structure, referred to as the 'Jordanian-Palestinian Joint Committee' (JC), to facilitate a new wave of intervention in Palestine. The newly defined 'counter context' was premised, presumably, on the assumption that 'well-targeted' Arab political aid would encourage the indigenous Palestinian population to stay on the land, to strengthen its organizational base, and to be more ready to reject (not necessarily, resist) continued Israeli occupation. In support of this premise, the Arab countries 'invested' nearly US\$417 million of Arab official aid during this period.

In the meantime, two factors led to a change in the context of intervention: the Israeli invasion of Lebanon for the surface objective of eliminating the PLO as the leadership of the Palestinian people, and the eruption of the first Palestinian popular uprising (Intifada) against the continued military occupation. The invasion of Lebanon supplied the impetus for major Palestinian capitalists to use their money to intervene in Palestine, in support of the 'steadfastness' of the Palestinian population under occupation, at least initially. With this, the context of intervention was redefined again, this time by so-called 'nationalist capital,' i.e., non-official Palestinians outside Palestine intervening in

support of Palestinians inside. At the face of it, the context was redefined 'positively' for the first time - an alternative context in favor of the indigenous population, against continued occupation, and against political terms imposed from outside (see Chapter II).

In a certain sense, the spontaneous eruption of the first Intifada succeeded in reclaiming the context of intervention by turning it into an internally defined context, at least for the better part of the first year. Until it was reclaimed from the outside by a host of forces, including the PLO, Jordan, the US, the EU, and others, which coalesced in this regard for different, and often contradictory purposes, the indigenously generated context for intervention could have had positive elements for development, building on, for example, people's participation and involvement in defining their needs for development-*cum*-occupation, the level of appropriate technology to be used, the interconnection between fulfilling immediate basic needs and longer-term developmental needs, etc.

If globalization and trans-nationalization as a phenomenon characterizing this epoch was coy in defining the contexts for intervening in Palestine so far, the Madrid Conference of 1991 set the contextual structure for globalized intervention, directly and with no ambiguity. It gave rise to the Oslo Accords, which legitimized open and full-scale global intervention in Palestine, externally defined (as discussed in detail in Chapter III). With the signing of the Oslo Accords between the PLO and Israel in 1993, sanctioned by major global political and economic powers, Palestine was rendered an open and unrestricted context for intervention for aid, official and non-official alike, from nation-states as well as from UN agencies and supranational organizations, e.g., the World Bank, the IMF, etc. The parameters of this context were determined externally under global pressure to reach a settlement to the Palestine Question, with the 'involvement' of the PLO leadership from the outside. The involvement of the indigenous Palestinian population in this process was, by and large, minimal.

The legitimization of global intervention through this context led to the intervention of more than 40 countries, over two dozen supranational organizations and UN agencies, and hundreds of NGOs, plus an open invitation to all interested 'aid' sources. The level of intervention was such that it was one of the highest levels of per capita official aid in the world.

However, the prevailing context of intervention was redefined forcefully for the last two years, as of this writing, by Israel, sanctioned by major global powers. Again, this time, the redefinition was externally imposed on the Palestinian leadership and ordinary population alike.

Not once, through the stretch of the last hundred years, were the Palestinians in a real and effective position to decide on the context of intervention in Palestine. They were always at the receiving end of external political aid, even though they were proclaimed as its target. The two times when they had the potential of insisting on the inclusion of positive societal developmental ingredients, during the second half of the 1980s and the mid-1990s, they failed to do so at all levels: that of the 'leadership,' the community-based organizations, and the 'nationalist capital.' We shall analyze this point further below.

1.2 The Objectives

The objectives - both surface and deep - of the various contexts of intervention differed depending on the context itself. They often followed a cyclical and non-cumulative path whose net result was the dispossession and fragmentation of Palestinian society, the deepening of its dependency on the outside, and the disempowerment, marginalization and alienation of the ordinary person.

The early onslaught of the Zionist settler colonialist enterprise, during the first half of the 20th Century, aimed to negate the existence of a developed and free Palestinian society and economy. Article 3 of the Constitution of the Jewish Agency stipulated that the land acquired by the new enterprise was to be held by the Jewish National Fund as "the inalienable property of the Jewish people, and only Jewish labor could be employed in the settlements."⁴ A British Commission concluded that the "land has been extra-territorialized. It ceases to be land from which the Arab can gain any advantage now or in the future. Not only can he never hope to lease or to cultivate it, but he is deprived forever from employment on that land..."⁵

In addition to the systematic dispossession and control of land resources, the new settler colonialist enterprise, through prominent Jewish

⁴ Ann Lesch. "Palestine: Land and People." In Aruri, Naseer, ed., *Occupation: Israel Over Palestine*. Belmont, Massachusetts: AAUG Press, 2nd edition, 1989, pp. 49-75.

⁵ As quoted in *Ibid.*, p. 63.

businessmen who were given monopolistic concessions by the British Government, were able to control the development of Palestine's natural resources. Some of the notable examples were: Pinhas Rutenberg's Palestine Electricity Company acquired the right to electrify all of Palestine (except for Jerusalem) in 1921; Moise Novomeyski acquired the concession to develop the minerals in the Dead Sea in 1927; and the Palestine Land Development Company acquired the concession to drain the Huleh marshes in 1934. "In each case the concession was contested by other serious claimants," but to no avail.⁶

The founder of Zionism, Theodore Herzl, recorded in his diaries that following the establishment of the new enterprise - the State of Israel - it would become necessary to "spirit the penniless population across the border...by denying it any employment."⁷

With the creation of the State of Israel in Palestine, nearly 60 percent (780,000) of the indigenous Palestinian population became dislocated from their land and found themselves homeless. The expansion and consolidation of the Zionist settler colonialist enterprise into Eastern Palestine (which was renamed 'West Bank' in 1950) and Gaza in 1967, dislodged an additional 186,000 indigenous Palestinians from their land, and rendered them equally homeless.

Thus, by decimating a viable Palestinian societal existence, and by dispossessing the indigenous population of its critical resources of freedom, land, water and other natural resources, through the application of exclusivist and racist policies and practices, and sheer military force, this enterprise eradicated the potential of Palestinian development for generations to come.

Following the success of the Zionist settler colonialist enterprise in transplanting a foreign settler colonial society in nearly 78 percent of indigenous Palestinian territory, Eastern Palestine became landlocked and disconnected from its historical seaport outlets in Haifa and Jaffa. Almost immediately following that, Jordan formally annexed Eastern Palestine. By a royal decree in 1950, 'Eastern Palestine' was transformed into the 'West Bank' of the Jordan River (as contrasted with the 'East Bank'), both of which were expected to form the two flanks of the proposed 'United Kingdom of Jordan.' The royal decree forbade

⁶ Ibid., p. 64.

⁷ As quoted in Aruri, Naseer, ed. *Occupation: Israel Over Palestine*. Belmont, Massachusetts, USA: AAUG Press, 2nd edition, 1989, p. 11.

the use of the word 'Palestine' in official documents. Later that year, the prevalent Palestinian legal and currency systems were integrated into one Jordanian system. Thus, to close the cycle of negating Palestinian existence in all of Palestine, the Palestinian identity of what used to be known as 'Eastern Palestine' was interrupted by fiat. Structurally, the territorial integrity of Eastern Palestine (the West Bank) was administratively broken, by restructuring it into three separate provinces (Jerusalem, Nablus and Hebron), connected to each other through the Jordanian Ministry of the Interior in Amman - the apex of the triangle - rather than directly. Such an arrangement "discouraged direct legal ties among the three regions."⁸ Thus, the primacy and development of the new capital city - Amman - became paramount in this scheme. "The Jordanians," Sarah Graham-Brown and other scholars maintained, "looked on the West Bank as an agricultural hinterland for the East Bank, and were in no hurry to make changes that would shift the socioeconomic structure away from that role,"⁹ which undermined the developmental potential of the West Bank. Concomitantly, investment in industrial development and industrial production focused almost exclusively on the East Bank.

The direct result of the settler colonialist enterprise with regard to Gaza (known later as the 'Gaza Strip') was more severe compared to Eastern Palestine. Prior to the instituting of the new Jewish settler colonialist state by force, in 1948, the city of Gaza was a "significant commercial center and port, serving the area south of Tel Aviv-Jaffa and the Hebron and Beersheba districts." After being occupied by the Egyptian army, the Strip became "cut off from its natural hinterland," which became incorporated into the new Jewish state, on the one hand, and separated from Egypt by the Sinai Peninsula, on the other. What became known as the Gaza Strip "included the town of Gaza, one other small town, eight farming villages, and a few Bedouin encampments." With no natural resources, "the Gaza Strip was forced to reorient its economy under the most unfavorable conditions," at the time when it had to absorb about 150,000 homeless Palestinians, who were

⁸ Sahliyeh, Emile. *In Search of Leadership: West Bank Politics 1967*. Washington, DC: The Brookings Institution, 1988, p. 11.

