



evaluation
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PALESTINIAN TERRITORIES

Review of the Netherlands development
programme for the Palestinian territories, 1994-1999

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PREFACE

The plight of the Palestinian people has a long history. The issues of peace and prosperity in the Middle East have often been discussed in political terms only. In the 1990s, the Peace Process demonstrated that peace needs an economic as well as a political basis. Many donors embarked on large-scale support programmes for the Palestinian territories. Initially, this support was channelled through multilateral and non-governmental organisations. After the signing of the Oslo Accords, the Netherlands increased its support substantially over the years. One of its projects, the planned seaport in the Gaza Strip, has attracted much attention.

The Policy and Operations Evaluation Department (IOB) has carried out an independent review of Dutch support to the Palestinian territories. This support extends well beyond the commitment for Gaza port, to such areas as social services, environment, transport, private sector development and governance. The aim of the review was to assess whether support has led to increased stability in the territories. It was assumed that effective development activities would help to restore a sense of ‘normalcy’. In turn the resulting stability would provide a positive basis for the Peace Process, though stability in itself is, of course, only one of many factors influencing this process.

Obviously, there have been developments in the Middle East Peace Process since June 1999, when the final data for this review were obtained. These developments have not been taken into account in this report. Nevertheless, the review provides a solid basis of facts and raises issues for debate and decision-making on Dutch support to the Palestinian territories.

The review was carried out by Inspector Frans Makken, in collaboration with Paul Wijmenga of the Netherlands Economic Institute. The fieldwork was conducted in a series of missions during the first half of 1999. IOB is grateful to all who contributed to this review by sharing their knowledge, experience, views and comments. IOB, however, bears sole responsibility for the contents of this report.

Rob D. van den Berg
Director, Policy and Operations Evaluation Department

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ABBREVIATIONS

A	AGSM	Agricultural Submodel
	AHLC	Ad Hoc Liaison Committee
	APLA	Association of Palestinian Local Authorities
B	Bilance	Centrale voor Bemiddeling bij Medefinanciering voor Ontwikkelingsprogramma's (Dutch NGO)
C	CBI	Centre for the Promotion of Imports from Developing Countries
	Cebemo	Centrale voor Bemiddeling bij Medefinanciering voor Ontwikkelingsprogramma's (Dutch NGO)
D	DAC	Development Assistance Committee
E	EC	European Community
	EPC	European Political Cooperation
	EPD	Environmental Planning Department
	EU	European Union
F	FAO	Food and Agriculture Organisation (United Nations)
G	GDP	Gross Domestic Product
	GEP	Gaza Environmental Profile
	GNP	Gross National Product
I	ICCO	Interchurch Organisation for Development Cooperation
	IFC	International Finance Corporation
	IHE	International Institute for Infrastructural, Hydraulic and Environmental Engineering
	IOB	Policy and Operations Evaluation Department (Netherlands Ministry of Foreign Affairs)
J	JLC	Joint Liaison Committee
L	LACC	Local Aid Coordination Committee
	LAW	Palestinian Society for the Protection of Human Rights and the Environment
M	MIGA	Multilateral Investment Guarantee Agency
	MOPIC	Ministry of Planning and International Cooperation
N	NGO	Non-Governmental Organisation
	NLG	Dutch guilder
	NOVIB	Netherlands Organisation for International Development Cooperation (Dutch NGO)

O	ORET	Export Transactions Relevant to Development
P	PA	Palestinian Authority
	PalTrade	Palestine Trade Centre
	PARC	Palestinian Agricultural Relief Committees
	PDP	Palestinian Development Plans
	PEAP	Palestinian Environmental Action Programme
	PECDAR	Palestinian Economic Council for Development and Reconstruction
	PEnA	Palestinian Environmental Authority
	PHG	Palestinian Hydrology Group
	PIES	Palestinian-Israeli Environmental Secretariat
	PIOV	Police Institute for Public Order and Safety
	PIP	Public Investment Programme
	PLO	Palestine Liberation Organisation
	PMA	Palestinian Monetary Authority
	PTPO	Palestinian Trade Promotion Organisation
	PWA	Palestinian Water Authority
S	SCF	Save the Children Federation
	SWG	Sector Working Groups
T	TAP	Tripartite Agenda for Action
U	UN	United Nations
	UNDP	United Nations Development Programme
	UNRWA	United Nations Relief Works Agency
	UNSCO	United Nations Special Coordinator's Office
V	VNG	Association of Netherlands Municipalities
W	WAS	Water Allocation Model

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MAIN FINDINGS AND CONCLUSIONS

In the period 1993–98 the Netherlands developed a bilateral cooperation programme for the Palestinian territories¹ in support of the fragile peace process. That programme included many predominantly short-term activities, in various sectors and through various channels, which were intended to bring quick and tangible improvements to the living conditions of the Palestinians.

The programme is typified by a prevalence of political and development goals. To attain the political objective of reaching a comprehensive and permanent peace, a development cooperation programme was put in place. The development goals included the balanced socio-economic development of the region, and strengthened institutions with which to support civil society development.

Disbursements for the Dutch aid activities in the Palestinian territories totalled NLG 257 million by the end of 1998, an annual average of some NLG 50 million, or NLG 18.5 per Palestinian per year. The Netherlands ranks eighth among donors, with 5.3 per cent of total aid disbursements in 1994–98. The combined donor assistance disbursed in that period totalled US\$ 2.5 billion. Dutch development aid went principally to projects in transport, private sector development, social services, environment and governance, as shown in Table 1, and consisted for 75 per cent of project aid. This evaluation has covered 78 per cent of bilateral aid disbursements.

