

UNITED NATIONS SEMINAR ON ASSISTANCE TO THE PALESTINIAN PEOPLE

International Assistance in Support of the Palestinian Economy

The Role of Regional Partners

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Building institutions and moving forward with establishing the State of Palestine

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Introduction

The Middle East region is at a critical crossroad, and its future is at stake. Its prospects are intertwined with our ability to review our practices, evaluate our impact, address our challenges, learn from our mistakes, and leverage our resources to fulfill the responsibilities ahead.

At the forefront of the international community's responsibilities are the rights of the Palestinian people; who have undeniably suffered for over 60 years, subjected to occupation, injustice, aggression after aggression, forced to fled their homes and land, and continuously being denied their most basic human rights and those of freedom, self-determination, dignity and citizenship.

The international community's efforts to address the rights of the Palestinian people are in no way a compensation on the injustice witnessed, rather a duty to implement international laws and resolutions and support a wronged nation to stand on its feet and establish a state.

International and Arab Assistance to the Palestinian People

There have been evident efforts by the International community, and we continue to witness an accelerated annual growth rate of the international assistance to the Palestinian people.

The average annual contribution from 1994-2000 represented 500 million dollars and jumped to an average of 1 billion dollars a year from 2001-2005. Although 2006 witnessed a slight decrease registering 716 million dollars, the numbers rapidly escalated to 1.5 billion dollars in 2007, 1.7 billion in 2008, 1.8 billion in 2009 and is expected to reach almost 2 billion dollars in 2010.

Of these international contributions, one must record the substantial growth in Arab assistance as it has come to represent 25% of International contributions starting from 2001 from a mere 9% between 1994 and 2000.

These numbers are also exclusive of the assistance provided through popular national campaigns from the Arab region, NGOs and other informal channels. These are estimated to have exceeded 5 billion dollars over the past decade mostly in the form of relief campaigns and food and cash donations.

These numbers neither include the contributions provided by Arab governments to the UNRWA budget where the bulk of its expenditures are used to support its activities in the occupied Palestinian territories, nor the expenses associated with hosting more than 4 million Palestinian refugees in Jordan, Lebanon, Syria and Egypt.

(The details and trends of Arab contribution to the Palestinian people are included in an annex attached.)

Impact of Donors Assistance on Living Conditions of the Palestinian People in the Occupied Territories

The focus of this paper is a primary assessment of the impact on the ground of the contributions and resources provided to the Palestinian people.

The initial analysis has led to two conflicting conclusions.

The first conclusion: the International community and Arab countries have managed to mobilize substantial resources to assist the Palestinian people amounting to no less than 12 billion dollars over the past 15 years.

An additional 6 to 8 billion dollars were also mobilized during that same period through an array of active Arab and international civil society organizations and NGOs.

These numbers are of course highly encouraging when taking into consideration the size of the targeted part of the Palestinian people which do not exceed 3.9 million people in the occupied Palestinian territories and their GDP does not exceed 4.5 billion dollars annually according to the 2009 estimates.

The second conclusion: it has been almost impossible to trace any positive impact of these mobilized resources on the ground, even when taking into consideration the substantial investment carried by the Palestinian private sector in the occupied Palestinian territories, including those made by the Palestinian Diaspora as according to findings, these investment represent one third of the national GDP.

There has been of course a progress in the establishment of Palestinian Authority institutions, along with security, fiscal and administrative reform efforts, but these tens of billions of dollars spent in the past decade have ultimately failed to bring back the performance witnessed in 1999 on the socio-economic front.

Main Economic and Social Indicators:

- In 2009, the GDP is 13% lower than that of 1999 and the GDP per Capita 30% lower for that same year.