⁹ Sarah Graham-Brown, "Impact on the Social Structure of Palestinian Society." In Aruri, Naseer, ed., *Occupation: Israel Over Palestine*. Belmont, Massachusetts: AAUG Press, 2nd edition, 1989, pp. 361-397.

forced to flee from their homes, and who were housed in eight refugee camps under the supervision of UNRWA.¹⁰

The Gaza Strip was placed under an Egyptian military administration, whose policies, especially during the early years of the administration, “were structured to centralize authority and power in the military, and did little to improve the social and economic conditions of the refugee community or of the indigenous (pre-1948) population.” Further,

“All public offices, social services, legal and commercial activities were consequently in the hands of the Egyptian Military Governor. Egyptians were appointed to head all high-level administrative positions including civil and military departments, and assumed control over appointments in other areas of public life including health, education and commerce. Refugees were excluded from mainstream social and economic affairs, and indigenous Gazans were carefully monitored.”¹¹

Although the last ten years of Egyptian administration “witnessed greater attention to economic and political needs of Gaza’s inhabitants,” the focus, nevertheless, was on the upper and merchant classes. “The refugee population and Gaza’s lower classes still remained poor and continually dependent upon UNRWA and other sources of external aid.”¹²

Global powers supported, politically, economically and militarily, the transplanting of a new-old settler colonial system in Palestine, beginning at the turn of the last century. This prepared the ground for what was to follow.

Initiating the first Camp David summit with Egypt and Israel in 1978, the US began intervening directly. For the first time in the saga of ‘developing Palestine,’ the clear objective was using ‘aid’ to link the political and the economic. The objective was not developmental; it was political-humanitarian: to improve the ‘quality of life’ for the indigenous

¹⁰ Brian Van Arkadie. *Benefits and Burdens: A Report on the West Bank and Gaza Strip Economies Since 1967*. New York: Carnegie Endowment for International Peace, 1977, pp. 28-29.

¹¹ Roy, Sara. “The Gaza Strip: Critical Effects of the Occupation.” In Aruri, ed., *Occupation: Israel Over Palestine*. Belmont, Massachusetts, USA: AAUG Press, 2nd edition, 1989, pp. 255-56.

¹² *Ibid.*

Palestinian population within the framework of some type of autonomy under the guardianship of others - Israel, Egypt, and Jordan - those responsible for depriving it from autonomy in the first place! "If the acceptance by the Palestinians of the West Bank and Gaza of a peaceful future is to be nurtured," as the former US Undersecretary of State Lawrence Eagleburger argued in front of Congress, "they must be given a stake in that future by greater opportunities for economic development..." (refer to Chapter II). Clearly, Congress was urged to allocate more 'aid' in order to entice the Palestinian population to accept a US-led negotiated solution. This intervention not only did not generate any 'development,' but it also encouraged a non-productive trend towards more consumption and, eventually, more dependency.

On the other hand, and claiming to counteract American political pressure, official Arab 'aid' was made available (through the JC) to support the 'steadfastness' of the indigenous Palestinian population in the WBGS. This too (as I have argued in Chapter II) was an effective instrument for Palestinian un-development and societal regression. Far from supporting the empowerment of the indigenous Palestinian population, this type of 'aid' rewarded a process of factional, social and tribal counterproductive decision-making; it encouraged corruption by practicing privileged access to the 'aid;' and it nurtured the seeds of externally imposed categories of venal politicians.

At the face of it, the role of Palestinian 'Diaspora' capitalists, so-called 'nationalist capital' (*ar-ra'smal al-watani*), in the development/un-development of Palestine, is puzzling, particularly as it manifested itself in the establishment of the WA (see Chapter II), unless it is assessed in terms of its desired and sought out relationship with the PLO political leadership, at first, and the PA later on. Mobilized and instigated by the Israeli invasion of Lebanon in 1982, the Diaspora capitalists coalesced to utilize some of their capital to achieve, at the face of it, specific objectives, which could have had the potential of 'developing Palestine.' The stated objectives of this new type of external Palestinian intervention may be summarized in: undermining the hegemony of the Israeli occupation, decreasing (towards ending) Palestinian dependency on the Israeli economy, increasing self-sufficiency through production, strengthening the institutional base of indigenous organizations, enhancing social cohesion, safeguarding national resources, and magnifying the indigenous ability to resist occupation. Why were these objectives not achieved when the path towards achieving them, at least, was correctly charted? Two main and related factors militated against it.

The first lies in the fact that these stated objectives remained only that – ‘stated’ for oral declarations and written disseminations. They were drafted and articulated by Palestinian professional technocrats, but were never internalized by the Palestinian capitalists themselves since, as became very clear later, their main concern was pursuing acceptable opportunities to maximize their ‘nationalist capital’ in Palestine, in the context of a ‘peaceful’ settlement, with the blessing of global powers.

The second factor is the mutually beneficial and continuous coalition that was forged early on between the leading Palestinian capitalists and the PLO leadership.¹³ In spite of occasional, publicly stated, disagreements on certain policies or positions, leading Palestinian capitalists never formed a counterweight lobby against the Palestinian leadership. On the contrary, they viewed their support of the positions of the political leadership (through the dispensation of their funds) as the big ‘door of opportunity’ to maximize the return on their ‘nationalist capital.’ Since the early years of the PLO and the control of the current leadership, top names among the leading Palestinian capitalists brokered the settlement of conflicting positions between the PLO and certain Arab states, e.g., Jordan, Saudi Arabia, Lebanon and Kuwait. More importantly, however, some of them brokered the American position in settling the conflict by arguing that Arafat should accept American proposals for a negotiated settlement, starting in 1981 all through 1988, by denouncing violence, accepting UN Resolution 242, and recognizing Israel’s right to exist.

All these political maneuvers and machinations were going on behind the scenes (and at times in front of the scenes!), at the time when the very same Palestinian capitalists were claiming during the annual meetings of the WA (at least during the first three years: 1984, 1985, 1986) their support to the objectives delineated above. Juxtaposed, the contradiction seems flagrant: the proposed political positions, which these capitalists were brokering, undermine the proclaimed ‘developmental’ objectives - for example, it was more positive and necessary in this context to increase dependency on the Israeli economy, for employment opportunities, easy circulation of capital and know-how, production and marketing, etc. Cooperation and collaboration with the occupation, rather than resistance to it, was more positive also.

¹³ Refer to Hanafi, Sari. *Between Two Worlds: Palestinian Businessmen in the Diaspora and the Emerging Palestinian Political System*. Ramallah: Muwatin - The Palestinian Institute for the Study of Democracy, 1997. See especially Chapter 5 (Arabic).

Against this background, it is clear that all proclaimed statements and objectives about utilizing 'nationalist capital' in 'developing Palestine' represented an empty claim...a dissimulation of real objectives. The ubiquitous concern was maximizing political influence, and through it, opportunities for economic influence, not development. On this platform, there was no dissonance between Palestinian 'nationalist capital' and the 'symbols of Palestinian struggle,' which are still controlling the PA. In the meantime, no serious effort to 'develop Palestine' was forthcoming from either side, and 'steadfastness' (or *sumud*) was enshrined, externally, as a political slogan, which remained void, and internally, as a genuine instrument for 'development for resistance,' which remained a wish.

In 1989, *Fortune* Magazine carried an illustrated spread on Palestinian entrepreneurs who were referred to as "The big moneymen of Palestine Inc." "No group," it was stated at the beginning, "has done more to press Yasser Arafat and the Palestinian Liberation Organization to adopt policies of moderation."¹⁴ If one is to look at the relationship between some of the leading 'nationalist capitalists' and post-Oslo Accords Palestine, one can conclude that their investment in the WA and the experience they gained from it was beneficial in helping them establish their private or venture capital enterprises. For at least nine years they had a training ground for learning to mix economic interventions (called then 'development') with PLO, heavy handed, patriarchal, factional and corrupt politics, inside Palestine. They gained information, knowledge, exposure, locally generated analyses and assessments, etc., to move forward.