Table 1 Netherlands bilateral aid to the Palestinian territories, 1994–98

Sector	Amount (NLG million)	Share of project aid (percentage)	Evaluation coverage (rate)
Social services	90.3	94	80
Governance	67.5	18	88
Transport	51.1	100	86
Private sector development	23.3	92	67
Environment	9.8	100	85
Others	14.8	82	0
Total	256.8	75	78

¹ In this text, the term 'Palestinian territories' is taken to mean the Gaza Strip and the West Bank of the Jordan, irrespective of whether these areas are under Israeli or Palestinian control.

The evaluation takes as a premise that balanced socio-economic development and a functioning civil society in the Palestinian territories is favourable to the peace process. The general objective of the evaluation was therefore to assess the effectiveness of the Dutch development programme in support of these two development goals.

1 Overall assessment of the aid programme

The environment in which the Dutch aid programme has been implemented is a complicated one. The interim period which started in 1994 has been difficult both for the Palestinian Authority and for the population. The Palestinian Authority then had very little experience in public administration. The infrastructure inherited after 'Oslo' was also in poor shape due to years of neglect. The relationship with Israel remained arduous: an unpredictable system of closures, travel and trade restrictions, uncertainties with respect to the permanent status negotiations and extension of the interim period, brought economic hardship and had a negative effect on private sector confidence.

Despite this complex and difficult environment, the evaluation shows that most aid activities contributed towards a basis for the socio-economic development of the Palestinian people and a functioning civil society in the Palestinian territories. Only a few projects were found to have had completely failed.

The policy relevance and effectiveness of the aid programme was generally good. Its efficiency suffered from the strained relations between the Palestinian Authority and Israel but also from internal conflicts within and between PA institutions, and between PA institutions and NGOs and UN organisations.

Although little progress has been booked at the macroeconomic level, the donor community has done more than merely to compensate for the cost of closures. The Dutch programme, for example, has helped to improve the social services sector, notably with water and sanitation works and school buildings. It has also contributed to the rapid establishment of a government administration for the Palestinian Authority.

The most effective projects for socio-economic development have been the delivery of buses, the small credit schemes, the construction of school buildings, and the provision of schoolbooks. Projects that were effective in the area of governance and civil society development included contributions to the J.J. Holst Fund, support to the Police Force and to the Palestinian Independent Commission for Citizens' Rights.

The central target of Dutch aid policy, i.e. poverty relief, has not been given specific attention, most aid activities having been geared towards the entire Palestinian population. With an average per capita GNP of US\$ 1,630 (1998), the Palestinian territories fall into the ranks of middle-income economies. With the exception of some specific projects, the effects of Dutch aid activities on the position of women and on the environment have been neutral.

Typical of a conflict society was the lack of any mature policy dialogue between the Palestinian Authority and the Netherlands Representative Office, though the scope for this has meanwhile been improved. At first, relatively little attention was paid to the sustainability of project activities and to monitoring and evaluation. All kinds of projects which addressed immediate Palestinian needs were taken up, resulting in a multi-sector programme that lacked focus and synergy among interventions. For some projects, political aspects prevailed over developmental aspects, for example land reclamation projects to prevent confiscation.

Dutch support became increasingly channelled directly towards the Palestinian Authority, thus decreasing disbursements through NGOs and co-sponsoring channels, although the latter are still substantial. This creates tensions in that the Palestinian Authority wants to control NGO activities and NGOs want to maintain the vested positions they acquired prior to 1994.

Sectoral assessment

The policy relevance and effectiveness of aid activities have generally been good across sectors. Efficiency has been affected by the strained security situation between the territories and Israel as well as by the quick build-up of Palestinian Authority institutions. The institutional and technical sustainability of project results is generally good but is susceptible to opportunistic appointments, dismissals and reorganisations. Chances for financial sustainability are good for small commercial activities. An increasing number of other activities depends on the Palestinian Authority budget for funding their recurrent costs.

- (i) In the *transport* sector, public transportation needs have been addressed effectively through an export grant for Dutch buses. Other export grants for two aircraft and a commitment to the construction of Gaza port, provided political support for the eco-

conomic independence of the hitherto enclosed Palestinian territories. The commitment for Gaza port has created spin-off effects in the form of environmental and institutional studies.

- (ii) In *private sector development*, small credit schemes assisting micro- and small-scale enterprises have resulted in credit expansion, job creation and better living conditions for the beneficiaries and their families. At a rough estimate, the benefits of these schemes include 450 loans extended, 900 jobs gained, providing support to some 5,400 persons. An institution promoting Palestinian exports has been effectively strengthened, but under present political and economic conditions, exporting remains difficult. The Israeli policies of closures and restricting the mobility of persons and goods have been detrimental to the self-reliance of the Palestinian economy.
- (iii) Aid activities in *social services* included the construction of elementary schools and provision of schoolbooks, water supply and installation of sewerage systems. These improved the living conditions of many Palestinians, particularly women and children, although they were not particularly targeted. Rural road construction and land reclamation have enhanced preconditions for socio-economic development and served political interests.
- (iv) Aid activities for the *environment* have enhanced the environmental awareness and planning capacity of staff of the relevant Palestinian institutions. Coordination among the institutions involved, however, is not optimal.
- (v) Under *governance*, budget support for the Ministries of the Palestinian Authority, the Police Force, and the Palestinian Local Authorities, has contributed to the sustainability of essential civil society institutions. Support for human rights NGOs has been effective in sensitising the Palestinian Authority on human rights matters.