- The production capacity in the occupied territories was higher in the early nineties prior to the peace process, and the registered contribution of the agricultural and industrial sectors to the GDP did not exceed a mere 18.2% and only contributed to 29.2% of employment.
- The exports coverage to imports became a feeble 19%.
- The ability of Domestic Production to cover domestic national consumption has highly deteriorated resulting in an increase in dependency on Israeli imports and a heavy reliance on Arab and international aid to finance the cost of these imports.
- We have also witnessed a decrease in the Palestinian authority revenue stream resulting in its turn in an evident deterioration in its ability to provide basic services such as health, education, social development and security unless heavily subsidized by Arab and international donations and aid to support its expenditures.
- In 2009, international support was required to address a budget deficit of 61.4% equivalent to 39% of the Palestinian GDP.

And these facts and numbers are just a start; future projections are much bleaker as government payroll alone represents more than 59.6% of the government's expenditures and 22% of its GDP although public sector employment has become heavily contained.

We are also facing a structural distortion in public expenditures, with security representing 33% while health and education combined correspond to no more than 29%. Unfortunately, these practices are expected to continue if not amplified. Despite clear restrictions on government recruitment, the security sector has contributed to more than 60% of new recruitments in the first six months of 2009 while the education sector recruitment did not exceed 29.9% and the health sector failed to compensate the loss of 94 employees.

And despite donors' generous assistance and contribution, we witnessed an incessant increase in the need for the Palestinian Authority to borrow from local banks to meet its obligations whereas the accumulated public debts of the Palestinian Authority to the local banking system has exceeded 733 million dollars in mid 2009 with accumulated arrears payments to the private sector of 188 million dollars; and therefore affecting the private sector's ability to mobilize financial resources.

The correlation with unemployment became extremely evident, with an average unemployment rate in the West Bank reaching 21% and doubling to a staggering

42.4% in the Gaza Strip. These rates are even higher among the youth (ages 20-24) to reach 29% and 57% respectively. Moreover, the World Bank report states that during the second quarter of 2009, more than 85% of the youth in Gaza between the ages of 20-24 were unemployed.

Poverty has also extended its reach to include by the end of 2009 one fifth of the West Bank population (19.1%) and more than half of Gaza's population (51.8%) living under the poverty line, one third of them in the West Bank and two thirds of them in Gaza experiencing severe poverty.

International and Arab Donors' Responsibilities

These numbers and facts are giving us a clear indication that these practices and contributions have failed to capitalize on the resources mobilized, quite the contrary; one cannot but feel that these resources have been wasted. When the outcome of more than a 12 billion dollar investment results in such disastrous numbers, then it is obvious that immense mistakes were made on a strategic level.

Looking back, the mistakes done were not the responsibility of a sole partner, rather it has been the result of collective failures of all stakeholders from the Arab countries, to the International donor countries and institutions to the Palestinian Authority and Israel as well as the cumulative effect of an assistance that became donor and even charity driven rather than investment driven.

The international donors have undeniably drifted from their course which they had specified at the donors' conference in October 1993 in Washington D.C. which included more than 45 countries and institutions that mobilizing funds to support the peace process was a strategic investment in peace, and clearly stated in March 1994 in the Paris conference that urgent and immediate needs to the Palestinian people have to be coupled with an investment aiming to reform the Palestinian economic structural distortion and reintegrate the Palestinian economy both regionally and globally to and ensure its sustainable development.

The Arab countries have also deviated from their decisions taken in the October 2000 Arab Emergency Summit in Cairo where it was clearly stated that emergency relief to the Palestinian people has to be coupled with developmental aid, and that 80% of the Arab funds mobilized should be channeled into investments to enhance the capacity of the Palestinian Authority and supporting it in creating a viable independent economy, more integrated with Arab , Regional and international economies in order to reduce its heavy reliance on lessen the smothering imposition of Israel.

Unfortunately the efforts and funds were utilized to fund a fading peace process, one that lost its anchor; rather than fund the very basis of what can constitute the foundations of a lasting peace.

The approach taken was a reactive one, where donors' countries responded to crisis after crisis rather than work on an active engaged plan to build a stable environment and therefore avoid and preempt crises. Thus resources were wasted in trying to compensate and respond to the urgent needs of the Palestinian losses as a result of the aggressive Israeli policies and practices such as closures, embargos, confiscation of agricultural land and, control of water resources, demolition and destruction of agricultural produce, industrial plants and services, public and private properties, impediments to trade and crippling the movement of goods and people. The cost of such practices overshadowing all resources mobilized by donors therefore resulting in an always negative impact no matter the size of the investment.