Then, it was not surprising that through the 'Oslo gate' a small number of 'leading symbols of nationalist capital' entered Palestine, at the heels of the 'leading symbols of nationalist struggle,' determined to intervene ultimately, and lucratively, in its development. Some, on the other hand, built on the information they gained to establish their 'private,' family-owned and specialized development organizations.¹⁵ A flurry of investment activities, in which Palestinian capitalists were involved, could be observed in 1994 and 1995; they dwindled throughout 1996, and have now almost vanished. In 1994, *Newsweek* Magazine¹⁶ carried an article on the subject "Business leaders from the Palestinian Diaspora are returning to help build structures of self-rule,"

¹⁴ "The Big Moneymen of Palestine Inc." *Fortune* Magazine, July 31, 1989.

¹⁵ For example, Al-Qattan Foundation, Mishal Organization.

¹⁶ *Newsweek* Magazine, 13 June 1994.

with the slogan "We fight with money." The article focused on the 'stars,' who founded the WA, most of whom started in 1993 the off-shore holding company, the Palestine Development and Investment Company (PADICO), with US\$100 million in capital. In an interview with a local Palestinian newspaper,¹⁷ one of the major driving forces behind this initiative, and the Chairman of its Board, boasted that PADICO planned to invest in Palestine an additional US\$500 million during the next five years in the hope that a Palestinian state would be established. Then he stated: "I am one of those who believes that our primary cause is political, and our secondary cause is economic." It is clear from this point of view that the objective of the intervention was eventual economic growth, at most, Israel allowing, and non-sustained societal development.

The Oslo Accords of 1993 imposed a context for intervention in Palestine with very specific objectives. Although camouflaged in 'developmental' jargon, the objectives were primarily political. They focused on the consolidation of the peace process between Israel and the Palestinians and the strengthening of peace and stability in the region. In order for this to happen, the PA's political, economic and social institutions should be strengthened and their governance capacity enhanced through the provision of financial and technical support, in order to prepare them to become formal state institutions. An important objective, however, was the need to show 'dividends of peace' through economic growth, increased activity of the private sector, local production, employment opportunities, and an improved standard of living. The road towards achieving these objectives passed through the reconstruction and rehabilitation of the Palestinian physical infrastructure and the establishment of the trappings of a centralized state, i.e., trained police force, an airport, a seaport, etc.

Since the ordinary Palestinian living in Palestine was unaware of what was going on in Oslo (which led to signing the Declaration of Principles in September 1993), and since the Oslo Accords were imposed on us, with the consent of the PLO leadership outside, in the hope that they would produce more favorable political results later, the ordinary Palestinian living in Palestine, whose fate was being externally determined, was not involved in the definition of the context, nor in determining the objectives of the intervention. All what the ordinary Palestinian was aware of, or was led to believe, was that his/her society was busted wide open, and that it was being intervened in by the big-

¹⁷ *Al-Ayyam* Newspaper, 27 September 2000.

gest countries and agencies of the world, and all available 'aid' sources who were willing to 'invest' in Palestine, in order to make it a better place to live.

This was the case for the first three years. At the end of the three-year period, the contextual parameters began to be altered, unknown to the ordinary Palestinian, and clearly without his/her consent. The ordinary Palestinian was the 'default' recipient of the results of the political agendas, as well as the agendas of the 'donors' (political aid).

Since achieving the economic objectives depended, in the context of the Oslo Accords, primarily on external actions taken by Israel, i.e., closures, access of laborers to the Israeli market, external marketing, transferring funds excised on behalf of the PA, etc., Israel started altering the intervention context at will, off and on, in late 1996, and continuously since September 2000. The PA, being non-sovereign, and with very little autonomy, became fully at the receiving end also. Whereas, during the first three years it had a small leeway in affecting the context of intervention, since late 1996, and particularly since September 2000, the changing context of intervention was imposed externally on all Palestinians, leadership and ordinary persons alike, without their having any recourse to modifying it.

MOPIC prepared an ambitious five-year 'Palestinian Development Plan' (PDP), covering the period 1999-2003, the context of which it had no power to modify. The new PDP adopted the following four national objectives:

1. Employment generation and economic growth
2. Revival and development of rural areas
3. Improvement of social conditions and human resource development
4. Institution building and fiscal policies.

International 'aid,' however, was not being committed towards achieving these objectives. MOPIC could only complain. One of the Ministry's senior officials explained this dilemma as follows:

"Donor countries often refrained from financing important projects, following Israel's wish. Most of these countries preferred to finance emergency programs, which generate immediate employment, even though it's non-productive. In

light of this, the PA was forced to change its course from medium- and long-term investment projects to short-term projects, which would preserve short-term income levels, and which would respond to urgent social problems.¹⁸

The objectives for intervention during the last two years re-shifted towards sustaining the survival of the PA, by injecting funds for salaries of public employees, on the one hand, and the provision of basic emergency support to provide food, intermittent income, health and welfare services, for the ordinary people, on the other. Eager, at the face of it, to respond to these emergency needs, the Arab States held an Arab Summit in Cairo (21-22 October 2001), and pledged US\$1 billion in support of the Intifada, while assigning the responsibility for supervising the implementation to the Islamic Development Bank (IDB) in Jeddah. Locally, a 'Technical Committee for Project Coordination Unit' was established at the office of the Palestine Governor at the IDB, Mr. Jarrar Al-Qudweh (Gaza). Unlike availing funds for 'development,' the outcome of which is unexpected and uncertain, the pledging of official Arab funds for emergency support of basic needs was easier. According to a report prepared by one member of the Technical Committee,¹⁹ six meetings were held, the last being on 24 October 2001, during which nearly US\$600,000 were committed from this fund, for different sectors, with nearly two-thirds going to support the operating budget of the PA, as detailed in the following table.

¹⁸ Shaath, Ali. "Funding: Its Scope and Rationalization." In Birzeit University, Development Studies Program. *Background Papers for Palestine: Human Development Report, 2002*. (Draft.) Birzeit University, p. 53.

¹⁹ *Ibid.*, pp. 56-58.

Table 6: Allocations from IDB Emergency Fund by Sector

Sector/Sub-sector	Amount (in million US\$)	Percentage
PA National Budget	375.0	62.5
Health	55.5	9.2
Rehabilitation of handicapped	2.460	0.4
Infrastructure	42.0	7.0
Housing	10.0	1.7
Families of martyrs and injured	23.0	3.8
General education	21.7	3.6
Higher education	7.8	1.3
Agriculture	15.430	2.6
Industry	17.17	2.9
Economy and trade	1.272	0.2
Roads	3.0	0.5
Jerusalem Old City	10.0	1.7
Education in Jerusalem	2.9	0.5
Equipping of hospitals in Jerusalem	6.5	1.1
Refugee camps	6.2	1.0
Total	599.932	100.0

Although during the short-lived euphoric context of 'developing Palestine,' as a peace dividend, there was at least public discourse about development - concepts, methods, priorities, etc. During the forcefully altered context of intervention, any discussion of development, as an extension of what was done under the Oslo Accords umbrella, was not only unacceptable, but it was viewed as an anachronistic heresy! At the official margins, however, some low-tone discussions were heard, or observed...more as a reaffirmation of an earlier held political principle, and non-admission of failure, than as an attempt to determine what could be done. Such coy official Palestinian 'developmental' whispering continued in conjunction with the various reports that were being produced about, for example, 'Intifada losses,' UNSCO reports about the impact on the economy, assessments of international and local aid during the second Intifada, etc. The last nail in the official 'developmental' coffin came with the abrupt, massive and comprehensive military reoccupation of the Palestinian Areas (which the Oslo Accords implied were immune), and the systematic and systemic destruction of Palestinian institutions, public and private, security and civil alike. Here again, major global sources of 'aid' turned towards the World Bank to provide the analytical lead for how to deal with the

emerging and fast changing context. Unlike the six-volume recipe for *Developing the Occupied Territories: An Investment in Peace*, which the World Bank provided to potential 'investors' in 1993, the benchmark, this time, was a *Physical and Institutional Damage Assessment* report with a detailed plan of which source is to cover what.²⁰ With this, all official (Palestinian and 'aid' sources) discussion about 'developing Palestine' ceased.

However, alternative discussions and deliberations were invigorated. Emerging from the ground, and benefiting from human development literature and the experience of the last nine years, serious discussions about the essence of development under prolonged occupation and its integral connection to self-determination and societal emancipation started dotting the Palestinian landscape. The notable example was the public discussion of the latest draft report of the *Human Development Report for Palestine*.²¹ I shall return to this in the second section of this chapter.