2 Main findings

Socio-economic development

Between 1994 and 1998, economic losses resulting from Israeli security procedures and closures exceeded the donor aid levels, causing the average incomes of Palestinians to

fall. This was reversed in 1998 when fewer closures reduced economic losses and allowed a marginal estimated increase of per capita income. This justifies the conclusion that the substantial aid levels during the 1994–98 period have cushioned the blow for individual Palestinians suffering from negative economic effects. Without the aid they would have been worse off, and that might have caused more social unrest.

A particular positive feature of the Dutch aid programme has been its visibility. The construction and rehabilitation of schools, rural roads, wells, sewers and drinking water systems, the printing of school books and the provision of modern buses, have greatly enhanced the surroundings and living conditions of many Palestinians after some 30 years of neglect during occupation. These tangible improvements have provided the Palestinians, particularly in Gaza, with a ‘sense of normalcy’.

Governance

The attention given to institution building in the Dutch programme has been a positive factor in protecting nascent civil institutions against external pressures such as closures and shortage of funds, whilst improving staff quality and planning capacity. Dutch support has thus contributed to the development of essential institutions of the Palestinian Authority. Since the Palestinian territories are a middle-income economy, there is a good basis for institution building. Nevertheless, the effectiveness of PA institutions is still affected by internal conflict and friction between Ministries and NGOs, a situation which has particularly reduced the efficiency of several Dutch projects, notably in agriculture and environment.

Human rights issues have been addressed by supporting a wide spectre of human rights organisations. The very existence of these organisations, pursuing rights of individuals and groups, monitoring legal issues and procedures, plays an important role in the territories, whilst the installation of an *ombudsman* is unique in the Arab world.¹ However, although promising steps have been taken, such as submission of the Palestinian Authority budget to the Palestinian Legislative Council, much remains to be done: there is still no separation between legislative, judicial and executive powers, which provides scope for arbitrary decisions to be taken.

¹ The Palestinian Authority has further contributed to transparency in governance by publishing a special internal report on corruption and the abuse of authority.

Aid management

Substantial losses of efficiency and effectiveness have been caused by external factors such as closures, complex and unpredictable administrative procedures for trade and travel, confiscations, deportations, the lack of a safe passage between Gaza and West Bank, and all the inconveniences of a stagnating peace process. These should basically be tackled by a development aid programme, but the instruments of development cooperation are designed for economic self-reliance and poverty alleviation and hence are not particularly geared towards solving complicated political issues. Some development activities seemed to be better suited to address political challenges than others: Gaza port as a sign of political support for the Palestinians; land rehabilitation against Israeli confiscations and retention of rural people; international studies on water sharing and competitiveness in exposing the plight of Palestinians regarding water allocation and trade impediments; and generous budget support during periods of extreme deprivation resulting from closures. The messages radiated by these politically-inspired activities should be weighed against their sometimes limited developmental effects.

Many donors prefer to channel funds (on their own specific conditions) through NGOs or the UN rather than through immature ministries as there is less risk involved. Aid coordination is generally poor between donors, between Ministries and NGOs, in sectoral working groups, and within the Palestinian Authority. The Ministry of Planning and International Cooperation is not yet acknowledged by all donors, NGOs and Palestinian Authority institutions as the focal point for aid coordination. Moreover, many donors, including the Netherlands, have not yet established a formal policy dialogue with the Palestinian Authority. This situation leads to the occasional duplication of aid efforts and to erosion of the institutional strength of PA institutions.

Dutch development objectives

Dutch aid activities for development have generally been geared towards economic self-reliance and the improvement of public services for the entire population, without particular targeting of the poor, women or children. Many activities have benefited the poor directly, however, such as the employment programmes; or women and children, such as the water, sanitation and education projects. The Dutch also allocated almost one-fourth of expenditures to the Gaza Strip, where the incidence of poverty is highest. Some private

sector development projects have been targeted specifically towards women. Environmental issues have been well addressed by the various environmental and sanitation projects, whilst interventions in other sectors were positive in this respect.

Conflict society

The conflict situation required rapid and flexible support by the donor community. In such situations, every suitable proposal is considered while little attention is paid to project design and future sustainability. The relevance to development in terms of reaching the poorest and improving the position of women may become secondary to political objectives, and this will have to be taken into account in the assessment of results. Although this approach may at first be understandable, more focusing of the aid programme is eventually required, and design and sustainability should be given more attention.

The Dutch aid programme has been implemented for the attainment of political objectives. Apart from the Gaza port project, aid activities at the project level have rarely been accompanied by direct political pressure. Such pressure might have been beneficial for their effectiveness. Other fora have been used for the exertion of political pressure. In its latest plan, the Palestinian Authority stresses the need for more political pressure by the international donor community to increase the effectiveness of donor assistance.

3 Conclusions

The Dutch aid programme has a transitional character. The assistance was initially provided to facilitate a five-year interim period, from 1994 to 1999, preceding the final independent status of the Palestinian People. It was expected that, after 'Oslo', private investment would take off and become the main source of economic growth once the infrastructure had been rehabilitated with donor assistance.