Palestinians' Responsibility

The Palestinians, and in specific the Palestinian Authority, also hold a sizeable responsibility; having failed to invest the funds mobilized by Arab and International donors on development and used them to cover their current running expenditures instead. The Palestinian Authority failed to provide developmental sustainable solutions to unemployment, choosing governmental recruitment over encouraging and nurturing a vibrant productive economy to create jobs. They have also chosen to take the easy way to improve public revenues by financing the budget deficit through increasing the trade balance deficit, as well as competing with the private sector through public investments in vibrant sectors of the economy rather than invest in infrastructure to enable the private sector to flourish. The Palestinian Authority has also failed to timely address allegations of misuse of funds, power and mismanagement as well as a lack of accountability and transparency in addition to fostering a large public sector that exceeds the national needs.

Israel's Responsibility

Israel's responsibility is a colossal one. Israel's oblivion to its responsibilities according to the peace treaty signed in 1993, has resulted in a continuation of building colonial practices: Isolating the Gaza Strip and the West Bank from each other and from East Jerusalem, confiscating Palestinian lands, building Jewish settlements across the occupied territories, linking them with bypass roads and dividing the West Bank into isolated 'cantons', building a separation barrier to annex West Bank land while encircling Palestinian population centers, imposing restrictions on the movement of goods and people, and continued its practices of occupation through the confiscation of land, the control of resources, the building of settlements in Palestinian cities,

neighborhoods and villages further crippling their movements through closures, barriers and checkpoints,

The impact of these practices in numbers according to B'Tselem statistics, World Bank, IMF, and UNCTAD reports can be summarized in the following:

Human Losses:

- In the last decade, Israel has killed more than 7605 people, mostly youth and children. This number represents 0.2% of the entire population in the occupied territories. For comparison purposes, this is the equivalent of killing 62,000 Americans, or 265,000 Chinese.
- Israel has arrested more than 69,000 Palestinians, 8750 of which are still in Israeli prisons. These represent 1.8% of the West Bank and Gaza Strip population, the equivalent of 565,000 Americans and 2.386 million Chinese.

Material Losses:

- Israel has confiscated in the last decade more than 271,697 dunums (1 dunum equivalent to 1000 sqm) and gave orders to confiscate another 80,445 dunums in the West Bank. It has also destroyed agricultural produce on hundreds of thousands of dunums, and in 3 weeks during its war on Gaza, in January 2009 Israel has flattened 13% of Gaza Strip territories.
- Israel confiscates 85% of the Palestinian water.
- Israel is building a 706 km wall, 85% of it on Palestinian Land in the West bank, and confiscated 49,291 dunums till now to build it, and taken into consideration that only 58.3% of it is completed so far, with 10% in the process and therefore more confiscation of land is on the way to complete it next year. This wall has segregated communities and cities, isolated people from reaching their jobs and the city centers and separated people from water resources and services.
- Israel has uprooted more than 1,191,106 trees.
- Israel has demolished in the past decade 1,969 homes; 1,320 of which in the West Bank and Gaza and 649 in East Jerusalem. This does not include the destruction of houses during the war on Gaza. They have issued notices to an additional 6,665 homes for demolition. It is important to note that since 1967, Israel has demolished more than 24,145 Palestinian homes.
- According to the UN OCHA report in June 2009, there are more than 613 barrier and checkpoints in the West bank and Jerusalem, although its overall size

does not exceed 5640 km², and the green line borders separating the West bank from Israel do not exceed 307 km.