1.3 The Approach

My focus in this section is on the approach used in administering the 'aid' and monitoring the implementation of the activities for which it was given. The important consideration for this discussion is the degree of the participation of the society in the definition of priorities for specific interventions, implementation, monitoring and follow-up, the accountability of the 'aid' sources themselves, and the assessment of the outcome.

It is clear from the above discussion that, so far, the context and objectives of the intervention have been determined from the outside - external to the target of the intervention, i.e., the indigenous Palestinian population. The objectives were the dependent variable on the ever-shifting political context. Being the weakest political link in this chain, the indigenous population was always at the receiving end, and, consequently, Palestinian society in the WBGS, by and large, was a

²⁰ Donor Support Group, Local Aid Coordination Committee. *Physical and Institutional Damage Assessment, West Bank Governorates, March-May 2002, Summary Report*, 23 May 2002. Also, *Damage Assessment: Objective, Process, Initial Findings*, 17 May 2002.

²¹ Review the two-day discussions during 'The National Conference on Human Development,' 16-17 June 2002, held at Best Eastern Hotel, Ramallah, Development Studies Program, Birzeit University.

non-participant actor in what was being done to it - tantamount to a state of 'developmental' usurpation!

However, to analyze exactly the societal participation/non-participation in the process of intervention, it is important to look at different levels of detail. We can view priorities for intervention, for example, as 'big' and 'little.' 'Big' refers to the formal priorities within the overall paradigm determined by the context. At this level, there could be no societal participation at all, due to the externally imposed political context. Consequently, the 'big' intervention priorities set in the PDP, in spite of the good intentions, can be viewed, at best, as a formal, futile Palestinian attempt at altering or modifying the interventional context after the fact. This explains why the PDP approach failed at this level, even though, gradually (particularly with the five-year plan, 1999-2003), it was becoming more professional and technical, following the technocratic standards set by the sources of 'aid' themselves. On the other hand, at the level of 'little' priorities, i.e., detailed small interventions on the ground, the potential was present, particularly before this phase of reoccupation, for the Palestinian side - official and non-official alike - to participate in the determination of specific interventions, e.g., to identify the specific villages, in a predetermined region, where intervention should start first.

By and large, according to this system of intervention, the Palestinian counterpart (labeled differently: the 'beneficiary,' the 'contracting authority,' etc.), governmental and non-governmental organizations alike, was given the responsibility of implementation. Monitoring, however, was a different story, for monitoring relates directly to the management and unhindered movement of transnational capital. Formal monitoring was always the responsibility of the 'aid' sources themselves or their proxies. Like elsewhere, this responsibility was discharged through multiple instruments: the locally established 'cooperation offices' of the 'aid' dispensers; the fast emerging category of 'transnational technocrats,' which defies national boundaries and straddles North and South, pointing more towards the latter where their 'bread' lies, and their indigenous 'junior partners' who were trained in the 'local' management of global capital; and major supra-national or regional organizations, e.g., the World Bank, the IMF, UN agencies, etc. In all cases, the allocation of 'aid' and its disbursement were contingent on the provision of 'technical assistance' for monitoring the implementation of what was to be accomplished: the more politically sensitive and visible the intervention was, and the more distrust the 'aid' sources had in the ability and integrity of the Palestinian

side, the more stringent the 'technical assistance' conditionality was, and the deeper it was lodged in the design of the project. Allocation of 'aid' for the support of operating costs (i.e., salaries) of the PA is a case in point. Since 1994, supporting the salaries of school teachers, university professors, police, etc., necessitated the 'living in' monitoring supervision of the IMF to make sure that funds were not being diverted from their original goal. Due to the existence of the widespread perception that corruption is rampant within PA upper echelons, no one questioned the insistence on having IMF monitoring supervisors and accountants 'in residence' at the heart of the Palestinian Ministry of Finance, including Palestinian officials themselves.

The measures for targeting the accountability of the Palestinian side - the recipient - while at the face of it stringent and vigorous, in actuality were seriously flawed and camouflaged the un-tenability of such a structure, the real intention of extending 'political aid,' and the mostly non-professional and corrupt approach of the 'monitors' themselves. The major problematic nature of this approach, in my view, is not the need for accountability, which I fully endorse, but its one-sidedness. There were no countermeasures, for example, to allow and encourage the 'recipient' to check on and monitor the accountability of the sources of the aid.' To my knowledge, such a two-sided approach was never proposed by the 'aid' sources themselves, nor was it ever demanded by the Palestinian side. Furthermore, in this unbalanced formula of 'accountability monitoring,' the recipient was always at a disadvantage: being in need of the funds, while being monitored and supervised by proxies of those funds, who have their own selfish needs to protect, i.e., continued lucrative employment. This situation frequently resulted in symbiotic relations of corruption, a high level tolerance for incompetence, non-professionalism and dilletantism.

Concerning assessment of the intervention process itself over the last 20 or so years, where political 'aid' poured in for different objectives and through different channels, not once was there a systematic and public assessment generated or initiated by the recipient. Whatever assessments were made were always initiated, regardless of whether they were public or confidential, by the 'aid' sources themselves, and for the benefit of their own constituencies. Besides the 'not for circulation' assessment reports of official Arab 'aid' (through the mechanism of the JC, following the first Camp David Summit in 1978), and the USAID intervention program, the WA program, and programs of the various other NGO sources, the only comprehensive and public assessment of 'aid' sources to Palestine in the context of the Oslo Ac-

cords was undertaken in 1999 by the World Bank, at the request of 'donors' and with financing from the Government of Japan and the UNDP.²² Other than the mechanical 'assessment' of 'commitment rates' versus 'disbursement rates,' MOPIC never took the initiative, within its official remit, of conducting a thorough and comprehensive assessment of the 'aid' intervention process, on behalf of the recipient - the indigenous Palestinian population - thus, curtailing the potential of any genuine participation in the process.

1.4 The Societal Impact

General

In "rethinking the money and ideas of aid,"²³ the World Bank development economists assessed the process of aid globally, since the 1960s, as it related to development, and concluded the following:

"Early development practice focused on growth per capita income. But in reality, developing countries are concerned with broad improvements in the quality of life - higher incomes, yes, but also reduced poverty, advances in literacy and health, and environmentally sustainable development."

They then proceeded to propose a broad agenda for development with the following action goals:

- Reducing by one half the proportion of people living in extreme poverty by 2015;
- Achieving universal primary education by 2015;
- Making progress towards the equality of the sexes and the empowerment of women by 2005;
- Reducing by two-thirds the mortality rates for infants and children age five and by three-quarters, maternal mortality, both by 2015;

²² The World Bank and the Government of Japan. *Aid Effectiveness in the West Bank and Gaza*. Jerusalem, June 2000.

²³ The World Bank. *Assessing Aid: What Works, What Doesn't, and Why*. Oxford University Press, 1998, pp.11-12.

- Providing access through the primary healthcare system to reproductive health services for all women...as soon as possible and no later than 2015;
- Implementing national strategies for sustainable development in all countries by 2005 to ensure that losses of environmental resources are reversed both nationally and globally by 2015.

To avoid getting embroiled in the so-called 'half empty-half full glass' argument on impact, and the barren political, and at times, ideological debate, which characterized the Palestinian landscape at least until the end of 1999, about whether or not the Oslo Accords led to the 'development of Palestine,' I would like to emphasize that my focus in this discussion is on the **comprehensive and cumulative societal impact**, until this writing. One thing is amply clear, namely, that the 'positive' economic growth indicators, which were reported and documented in the various reports until the end of 1999, have been systematically reversed and eradicated; and after international commitments of nearly US\$6.5 billion of 'aid' to the WBGS, representing "one of the highest levels of per capita official development assistance anywhere in the world,"²⁴ nearly 70 percent of the Palestinians in the areas to which this 'aid' was directed live below the poverty line of less than US\$2 per day. Relying on different sources (both reported and experiential), we shall address, briefly, different levels of societal impact: from the impact on the economy and the daily living, to psychosocial impact, to the impact on social formations and socio-cultural values. Although in each case, the impact has become more pronounced, exacerbated and flagrant during the last two years, and especially since the active military reoccupation of the Palestinian Areas, the assertion here is that, cumulatively, a process of societal 'undevelopment' was building up, as an inherent ingredient of external intervention through 'aid,' the apex of which we experience under the relentless pressure of sustained suppression, imprisonment and total disempowerment.

²⁴ The World Bank. *Fifteen Months - Intifada, Closures and Palestinian Economic Crisis, An Assessment*. Jerusalem, March 2002, p. iv.