Due to deadlocks in the peace process the interim period preceding independence takes longer than initially foreseen. The Dutch aid programme has been prolonged accordingly and maintained its transitional character. This development cooperation relationship is characterised by a multitude of mostly small-scale and short-term activities in a variety of sectors.

In the evaluation period, Dutch bilateral aid flows were channelled increasingly through the Palestinian Authority, thus relatively decreasing aid disbursed through other aid channels: NGOs and co-financing with UN or World Bank. In 1998, 59 per cent of Dutch bilateral aid was disbursed through Palestinian Authority entities, against 29 per cent in 1994.

Policy relevance

After the Oslo Accord of 1993, the Dutch development programme provided immediate relief to constraints in education and transport, to the starting-up of Palestinian Authority Ministries, and to emergency employment generation. The Palestinian Authority has appreciated the funds provided in this way as important economic and political support.

During the evaluation period, the Palestinian Authority showed a consistent priority for infrastructural development, a preference emanating from the poor condition of the physical and social infrastructure after years of occupation. In view of these needs secondary attention was given to Dutch priorities regarding support for the position of women, human rights and democracy. Dutch project activities in these fields have been in line with the general development policies and Middle East policies of the Netherlands. Recent policy documents show that the Palestinian Authority is giving growing policy attention to these subjects.

With respect to poverty alleviation, Palestinian and Dutch policies both gave priority to stimulating economic growth with small-scale and micro activities (employment creation and small credit schemes), export promotion and competitiveness projects. It is assumed that economic growth will provide stability, employment and poverty relief.

On education, Palestinian and Dutch development priorities concurred regarding the emphasis to be given to projects in primary education. The policy relevance of the ad-hoc bridging support for higher education (universities) has therefore been less obvious.

The Palestinian Authority considers improved water supply and sanitary conditions to be of crucial importance to the population. The various projects for this purpose are therefore relevant, with particular attention for those addressing the fact that the management

of Palestinian water resources is still in Israeli hands. Water distribution is a strategic regional issue.

Rural development projects supported by the Netherlands were relevant as agriculture became an alternative source of employment during the closures. Moreover, the Dutch-funded land-reclamation works served the political goal of avoiding confiscation of land by Israel.

Dutch environmental projects were relevant for both the Netherlands and the Palestinian Authority, although the institutional structure has thus far not received sufficient attention from the Palestinian side. The high relevance attached by the Netherlands to these activities is reflected in its role as shepherd in the Sectoral Working Group for the Environment.

The Netherlands Representative Office to the Palestinian Authority deals directly with NGOs and has no systematic procedure for bilateral policy dialogue with the Palestinian Authority, which would like to become more involved in programming and project selection under the Dutch aid programme. The Palestinian Ministry of Planning and International Cooperation would like to be better informed about aid provided through non-PA channels in order to improve its planning capability and to avoid duplication of efforts. In this context, regular policy dialogue could enhance the relevance of future Dutch interventions. On the other hand, it is important to have the legal status of Palestinian NGOs formally regulated to the satisfaction of both the PA and the NGOs.

Effectiveness

In Transport, the bus and aircraft projects have attained their immediate objectives, but the port project could not yet be implemented due to security issues raised by Israel. Most private sector development projects have been effective in providing credit to micro and small-scale enterprises and institutional support to the Palestinian Trade Promotion Organisation. Activities related to improving Palestinian competitiveness have not yet been effective. With regard to social services, most physical targets in education, water supply and sanitation, and rural development, have been attained. Environmental projects with regard to tree planting and conscientisation have been effective, with the active participation of local communities.

Institution building has been effective with regard to the Gaza branch of the Palestinian Hydrology Group, whilst support to the Ministry of Agriculture has yet to gain momentum. The effectiveness of regional water models suffers from the strained international relations in the region and the unwillingness to share the control over the water. Environmental planning, evaluation and the implementation capabilities of the Environmental Planning Directorate and the Palestine-Israel Environmental Secretariat have all been enhanced, although institutional complexities may hinder the adequate use of new skills.

Institutional support to the Palestinian Authority Institutions, the Palestinian Police Force and the Association of Palestinian Local Authorities has allowed their development into mature and capable organisations. Hence, Dutch contributions to the enhancement of governance in the Palestinian territories have been effective. Support to human rights activities has also been effective in that supported organisations have been able to handle an increased number of cases of human rights violations. One such organisation has collapsed under a too ambitious programme, however.

The general objectives of the Dutch development programme are socio-economic and civil society development in the Palestinian territories. With regard to the former, the following projects made particularly effective contributions: the delivery of buses, the credit and microenterprise schemes, the construction of schools and provision of schoolbooks. The most effective projects under civil society development support were: budget support through the J.J. Holst Fund, to the Palestinian Police Force and to the Palestinian Independent Commission for Citizens' Rights.

Efficiency

The Dutch aid programme comprises many small activities and some larger ones in virtually all sectors of Palestinian society. This reflects the Dutch preference for a transitional programme, whereby activities should not lead to long-term engagements. The large spread of small activities does not reflect clear choices, however, and affects the manageability of the programme. A focus on matters for which sufficient expertise is available among Dutch aid authorities could be more efficient and effective.