- In violation of article 49 of the 4th Geneva Convention whereas the occupying country is not allowed to transfer its population to the occupied territories, and the Oslo Agreements which affirm the unity of the Occupied Palestinian territories. The Israeli government continued to expand its settlements. Settlements represented 69 km² in 1992, 188 km² in 2008, a growth of 272%. The number of settlers in the West Bank and East Jerusalem escalated from around 250,000 settlers in 1993 to 680,000 in 2009, a growth of 260%. Thus representing 17.4% of the West Bank population and 41.4% of the population in East Jerusalem. This is in addition to the new planned 50,000 settlement units as well as the 1600 new units in Shofat in Jerusalem which were announced by the Israeli government during Biden's visit to prevent the collapse of the peace process early this month.
- There are of course the losses incurred by the last aggression on Gaza, where primary estimates are exceeding 3 billion dollar, excluding the severe impact of a continuous embargo of more than 3 years on more than 1.5 million people and its consequences on the economy and their livelihoods.

How to Move Forward

These harsh examples are frightening, but placed in the context of a meeting to discuss the way forward and the establishment of a viable Palestinian State is an indication that the international community is fully aware of its responsibility towards the Palestinian people, and towards stability and peace in the whole region.

Our efforts need to multiply and result in well-studied strategies for development that will reflect our sincerity and commitment to the Palestinian people. These efforts need to be translated into massive reforms and visionary partnerships between donors, the Palestinian Authority and key sectors of Palestinian society, which would signify a paradigm shift in developmental strategies, a main component of which needs to be a capable and innovative workforce.

And the working model that can most effectively translate such strategies into positive realities is one that proposes to bring together prudent Arab, International public and private actors, progressive coordinated policies, a responsible private sector and an engaged civil society, whose purpose is to create a highly skilled, dynamic workforce that will push the Palestinians towards sustainable and balanced development. We need to work together to create the much needed infrastructure for a flourishing Palestinian economy, one that nurtures creativity and innovation, a

productive knowledge economy that will allow the Palestinian people to build a life and not just an existence.

Reforms in education on all levels are highly needed; partnerships need to be forged; expertise, knowledge and transfer of skills are crucial for success, investments in youth which constitute the majority of the Palestinian population need to be made. And these efforts are just a start, but a focused one nonetheless. The Palestinian people are in need of regional and international strategic economic and social investments rather than a charity or donation driven approach as a vibrant and productive economy is a product of wedding the accumulated efforts of all partners and providing a favorable milieu for innovation and creativity.

A partnership with international and regional universities and research centers and the exchange of knowledge is more valuable than fathomed. Joint research programs, exchange of knowledge, visiting professors, scholars and students will add a new dimension to the learning and educational experience in Palestine.

Tackling the unemployment challenge can be achieved by encouraging entrepreneurship. While the private sector (internationally, regionally and nationally) can provide mentorship, guidance, capital, knowledge, experience and a vast network, the public sector can facilitate the entry of small and medium enterprises into the market through tax incentives, clear and smooth procedures, lower registration fees, recognition and encouragement of innovation, the promotion of incubators in universities and research labs and the adoption of laws that protect new and small businesses. International, regional and local civil society organizations can provide support through capacity building, and community development. Encouraging the import of Palestinian products will have an undeniable impact on the economy, unemployment, and poverty.

Lending an expert hand, sharing knowledge and technologies, linking Palestinian producers with regional and international markets, weaving local, regional and global effective partnerships...This is no easy task, but its impact on the ground is guaranteed to be a positive one.

Concluding Remarks

Nonetheless, all these efforts will be of ZERO significance, unless they are coupled with a political solution that ends the Israeli occupation, as people cannot think of a future, of innovation, creativity and productivity, when their daily existence is being threatened and unwelcome.

It goes without saying that mistakes were made and resources were wasted. It is also obvious to us, that a paradigm shift is needed when assistance is concerned, and

mindsets need to be shifted from donations to focus on socio-economic investments in order to provide sustainable solutions.

But the clearest fact remains to be that without an urgent end of occupation, all efforts will be shattered by the aggressive Israeli practices, destroying the hopes and dreams of peace and stability in this vital region, knowing that another opportunity can take decades to arise, if at all.

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