Impact on the economy and the daily living²⁵

The specific discussion on the impact on the economy and the daily living standards of the ordinary Palestinian under occupation took center stage on 28 September 2000, when analysts agreed that 'positive' indicators observed during the first six years following the signing of the Oslo Accords had in fact been completely undermined and, eventually, reversed. If indeed they were 'positive' developmental indicators, why were they rapidly and abruptly eradicated in a short while? The basic structural elements of the intervention process itself could only lead to distorted economic structures, the pauperization and impoverishment of the population, increased marginalization of vulnerable groups, distorted social formations, widening in the gap between poor and rich, and an abrupt shift in socio-cultural values.

The sources consulted concentrate on two timeframes: the first 15 months of the Intifada, or until the end of December 2001, and the first half of 2002 (until this writing), particularly since 29 March, i.e., the reoccupation of the Palestinian Areas by the Israeli military, and the destruction of the administrative and organizational base of the PA and Palestinian society.

Even though there may be differences in quantitative estimates, all reports seem to share in the following general characterization of the current (base: June 2002) Palestinian economic situation.

- The Palestinian economy is in severe recession.

²⁵ Main references used for this section are: The World Bank. *Fifteen Months - Intifada, Closures and Palestinian Economic Crisis, An Assessment*. Jerusalem, March 2002; UNSCO. *The Impact on the Palestinian Economy of Confrontation, Border Closures and Mobility Restrictions, 1 October 2000-31 December 2001*. (Draft.) ECOSOC. *ECOSOC Comprehensive Report*. 10 June 2002; World Food Program (WFP), *Half a Million Palestinians Need Food Aid*, 21 May 2002 (as published at www.reliefweb.int); ECOSOC, Commission on Human Rights. *Report of the United Nations High Commissioner for Human Rights and Follow-up to the World Conference on Human Rights*. 24 April 2002; Samir Abdullah, *The Palestinian Economy: in the Red*, 22 May 2002 (as published at www.palestinereport.org); AHLC, *Informal Donor Meeting, Chair's Summary*, Oslo, Norway, April 25, 2002; Donor Support Group, LACC, *Physical and Institutional Damage Assessment, West Bank Governorates, March-May 2002*, Summary Report, 23 May 2002 (as published at www.support-group.org); and Al-Qazzaz, H. and Said, N., *Poverty in Palestine: Case Studies*. Ramallah: Birzeit University, Development Studies Program, 1999 (Arabic).

- The PA is effectively bankrupt, since its 'revenue-making capacity' has dropped to about 60 percent of its pre-Intifada level. Its revenues declined by 76 percent by the end of 2001.
- Government spending was cut in half. Despite the reduction in government expenditures, a financing gap of about US\$70 million appeared in each quarter of 2001. By the end of 2001, the government found itself with debts totaling US\$430 million. The major lifeline for the Palestinian economy is the US\$40-50 million in monthly support to finance the salaries of the public sector. To avert its collapse, the PA would need some US\$900 million in external budgetary assistance during 2002.
- "Prior to the March-April 2002 military operations, the economic and social conditions in the West Bank and Gaza were already in a state of deep, and continuously worsening crisis. Relative to the pre-Intifada period, the first 18 months of confrontations and movement restrictions had witnessed a more than 20 percent reduction in domestic production levels, unprecedented levels of unemployment, a 30 percent decline in per capita income and a more than doubling of the poverty rate to reach some 45-50 percent of the Palestinian population."²⁶
- There is a visible deterioration in the infrastructure. The World Bank estimated the physical damage inflicted on Palestinian infrastructure and private property, during the first 15 months of the Intifada, at US\$305 million, while Palestinian income losses totaled US\$2.4 billion. The physical and institutional damage in the West Bank, resulting from reoccupation and recurrent incursions by the Israeli military between March and May 2002, was assessed at US\$361 million. This is "likely to be overshadowed by the economic losses resulting from the latest incursions and their aftermath,"²⁷ which have been estimated at somewhere between US\$3.5-10 billion, meaning that the Palestinians have lost a minimum of a year's worth of their Gross Domestic Product.
- Total Palestinian exports have dropped by about 60 percent.

²⁶ ECOSOC. *ECOSOC Comprehensive Report*. 10 June 2002, p.11.

²⁷ See footnote 25, specifically Local Aid Coordination Committee (LACC), *Physical and Institutional Damage Assessment, West Bank Governorates, March-May 2002*, Summary Report, 23 May 2002 (as published at www.support-group.org).

- Palestinian economic sectors have been hit hard: "95 percent of tourism and construction companies, regardless of their size, have come to a standstill."²⁸ The construction sector "is probably working at 15 percent of its capacity," and light industries are working at less than half of their capacities. Although the Palestinian food industry continues to produce, its ability to transport and market goods locally has been severely interrupted and curtailed. Consequently, Palestinians are forced to depend on more expensive Israeli products, which flood Palestinian markets, with the support and blessing of the Israeli Government.
- Poverty is widespread. According to the World Bank, 70 percent of the Palestinians in the WBGS live below the poverty line of less than US\$2 per day. The UN defines 62 percent of the Palestinians in the WBGS as "vulnerable," i.e., in need of food and shelter, and/or access to health services. According to the UN World Food Program, "hunger and malnutrition are rapidly increasing among the Palestinians... Many impoverished Palestinians have become increasingly unable to meet all their food needs... An increasing number of families... have been forced to reduce their food intake... Of particular concern... are some 360,000 extremely poor Palestinians, 60 percent of whom belong to families where the breadwinner is a single mother, elderly, handicapped or chronically ill." In a survey of 764 households, Birzeit University showed that 40 percent of surveyed households "have no working breadwinner" and "over 17 percent of the households have no source of income whatsoever."
- According to USAID, "More than 30 percent of the 3.5 million Palestinians in the West Bank and Gaza are dependent upon food handouts...The number is increasing daily...Approximately 50 percent of all Palestinians (refugee and non-refugee) require external food assistance..."
- According to the World Health Organization (WHO), "the health system was in danger of collapse. The crisis is reflected in a shortage of medicine/antibiotics...the inability of health personnel and patients to access health facilities, the lack of food, water, electricity, access to services and access to dead bodies."

²⁸ See footnote 25, specifically Samir Abdullah, *The Palestinian Economy: in the Red*, 22 May 2002 (as published at www.palestinereport.org).

- Viewing 'poverty' comprehensively, as referring to 'human deprivation,' with the potential to undermine the ordinary Palestinian's active participation in the development process, some Palestinian social scientists already drew attention (in 1999), through qualitative research of ten case studies, to the diversity of poverty in Palestinian society. They classified their case studies into three categories: 'chronic poverty,' 'social poverty,' and 'developmental poverty.'

Psychosocial Impact²⁹

The manifestations of the cumulative psychosocial impact on the society through certain behaviors only recently began to be documented and discussed openly, under the impact of an abrupt and direct military reoccupation of our cities, towns, villages and refugee camps, and the concomitant daily control of people's lives. I reiterate here that this type of impact is a result of a cumulative process (let us call it the 'Oslo Syndrome'), which is the byproduct of globally and externally sanctioned interventions. It would be a mistake to explain it simply as a result of the reoccupation.

Some indicators of this type of impact are highlighted below:

- Of the 764 households surveyed for the Development Studies Program at Birzeit University, it was reported that 68 percent had children that "are facing emotional difficulties," and 71 percent felt "insecure about their lives, their children, and their property."
- In a perceptual study that provided "an overview of Palestinian public assessment of its needs and conditions following the recent Israeli military operations in the West Bank," conducted by Swiss and Palestinian researchers, it was reported that more than half of

²⁹ Main references used in this section are: Bocco, R., et al. *An Overview of Palestinian Public Assessment of its Needs and Conditions Following the Recent Israeli Military Operations in the West Bank (March-April 2002)*. Geneva: The Graduate Institute of Development Studies, and Jerusalem/Bern: the Swiss Agency for Development, Birzeit University, Development Studies Program, Survey-Public Opinion Poll #7, June 4, 2002; and I'timad Muhanna, "Main Transformations Resulting from the Intifada." In Birzeit University, Development Studies Program. *Background Papers for Palestine: Human Development Report, 2002 (Draft)*, pp.72-76; Andalib Udwan, "Main Transformations in Gender Relations." In Birzeit University, Development Studies Program. *Background Papers for Palestine: Human Development Report, 2002. (Draft)*, pp. 129-132.

those surveyed "described their living conditions as being destitute [and] more than 30 percent depicted their situation as difficult." On the other hand, the "most important needs" were identified as "food," "money," and "psychological support."