The efficiency of projects has been affected by political problems and by the economic confinement of the territories. All transport projects and regional initiatives regarding

water issues, competitiveness and shared environmental concerns have suffered in this way. All projects have been confronted with high transaction costs because staff cannot travel freely within the territories. Projects regarding the environment and agriculture have suffered from inefficiencies of the young Palestinian institutions. The construction of schools has occasionally been delayed by non-compatibility between Dutch disbursement procedures and Palestinian tender practices.

Budget support provided through the Holst fund, to the Police Force and to the functioning human rights organisations, and the printing of school books, has been efficient.

The various aid coordination systems, particularly the sectoral working groups and bilateral policy dialogues, do not function properly. Nor is there a fully recognised central role for the Ministry of Planning and International Cooperation. The magnitude of needs in the past five years has been such that the possibility of overlapping activities has been minimal. The present situation requires more active coordination, however, as donors have very diversified aid programmes of mostly short-term activities financed through various channels. Overall donor aid levels to the Palestinians have decreased and the need to fine-tune the aid effort becomes more important.

Sustainability

The various institutions of the Palestinian Authority have benefited from substantial financial support, training and technical assistance. In general, their capabilities are such that the institutional and technical sustainability of the results of Dutch aid activities are in principle assured. In some sectors, notably agriculture and environment, institutional complexities and competition require the further streamlining and specification of responsibilities. All sectors still suffer a potential threat to sustainable operations in that the legal system allows opportunistic appointments and dismissals.

The financial sustainability of buses and aircraft is largely dependant on the political situation; at present, their operations are restricted by security regulations. The results of the machinery lease project and of support to the Palestinian Trade Promotion Organisation are financially sustainable, while credit programmes for women and micro-enterprises stand a good chance of becoming sustainable. Support to the Federation of Chambers of Commerce still depends largely on external funding.

The future provision of educational materials and the maintenance of school buildings, including vocational training, depends on funding by the Palestinian Authority; the priority that the PA attaches to basic education is an encouraging factor. The sustainability of project results in water and sanitation also depends on the political situation and on external funding. The multitude of public and private channels used for water and sanitation improvements make this difficult, and possibilities of charging the users have not been sufficiently explored.

Budget support to the Palestinian Authority institutions provided through the Holst Fund has been sustainable in that it allowed the Authority to put an effective revenue system in place. A balanced budget was presented in 1998, and a development plan including sectoral chapters with priorities was submitted to a donor meeting in Frankfurt in 1999. Over the years the quality of development plans has improved. Such a revenue system and a basis for aid coordination increases the possibilities for sustaining essential public services.



MINISTRY OF PLANNING AND INTERNATIONAL COOPERATION
Palestinian National Authority

DEPARTMENT FOR WESTERN EUROPEAN COUNTRIES
إدارة أوروبا الغربية

H.E. Mr. René Aqrawa
Head of the Netherlands Representative Office
To the Palestinian National Authority
Ramallah – Palestine
Date: 30.06.1999

Dear Mr. Aqrawa:

Subject: Minutes of the Palestinian – Dutch Evaluation Session

Further to our joint session held on 31.06.1999 in Ramallah to discuss the report prepared by the Dutch evaluation team on the Netherlands aid program to Palestine, I am pleased to forward herewith the minutes of that session for your perusal and the action you may deem appropriate.

I wish to take this opportunity to convey to your honorable government and the Dutch people our sincere thank and deep appreciation for your support and cooperation. A special thank for you personally and your valuable staff for the good and positive spirit of cooperation. I also thank the Palestinian team responsible for the preparation and the finalizing of the minutes.

With my best regards.... I remain,

Hisham Mustapha

Director General of Western Europe Dept.

MINUTES OF THE PALESTINIAN- NETHERLANDS (IOB) EVALUATION SEMINAR

Conducted Under the Auspices of
The Ministry of Planning and
International Cooperation
(MOPIC)

Chairman **Dr. Mohammed Nasr**
Dean of Commerce and
Economics College
BirZeit University

Secretariat **Mazen Asa'd**
Technical Director of
Massar Associates

June 21, 1999: Ramallah

MINUTES OF THE PALESTINIAN- NETHERLANDS (IOB) EVALUATION SEMINAR, JUNE 21, 1999: RAMALLAH

The Palestinian-Netherlands Evaluation Seminar was held on June 21, 1999 at the Grand Park Hotel in Ramallah. The Seminar was organized under the auspices of the Palestinian Ministry of Planning and International Cooperation (MOPIC) with logistics support from the Netherlands Representative Office in Ramallah. The Seminar was convened to stimulate reactions from the Palestinian stakeholders with respect to the report prepared by the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs. This report evaluated the Netherlands' bilateral cooperation program with the Palestinian National Authority from 1993 to 1998. The Seminar was chaired by Dr. Mohammed Nasr, Dean of the College of Commerce and Economics at BirZeit University. Mr. Mazen Asa'd of Massar Associates acted as the secretariat for the Seminar. Several high-level officials representing the Palestinian National Authority (PNA) ministries and local NGOs participated in the Seminar. The Seminar was also attended by representatives of the IOB and the Netherlands Representative Office.¹ The Seminar took place from 9h30 to 15h30.

The participants of the Seminar commended the Netherlands' support to the Palestinian people and emphasized the positive effect of Dutch Aid in various sectors. The evaluation document prepared by IOB equally received support and appreciation. It was noted, however, that the scope of the evaluation did not capture the latest developments taking place in the evaluated areas as it only covered up to and including 1998. Specific observations, reactions, comments and concerns are presented in the following sections.