- The weight of various observational and experiential studies and reports points to a rise in divorce rates, occurrences of family violence, and heightened frustration and lack of confidence in the proclamations and actions of authority figures, be they governmental, political parties, or civil society organizations. Two brief ethnographic studies in Gaza, focusing on social transformations affecting women in particular, as a result of the Intifada, point in this direction, with one focusing more on the state of lack of confidence in the 'leadership,' and the other on signs of 'family disintegration.'
- The confusion in the institutional work, it was observed, generated a "vicious cycle of non-confidence among the different sections of the society: the poor do not trust the institutions, and the institutions do not trust the poor; political parties lost their popular support; small indigenous organizations do not trust the bigger ones, and accuse them of monopolizing aid and not directing it towards people properly..."
- Focusing on the psychosocial environment responsible for the state of frustration and non-confidence, I'timad Muhanna observed:

"The severe weakness in people's ability to take individual or collective action on the street reflects itself in a feeling of incompetence and ambivalence about resistance; their discussions about the Intifada are limited to its catastrophic effects on their daily lives, and they are not much concerned about political details (who made what statement), about which they are not consulted... Even people's feelings have become foggy and temporary, connected to immediate events - they get happy when they hear about [successful] military operations, because they are the only thing that relieve some of their daily anger, even though they are convinced that these operations will not produce immediate results. Such a crazy

cycle in which people live made them ambivalent, fatalistic and powerless."³⁰

- In her discussion of current transformations in familial relations and the role of women, particularly in the southern part of the Gaza Strip (i.e., Khan Younis, Rafah and the surrounding villages), Andalib Udwan observed that, compared to pre-Intifada levels, there is an increase of 40 percent in the cases seeking social and legal assistance. Losing his job, his ability to work, and his status as the 'breadwinner,' the male lost confidence in himself, became emasculated, lost hope in his ability to support a family, and became increasingly violent. On the other hand, it was observed that many of the women seeking legal and social assistance are wives of policemen working in the West Bank and prevented from going to Gaza, or workers (illicitly) in Israel, who cannot come home, for fear of losing their jobs.³¹

Impact on Social Formations and Socio-Cultural Values

Fitting within the globalized pattern of abrupt external massive intervention through 'aid,' Palestine manifested similar characteristics. An increasing gap between the rich and the poor is becoming more noticeable, while the feeling of dispossession and frustration in the camps, remote rural areas, and the marginalized and vulnerable groups is becoming more entrenched. Privileged, and often exclusive, access to new funds, by echelons of the new 'national authority,' resulting from their exclusive monopoly over political decisions, placed them, their sons and daughters, their families, and their close cliques, in unchallenged circles of lucrative employment and profitable monopolies. The 'flagships' of the budding private sector enterprises became readily associated with the new political echelons or their sons. A new sociopolitical economic class was being born, with all its inherent trappings: the flagrant and extravagant display of wealth, unhindered physical mobility between and within the West Bank and the Gaza Strip, privileged critical connections, internally to Palestinian decision makers and externally to their Israeli masters and to the globalized

³⁰ I'timad Muhanna. "Main Transformations Resulting from the Intifada". In Birzeit University, Development Studies Program. *Background Papers for Palestine: Human Development Report, 2002*. (Draft.) Birzeit University, p. 73.

³¹ Andalib Udwan. "Main Transformations in Gender Relations." In Birzeit University, Development Studies Program. *Background Papers for Palestine: Human Development Report, 2002*. (Draft.) Birzeit University, pp.129-132.

sources of 'developmental aid.' As this was taking place, the poor in Gaza could barely find food to eat; the daily workers who depended on work in Israel could barely reach the 'Erez' checkpoint (the border point).

Transnational intervention through 'aid' required, and encouraged, the emergence of improvised and non-traditional new 'skilled' categories, as a local extension for the 'transnational technocratic elite,' in order to help manage locally the flow and re-circulation of the 'aid.' In earlier discussions, I referred to this newly improvised category as 'development brokers.'³² I wrote:

"Development brokers include a gamut of foreign expatriates... regardless of nationality or birthplace, guilt-ridden Israelis, Palestinian 'returnees', and Palestinian 'natives.' Their types cover the entire spectrum of activities involved in setting up a new state, with a slant towards the image and experience of the West, particularly the emphasis on training, both cognitive and manual."

The emergence and rise of the 'development brokers' had a direct bearing on the Palestinian 'linguistic landscape.' "Since the primary language of development brokers is English, they succeeded in inserting certain aspects, or expressions of the English language in daily local parlance..."³³ The Palestinian linguistic landscape became cluttered with acronyms, directly related to the process of intervention, and evolving concomitantly with the rapid acquisition of new 'service' skills, related primarily to writing and properly formatted, say, funding proposals, financing plans, training workshops, rapid appraisals, etc...all with lucrative compensation. Consequently, I observed,

"The aspects of the English language which have been introduced through this process tend to be segmented, not part of a coherent whole, often void of content, unconnected to basic thought processes...as a result, our 'national linguistic landscape' is evolving in a lopsided manner, by giving prominence, frequency and preference to certain categories of English words."

³² Nakhleh, Khalil. "A Critical Look at Foreign Funding to Palestine: Where is it Heading?" in *Funding Palestinian Development*. Planning for Development Series, No. 2. Ramallah, Palestine: Birzeit University and MOPIC, 1998, pp. 23-31.

³³ Ibid.

These financially well-remunerated 'service' skills were transposed over existing indigenous cultural patterns and values and succeeded in supplanting them, at least during this period. An entire cluster of existing cultural values and entrenched skills, necessary for the coherent integration of the society under pressure, has been undermined, without any awareness that this is so. The primary casualties of this process may be summarized in the following points:

- Noticeable deterioration in the mastery of written Arabic and in critical and logical mode of thought;
- Written and oral communications became superfluous, chatty, often a sheer string of unconnected phonemes, replete with mechanically strewn acronyms;
- Disregard for local history, as a source of knowledge, and downgrading the benefit from positive societal experiences;
- Disregard and lack of concern for sustained societal institutionalization;
- Downgrading the cultural value of volunteerism and local support system;
- Lack of concern and no interest in the assessment of performance, productivity and final quality;
- Lack of concern and ambivalence regarding the destructive impact of the process of intervention on the local Palestinian environment.

The World Bank, in its assessment of the first 15 months of the Intifada and characterization of the "Palestinian economic crisis," concluded with the following bleak picture:

"If closure is tightened further, current PA, community and donor efforts will not suffice, and the economy will unravel. Soon little will remain of the private sector other than subsistence agriculture, petty trade and workshop manufacturing. Public services will break down, with trash accumulating, frequent power and water cuts, intermittent drug supplies in hospitals and a shortage of textbooks and writing paper in schools. Notably vulnerable are the municipalities, which have received little emergency support and are in

many cases in debt to Israeli utility companies. Poverty is deepening, particularly in isolated communities. Serious health and environmental problems are emerging. Helplessness, deprivation and hatred are increasing."³⁴

2. What Must Happen to Break the Cycle of Un-Development?

2.1 Redefining the Context

As was discussed in the previous sections, the 'developmental' context was always defined and imposed from the outside. By accepting its parameters and succumbing to it, the Palestinian target, official and non-official alike, aided and facilitated, to a large degree, this external imposition. No sustained, people-centered, comprehensive development, fueled and protected by the collective will, energy, determination and resources of its people, is likely to take place unless and until the people themselves - the target of the proposed intervention - refuse to succumb to externally imposed parameters of intervention, redefine the intervention context, and restructure it indigenously. I shall elaborate below what I have in mind.

The externally imposed context has two dimensions: the absence of Palestinian sovereignty and freedom under the complete control of a foreign army, and the 'straightjacket' parameters imposed by the Oslo Accords. Although not much can be done about the former until a comprehensive political settlement is arrived at, important initiatives can and should be launched with regard to the latter. The political, economic and spatial bounds imposed by the Oslo Accords (for example, classifying the Palestinian areas into 'A,' 'B,' and 'C,' etc.) should be rejected and redefined 'developmentally.' This means that the premises according to which external intervention, via the instruments of 'aid,' was taking place (i.e., if the area is under PA jurisdiction or not, or whether Israel agrees to the intervention or not, etc.), must be turned upside down to include Palestinian 'developmental' considerations (for example, which areas have the highest clusters of poor people that require priority attention; which areas are in more dire need of basic services of education, health, welfare, etc.; which areas constitute priority for agricultural development and food security, and so on). This type of redefinition entails posing a totally different set of

³⁴The World Bank. *Fifteen Months - Intifada, Closures and Palestinian Economic Crisis, An Assessment*. Jerusalem, March 2002, p. vi.

questions, as well as internalizing them. Thus, gradually, the Palestinian developmental landscape gets reformed and transformed, following Palestinian developmental prerogatives.