Introduction

The Seminar was initiated with an introduction by the Chairman (Mr. Nasr) who gave a brief overview of the current Palestinian situation. This overview included a description of the distorted economy inherited by the Palestinians, its impact on private and public institutions and their ability to build infrastructure. He added that frequent border and internal closures combined with the current deadlock in the Peace Process had hampered

¹ See Annex 1 for the complete list of Palestinian participants and Annex 2 for the list of Dutch participants.

the real development efforts and resulted in a decline in employment as well as GDP per capita. Mr. Nasr concluded by emphasizing how essential the economic and political support of the international community was for the restructuring and development of the Palestinian economy and how, in this respect, the contribution made through Dutch Aid was hailed as being significant both in terms of amounts committed and the quality of program implementation.

The second speaker was Mr. Rene Aquarone, Head of Mission of the Netherlands Representative Office. Mr. Aquarone emphasized Dutch Parliament's interest in the Palestinian Areas and explained that Dutch Aid is a manifestation of Dutch support to the Middle East Peace Process. He noted that the evaluation report has highlighted some positive aspects of the Aid program, but that there are also opportunities to make the program more efficient. He added that the Dutch Parliament prefers to evaluate their assistance program with focus on a limited number of sectors, as well as favoring the development of long-term relationships with certain countries. Mr. Aquarone continued in noting that to date the aid accorded to Palestinians has been short term in duration due to the current situation of transition. He stressed that there is no consideration of ceasing aid at the current time, but that Dutch Aid will eventually terminate. For the time being, a different approach was chosen to continue the support, which emphasizes a sectoral approach rather than a project approach.

Mr. Hisham Mustafah, Director General of Western Europe Directorate at MOPIC, thanked the participants for attending, an indication of the importance of the evaluation. He also thanked the Netherlands Government for their sincere effort and hard work and stressed the need for a mechanism to organize the working relationship between MOPIC and the Netherlands Representative Office. Mr. Mustafah proceeded to comment on how he perceived the Dutch aid program as fragmented and lacking focus, which led to higher costs and reduced impact. He also stressed the need to move from a donor-recipient relationship to a program of cooperation and partnership. Furthermore, he noted that this program was designed, implemented and evaluated by the Dutch. Mr. Mustafah requested a joint program designed to formalize the working relationship between MOPIC and the Dutch representatives. He concluded in emphasizing that the efforts of the Dutch in the restructuring of Palestine have been very helpful.

Mr. Frans Makken, IOB representative, presented the objective of the evaluation exercise

and the methodology adopted in its undertaking. He stated that the findings of the report contained both recognition of achievements and constructive criticism for both the Palestinian and Dutch stakeholders, both elements which he believed essential to learning lessons for the future. Mr. Makken concluded in calling for a constructive and fruitful discussion.

Mr. Paul Wijmenga, coordinator of the evaluation study, presented the main findings and conclusions of the study, which was used as the basis for discussion.

When given the opportunity to comment on the findings presented to the evaluation team, Mr. Hisham Mustafa of MOPIC stressed two main issues. First, the necessity to harmonize international development support with MOPIC and accordingly with the Palestinian Development Plan (PDP) and second, the need to build institutions and skills within the Palestinian National Authority by empowering MOPIC as the focal coordinating point with line ministries. Mr. Mustafa went on to stress the necessity of developing a memorandum of understanding to guide the Dutch and MOPIC in their execution of their work together.

The issues that were discussed during the Seminar were the following:

- The contribution of the Dutch Aid Program to the Palestinian people
- The role of MOPIC
- The effect of friction and internal conflict on the delivery of Dutch assistance
- NGOs, PNA and Aid Coordination
- Policy dialogue
- The four parameters adopted for conducting the evaluation: relevance, effectiveness, efficiency, and sustainability.

1. Contribution of the Dutch Aid Program to the Palestinian People

The significance of the Aid Program to the Palestinian people was acknowledged by all participants. It was agreed that this aid came at a critical time when Palestinians were in urgent need. It was also noted that Dutch Aid could have had a more significant impact had this program been jointly designed and implemented through a Palestinian-Dutch partnership approach. Therefore, it was requested that the Dutch support should, in the future, be in harmony with Palestinian national priorities and needs, and therefore jointly planned and implemented by the Netherlands Representative Office, MOPIC and the rele-

vant line ministries. The participants agreed that the priority is to build a state and not merely the capacity of some institutions. Capacity building for all the PNA institutions should therefore be high on the agenda.

It was understood that, in the formulation of their Aid program, the Dutch reacted to needs at a time when there was no concerted plan and the situation was characterized by a lack of clarity, a situation which led to the fragmentation of programming. It was also believed that since Dutch Aid came at a time when the Palestinian National Authority was very young, inexperienced and incapable of determining needs, the aid focused on meeting urgent needs through short-term programming that lacked focus. This resulted in minimizing impact, causing a significant administrative burden and limiting sustainability. There was a common understanding that Dutch Aid was urgently required to move from project to long-lasting program support in order to build capacity and enhance institutional development of the PNA entities. Moreover, moving from project to program focus support was cited as being important to giving MOPIC more flexibility in their planning process.

Although, the report contained some generalizations, some participants demonstrated that they are not applicable to their areas of work. For example, the statement “the effects of Dutch aid activities have been neutral on the position of women and the environment” was negated by the Ministry of Education, which stressed the fact that the construction of new schools has been specifically targeting girls, resulting in statistics demonstrating an increase in female enrollment since the transfer of the authority to the PNA. Moreover, public schools have been built to accommodate students in remote and poor areas, again negating the statement that the program did not target the poor.