Furthermore, if the overall target is 'developing Palestine,' the imposed artificial spatial boundaries (i.e., the West Bank and the Gaza Strip), as defining the 'developmental operating theater,' so to speak, should be expanded to reintegrate the available human resources and capacities of the various parts of the Palestinian body. This is a different approach than merely appealing for financial assistance from well-to-do Palestinians in the Diaspora, for example. I am advocating here that the target of 'developmental' intervention should become re-integrative to encompass the entire Palestinian people, and to explore creative ways of mustering its collective resources. In other words, once internalized, the Palestinian 'development agenda' will become truly Palestinian and truly developmental, and it will become proactive, rather than passively responding to the requirements of the 'aid' sources.

This creative challenge cannot be met, however, with the current PA structure, put in place as a result of the Oslo Accords, nor with its deleterious derivatives as affecting legitimate governance, participatory decision-making, rule of law, transparent and responsive public administration, investment in human capital development, and genuine and creative production of knowledge, etc. This imposed structure not only failed to produce 'development;' it also succeeded in obstructing it. Instead of enabling 'development,' as a national authority is expected to do, it disabled it. Notwithstanding the occupation, in this role, the PA fits within the overall characterization of un-development sweeping the Arab World, as is poignantly analyzed and revealed in the *Arab Human Development Report 2002*. In this sense, the PA failed to turn "equity, knowledge and the freedom and human rights integral to good governance as enablers of development."³⁵ To reverse this trend, a strategic decision to redefine and control the context of 'developmental' intervention must be *indigenously imposed* on the prevalent Palestinian governance system.

So far, the brunt of developmental failure has been placed on the external dimension of the context of intervention. Our focus, in my view, should be redirected to the internal dimension of the context. Because of the flagrant and persistent external pressure, the obstructionist role

³⁵ UNDP. *Arab Human Development Report 2002*; as published at www.undp.org, 8 July 2002, p. 1.

of internal factors has not been receiving the analytical attention it deserves in the process of 'un-developing' Palestine.³⁶

This is not a debate about whether the 'developmental' glass is 'half-empty or half-full'; nor is it about the connectivity of analytic factors. The discussion throughout this book is on the ability and determination of the society to develop itself by mobilizing its innate resources, in spite of the heavy thumb of external political and military control and occupation, or because of it. The methodical review of the last 20 years - the time span of this book - has shown that we have failed. In the specific context of the last eight years, the PA was instrumental in reinforcing societal economic and structural distortions. While it has been very responsive to external political dictates, it has not been responsive (at least until this writing) to indigenous peoples' needs and concerns, and it failed to create, or inspire people to create, a Palestinian system that enhances self-reliance and strengthens peoples' inherent strengths. On the contrary, overt and exaggerated dependency on external resources was rewarded, and inherent strengths were not mobilized. Although, various international developmental experiences attest, time and time again, that investing in the development of intellectual capital and in knowledge production, in the context of human development, is a seminal factor in producing successful economic growth, the PA kept deluding itself and the people that superficial indicators of economic growth, and the repeated reconstruction of physical facilities and visible infrastructure, following every Israeli military incursion and reoccupation, were tantamount to the development of the society.

Our main question here is: "How can we redefine the context in order to turn it into a 'positive development environment'?"

2.2 Reshaping and 'Indigenizing' the Objectives

The primary objectives resulting from the current context, in the heavy shadows of sweeping globalization and trans-nationalization, have been cyclically defined and redefined, at different levels of intent. They can be summarized as follows:

³⁶ With some notable exceptions, see for example, the multi-part series by Ghania Malhis in *Al-Ayyam* newspaper, particularly Part II, 22 July 2002.

- Sustain the current Palestinian political leadership, with the intent of safeguarding the globally sanctioned peace process;
- Strengthen uneven and inequitable Palestinian political, economic and security dependency on Israel and other external powers;
- Reconstruct the destroyed and dilapidated physical infrastructure;
- Enhance and strengthen the capacities of the Palestinian system, particularly the private sector and the intellectual elite, towards seeking a more active and rationalized dependency;
- Provide more humanitarian aid to maintain vulnerable segments of the population in a state where they do not become a threat to the local political stability, but without addressing or seeking to alleviate the causes of poverty.

These objectives can neither 'develop Palestine' nor lead to an 'independent Palestinian state.' What is certain, moreover, is that these objectives will produce an 'undeveloped' and 'dependent' Palestine. This is what we need to redirect.

To start with, the vision, concept and approach of development should be internalized, not only at the level of selected segments of intellectual elites, but as a part of daily societal inculcation, involving all political decision makers, hand in hand with elementary school pupils and all in between. The first step in this process of 'indigenizing' the developmental objectives is to adopt, unambiguously, "emancipatory human development" (as discussed in the *Palestine Human Development Report 2002*)³⁷ as a Palestinian national goal. To achieve this, both in terms of the concept and the approach (i.e., modalities), two dimensions are required: (1) the establishment of an independent and sovereign Palestinian state, and (2) the political, national and cultural adoption and internalization of the concept and approach.

The first dimension is external; it cannot be materialized in the absence of sovereignty and under prolonged military and settler colonial occupation, and it is inherently and structurally antithetical to the Oslo Accords. This dimension, in my view, is a necessary but not sufficient condition, and it cannot be discussed as the logical and temporal ex-

³⁷ Birzeit University, Development Studies Program. *Palestine Human Development Report 2002*. (Draft.) Birzeit University.

tension and conclusion of what was agreed upon in the Oslo Accords. Even if they were properly implemented within the proposed timeframe, the Oslo Accords could not have succeeded in delivering an independent and sovereign Palestinian state over the areas occupied in 1967.

The second dimension, which is the sufficient condition, is internal; for it to be materialized, it requires political, societal and cultural will and internalization of the concept and approach of 'human development,' following its most recent expansion (in the *Arab Human Development Report 2002*), and determination to restructure the national priorities. An independent and sovereign state does not necessarily lead to this dimension.

Achieving the goal of 'emancipatory human development' will require focusing on three seminal factors: (1) the primacy and centrality of the human being within a comprehensive context of complementarity between 'development' and 'steadfastness,' as well as between the 'social' and the 'economic'; (2) societal participation through systematic and integral decentralization; and (3) investment in the social and intellectual capital, i.e., education and the production of knowledge. I believe, however, that realizing these critical dimensions does not necessarily depend on whether we are under occupation or not. We need to be convinced, now more than ever, that 'development' and 'emancipation' have to be two integrally connected and dynamic processes; the one complements the other and is nurtured by it. Otherwise, a society, like ours, under military occupation and relentless external control, which dispossess it on a daily basis of freedom, dignity and resources, will be relegated to a state of total paralysis, initiating neither development nor emancipation.

I propose the following measures be taken in order to 'indigenize' the objectives:

1. Involve all Palestinian human resources everywhere in the determination of developmental priorities. Use a combination of deliberative conferences, both within and outside Palestine. An illustrative initiative inside Palestine is the National Conference on Human Development, which was held simultaneously in Ramallah and Gaza (June 2002), for the purpose of generating purposeful deliberations about specific recommendations generated by small groups in different regions and sectors. Imagine the impact on Palestinian identity, public discourse and level of internalization, had such a conference been held simultaneously in Nazareth,

Beirut, Amman, Damascus, US, etc.! Since, if the overriding concern is Palestinian 'human development' and 'emancipation,' should not that apply to the Palestinian national minority inside Israel, Palestinian refugees in the camps in Lebanon, Syria and Jordan, and Palestinians experiencing different degrees of alienation and cultural dispossession in the rest of the world?

2. The conferences outside Palestine need to target not only professional Palestinians or those with access to material resources, but also ordinary Palestinians who should be able to express their views on Palestinian human development. The conference on the physical 'Reconstruction of Palestine,' which was held in London (June 1995) and Amman (November 1995), is not a good example of the approach I am proposing here. Its agenda was proposed by the World Bank and other 'aid' sources whose aim was to reconstruct Palestine. It is certain that the ordinary Palestinian whose cities, towns and villages were being targeted for specific urban planning or reconstruction was totally unaware of the recommendations that resulted from this conference.³⁸ The combination I am proposing between inside and outside Palestine focuses on deliberative and participatory discussions of developmental priorities identified by the process itself.
3. Identify the four-five most important priorities, within the overarching Palestinian objective of 'emancipatory human development,' and empower local groups around each of the priorities. Form a 'National Development Council,' including each local development group, with full responsibility for planning and supervising Palestinian development. Remove the 'monopoly' over development from MOPIC and empower the National Development Council. Eliminate the Palestinian Economic Council for Development and Reconstruction (PECDAR) as the national vestige of the World Bank and the externally imposed agendas.

³⁸ The papers presented at this Conference were published in a largely inaccessible, 831-page volume, under the title *The Reconstruction of Palestine: Issues, Options, Policies, Strategies*, Antoine Zahlan, ed., Beirut: Center for Arab Unity Studies and PECDAR, 1997.

2.3 Transforming the Approach towards Societal Participation

As is the case with the rest of the Arab World, there is a substantial 'lag' between Palestine and the rest of the world in terms of 'participatory governance.' We are in a developmentally critical state of 'freedom deficit,' which undermines human development. Palestine does not deviate from the most recent characterization of the Arab World:

"In most cases, the governance pattern is characterized by a powerful executive branch that exerts significant control over all other branches of the state, being in some cases free from institutional checks and balances. Representative democracy is not always genuine and sometimes absent. Freedoms of expression and association are frequently curtailed. Obsolete norms of legitimacy prevail."³⁹

Societal participation is not a mere slogan; it is one of the most important anchors of emancipatory human development, which we are aiming to achieve. It refers simply to the organic and active participation of the society, with all its critical segments and groups, in all decisions, big and small, affecting its present and future. No emancipatory human development is feasible if people - the essence and moving energy of this developmental process - are not informed and involved. In a recent public opinion survey, it was found that "84 percent of respondents are not aware of the '100-Day Reform Plan' prepared by the new Cabinet and submitted to international donors."⁴⁰ This is an illustrative indicator that decisions about reform, the future of Palestinian governance system, public security, development, etc., are a private business interacted between the PA, on the one hand, and the external political, military and economic powers, on the other, totally bypassing the people.

How to circumvent the current non-participatory situation? And what are then the requirements necessary for active societal participation? What is proposed cannot be attained by simply embellishing the existing structure. It should be emphasized that the requirements must be internal, structural and systemic; they must be transformational, and relate directly to the Palestinian system of governance. "Whether a nation succeeds or fails in its efforts to promote human development,

³⁹ UNDP. *Arab Human Development Report 2002*, p. 2.

⁴⁰ Birzeit University, Development Studies Program, *Public Opinion Poll No. 8*, 12 August 2002.

or whether it even attempts to do so," maintained the *Arab Human Development Report 2002*, "is closely related to the character and quality of its governance."⁴¹

I propose the following essential measures:

1. Empower local communities, legally, administratively and financially.
2. Relegate authority for developmental decisions to local communities.
3. Decentralize, institutionalize and democratize local government institutions.
4. Activate civil society institutions through democratic governance (via the instrument of elections), with a particular focus on the activation of political parties, women and youth indigenous organizations, and the re-initiation of the cultural value of volunteerism.
5. Enhance human and intellectual capabilities, particularly of women and youth, by creating the necessary frameworks and opportunities to exercise them.

Active and organic Palestinian societal participation, through the transformation of the prevailing governance system, is the safeguard for sustaining a Palestinian emancipatory human development process under severe external pressures. In this context, it is worth repeating the qualities of good governance, which the Imam Ali bin Abu Taleb delineated clearly and unambiguously more than 1,300 years ago:

"He who has appointed himself an Imam of the people must begin by teaching himself before teaching others; his teaching of others must be first by setting an example rather than with words, for he who begins by teaching and educating himself is more worthy of respect than he who teaches and educates others..."

"Your concern with developing the land should be greater than your concern with collecting taxes, for the latter can only be obtained by developing, whereas he who seeks

⁴¹ *Arab Human Development Report 2002*, p. 105.

revenue without development destroys the country and the people...

"Seek the company of the learned and the wise in search of solving the problems of your country and the righteousness of your people...

"No good can come in keeping silent as to government or in speaking out of ignorance...

"The righteous are men of virtue, whose logic is straightforward, whose dress is unostentatious, whose path is modest, whose actions are many and who are undeterred by difficulties...

"Choose the best among your people to administer justice among them. Choose someone who does not easily give up, who is unruffled by enmities, someone who will not hesitate to pursue right once he knows it, someone whose heart knows no greed, who will not be satisfied with a minimum of explanation without seeking the maximum of understanding, who will be the most steadfast when doubt is cast, who will be the least impatient in correcting the opponent, the most patient in pursuing the truth, the most stern in meting out judgment; someone who is unaffected by flattery and most swayed by temptation, and these are but few."⁴²

2.4 Insisting on Sustained and Permeating Societal Impact

'Developmental' interventions produced a negative cumulative societal impact, as reflected in the dispossession and fragmentation of Palestinian society, the deepening of dependency on the outside, and the disempowerment, marginalization and alienation of the ordinary Palestinian person. Earlier, we analyzed the reasons responsible for this state of affairs. As we have shown, the reasons were embedded in two levels: an external set of factors (i.e., non-sovereignty, recurrent external military control and occupation, externally imposed disabling contexts of development, etc.), and an internal set of factors, which

⁴² From *Nahg Al-Balagha*, interpreted by Imam Mohammad Abdou, Part I, Dar Al-Balagha, Beirut, 2nd edition, 1985, as quoted in *Arab Human Development Report 2002*, p. 107.

have to do with the failure of the PA to initiate an enabling developmental environment.

In my view, the crux of the matter is this. How do we insist on ensuring a sustained and permeating societal impact of any 'developmental' intervention? The proposals here are part and parcel of the process of, what I term collectively as 'indigenous empowerment,' advocated in the three points above, and which can succeed in achieving their goal only if the ordinary Palestinian person is empowered.

With the clarity and internalization of the vision of 'emancipatory human development' and the commitment to adopt it as a Palestinian (in the all-inclusive sense of the word) national priority, a clear vision of what should, or should not be done, or could or could not be done, evolves. I propose that the principal ingredients of this vision should be anchored in the following:

1. The nature of external intervention

I would distinguish here between two types of interventions, in terms of their 'developmental' impact: the reconstruction of physical infrastructures, and the enhancement of human, social and intellectual capabilities. The first does not produce the societal impact needed, whereas the second does. Modification and embellishment of the current political and military context can produce maximally, and under the most favorable conditions, a 'reconstruction' of Palestine. No more no less. Therefore, external 'aid' sources should be encouraged to intervene in the direction of reconstructing physical Palestine, e.g., rebuilding roads, destroyed facilities, schools, public buildings, etc.

Intervention on the level of enhancement of human, social and intellectual capabilities is determined, designed, implemented, and assessed by indigenous Palestinian groups, through the National Council of Development. The intervention role of external 'aid' sources should be limited to the provision of funds only, and earmarked not to this or that project, but to the process of enhancing Palestinian social and human capabilities. All aspects of 'emancipating' Palestine through comprehensive human development are exclusively a Palestinian affair. External 'aid' sources play a supportive role only. In other words, it is for the Palestinians themselves to decide, for example, what educational curricula they want for future generations of their youth, what good governance

system they need, how to integrate the camps, villages and towns, what economic system, what judicial system, how to protect the environment from pollution and preserve it for future generations, how to preserve their cultural heritage and identity, how to enhance their intellectual capabilities in order to become producers of knowledge, what kind of human rights monitoring systems they need, how to genderize their development, etc.

2. Palestinian monitoring of 'aid' sources

So far, the 'developmental' intervention of external 'aid' sources has followed a linear process between the sources of 'aid' (the so-called 'donors') and the Palestinian target of the 'aid' (the 'recipient' or, somewhat embellished, the 'partner'). No indigenous monitoring of the 'aid' sources has ever taken place.

To ensure having a sustained and permeating societal impact of external 'aid' intervention, a system of an indigenous Palestinian monitoring of accountability of 'aid' sources has to be established. The accountability should not be limited mechanically to rates of commitment versus disbursement of funds (as is the case now); but the 'aid' sources should be monitored, for example, in terms of their adherence to the objectives of the intervention, the time-frame, the professional quality and experience of their 'experts,' the examination of their previous track records and the impact of other interventions in other parts of the world, their objectivity, honesty, non-corruptibility, etc. Furthermore, the responsibility of assessing the impact of the intervention should fall squarely on the target of the intervention, i.e., the Palestinian people.

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