It was also highlighted that the PNA perceives international aid efforts as being developmental support in nature rather than political support. The participants were conservative with respect to the terminology used in the evaluation report as far as categorizing Dutch Aid as political support and maintained that they would rather see this aid as having developmental objectives and goals.

2. Role of MOPIC

The Palestinian officials unanimously agreed on the urgent need for empowering MOPIC as a focal coordinating point to organize the international donor support and make the

best use of resources. While MOPIC has gradually formalized its working relationship with a number of major donors such as Germany, Japan, Switzerland, Italy, Sweden, Belgium, Spain, Denmark, other donor countries are still dealing directly with line ministries on projects without formal arrangement with MOPIC. The participants unanimously agreed that MOPIC should be the focal coordinating point to avoid duplication of projects and to integrate and coordinate all activities within the PDP. However, expert institutions are handicapped by the fact that MOPIC's planning capacity is still in its infant stage and the Ministry therefore needs full support to build such capacity.

3. Effect of Friction Among Ministries

It was generally expressed that internal friction referred to in the report were exaggerated. It was believed that when building a state in a transitional situation, overlap and opinion differences is natural. There was a general feeling that the PNA institutions are moving towards establishing clear mandates and consequently, participants of the Seminar believed that statements on this issue should be reconsidered.

4. The NGOs, PNA and Donor Coordination

Discussions regarding the role of Palestinian NGOs was centered on the following statement in the evaluation report: "Dutch Aid flows through NGOs and UN organizations are still substantial. This creates tensions as the Palestinian Authority wants to control NGO activities and NGOs want to maintain the vested positions they acquired in the period before 1994".

The views on this issue varied from complete astonishment to requests for provision of explanation as to how this conclusion was reached. The following comments were recorded:

- The Ministry of Agriculture was astonished by the generalization that this statement had implied considering that they have developed clear relations with NGOs, and that they work closely with transparent NGOs and have exchanged memorandums of understanding with several of them.
- According to NGO representatives, friction does exist and that is partially due to the diminishing funds allocated for NGOs which employ approximately 19,000 people. Moreover, some PNA institutions have dealt with NGOs as partners and advisors as

the latter have demonstrated their capacity and have had a profound experience in development. Conversely, other PNA institutions perceive NGOs as charity receivers.

- According to some of the NGOs, there is no clear mandate and mechanism within MOPIC to facilitate coordination and work on a national level. MOPIC has, however, demonstrated that a framework has been developed by the World Bank in cooperation with PNA ministries and NGOs to administer the Trust Fund of a value of 20 million US dollars.
- The Ministry of Education claims to have resolved any tensions through the sectoral group meetings which involved representatives from the NGOs, Ministry of Education, and MOPIC. NGOs are encouraged to design their own five-year plan in order to avoid competition with the PNA on the same resources and funds.
- It was clearly highlighted that historically Palestine was an NGO society. NGOs provided services and were the leaders of development for decades. When building a contemporary society, the PNA can not ignore the expertise of the NGOs, however, it should be acknowledged that they are no longer service providers but resource centers and advisors. The current time represents a readjustment period and NGOs can no longer assume the responsibility of leading and planning for development, as this is the role of the state.
- It was agreed that NGOs are an asset and should be encouraged to fill in the gaps that the Palestinian National Authority cannot tackle. The NGOs are encouraged to have a technical working relationship with relevant ministries, however, their work has to be coordinated and regulated by the ministries. Moreover, the fact that the PNA has in many instances worked with NGOs and contributed to their development was not reflected in the report.
- Finally, the participants agreed that the debate over this issue is natural and healthy as it will lead to regulation, readjustment, complementary services, policy and planning.

5. Policy Dialogue

The discussion on policy dialogue revolved around the absence of a mature dialogue

between the PNA and the Netherlands Representative Office and the lack of mutual understanding of the management of the Dutch Aid program.

According to MOPIC, it is not fair to say that there is no dialogue as it has been developing gradually. This Seminar indicates that the dialogue is gaining momentum but needs formalization and structure. Still, there is room for improvement. The need to establish a structured process of dialogue was also asserted. Interest was expressed in improving dialogue not only with the Dutch Representative Office but also with The Hague.

Moreover, it was expressed that the Dutch Aid had been timely and responsive.

6. Four Parameters Adopted for Conducting the Evaluation

Relevance: *The relevance of the Dutch project objectives with regard to the Dutch Middle East policy, to the Palestinian Development program and sectoral programs, as well as to actual development constraints.*

It was believed that since Dutch Aid has been in the form of short-term projects, it has been relevant to and meets the priorities of the line ministries. This being said, an understanding was expressed that the purpose of foreign aid is not merely to meet urgent needs of the PNA in a myriad of fields but rather to meet the highly-ranked national priorities. There was common understanding that the aid program ought to be relevant to the priorities of both the Palestinians and the Dutch.

Effectiveness: *The extent to which the project objectives have been realized*

There was a general understanding with the report that progress had been made but that there was room for improvement. External and internal impediments have affected the results and there were no measurable and attainable objectives against which to benchmark.

It was expressed that technical assistance would be more effective if it was linked to investment projects. The participants also maintained that effectiveness depends highly on the timeliness of the intervention and that in several cases, timing had limited effectiveness.

Efficiency of the aid activities considers the choice of instruments and the way in which aid activities have been coordinated and resources have been used and managed.

There was a general belief that in many cases, changes to institutional set up within the PNA were not always conducive to the smooth and timely implementation of projects. Some inefficiency was blamed on the Dutch Program for delays in disbursement of funds that contributed to inefficiency in project implementation, in combination with other external factors. The participants reaffirmed the conclusion of the report that substantial losses of efficiency and effectiveness have been caused by external factors such as closures, complex and unpredictable administration procedures for trade, absence of safe passage between Gaza and the West Bank and the stagnation of the Peace Process.

The following statement from the report was termed as general and imprecise: “the various aid coordination systems such as sectoral working groups ... do not function properly”. The Seminar highlighted that some sectoral working groups are operational. Moreover, aid coordination is discussed on several levels by the Joint Liaison Committee and the sectoral working groups, which meet regularly. Therefore, although this statement has some truth to it, it remains inaccurate.

Despite certain delays in implementation when compared to other donors, the Dutch were commended for having relatively smooth and efficient procedures, which are not characteristic of other donors. They were also commended for their close cooperation with the benefiting institutions. Again, the necessity for cooperation with MOPIC was stressed to emphasize the need for integrating the Dutch efforts within a concerted plan.

The Seminar maintained that moving towards bilateral projects implementation is a positive move by the Dutch Program and that it allows for capacity building, therefore meeting the requirements of both parties more completely.

Another suggestion that was put forward to increase efficiency was having a direct partnership relationship with institutions in donor countries. This issue should be considered in donor assistance planning.

Sustainability concerns the technical, financial and institutional strength of the recipient to sustain the project results after external assistance has been withdrawn.

It was argued that the statement of sustainability is contradictory and statements presented in the report should be substantiated in order to avoid misleading the reader who is not familiar with the details of the program.

It was assured that the Dutch support has been translated into capacity and skills building which are the main inputs towards sustainability. Examples were also provided as to how the PNA institutions have been dealing with the sustainability issue. For example, the Water Authority maintained that a lot of work has been done to develop a tariff system to ensure cost recovery. Therefore, the following statement in the report was again termed as a generalization and termed as being inaccurate: “the multitude of public and private channels used for water and sanitation improvements make this difficult, and possibilities to charge fees from the users have not been sufficiently explored”.

The Ministry of Finance suggested that it should be consulted with respect to recurrent budget implications of new projects.

Adjourning of Seminar

The Seminar was concluded by thanking the participants and organizers for their efforts and contributions.

ANNEX 1: ATTENDANCE SHEET

List of Palestinian Participants in the Palestinian-Dutch Cooperation (IOB) Evaluation Seminar

name	position	institution
1. Dr. Mohammed Nasr	Dean, College of Commerce and Economy	Bir Zeit University
2. Mazen Asa'd	Technical Director	Massar Associates
3. Hisham Mustafa	Director General of Western Europe	MOPIC
4. Dr. M. A. Azzam	Senior Advisor	MOPIC/IC
5. Rawan Abu Yousef	MOPIC/Netherlands Desk Officer	MOPIC
6. Khaled Al Atrash	Director General	MOPIC/P
7. Suhair Oheh	Director of follow-up projects	Director of Gender & Development MOPIC
8. Azzam Tubaileh	Deputy Minister	Ministry of Agriculture
9. Abdallah Lahlouh	Director of General Directorate of Planning	Ministry of Agriculture
10. Na'em Saed	Director of Rangeland	Ministry of Agriculture
11. Tom Van Loan	University Forestry & Rangeland	Ministry of Agriculture
12. Hussam Taleb	Green Palestine Project Coordinator	Ministry of Agriculture
13. Walid Hijazi	Head of Division–Monetary and Evaluation Dept.	Ministry of Finance
14. Shawkat Sarsour	Extension and Land Development Dept. Director	PARC
15. Dr. Karen Assaf	-	Palestinian Water Authority
16. Abdel Rahman Tamimi	Director	Palestinian Hydrology Group
17. Mohammad S. Al Hamaidi	Advisor	Ministry of Environment
18. Taghrid Najjar	West Bank Project Manger	Ministry of Environmental Affairs
19. Khalil Mahshi	Director General/International Relations	Ministry of Education
20. Lily Feidy	Director General	Ministry of Higher Education
21. Mazen Jadallah	Director	Ministry of Finance
22. Mazen Abu Saud	Director General/Land Transport	Ministry of Transportation
23. Siham Barghouty	General Director of Local Rural Development	Ministry of Local Government
24. Imad Sa'ed	Director General	Ministry of Local Government
25. Reem Aboushi	Project Director	Center for Women Economic Projects (CWEP)

ANNEX 2: ATTENDANCE SHEET

List of Dutch Participants in the Palestinian-Dutch Cooperation (IOB) Evaluation Seminar

name	position	institution
1. René Aquarone	Netherlands Representative to the Palestinian Authority	Netherlands Representative Office
2. Nienke Trooster	Netherlands Representative Office	Head of Development Cooperation
3. Willemijn Van Haaften	Desk Officer Development Cooperation	Netherlands Representative Office
4. Frans Makken	Inspector, Policy and Operations Evaluation Department	Ministry of Foreign Affairs/Netherlands
5. Paul Wijmenga	Head Industry and Trade Unit	Netherlands Economic Institute (NEI)

1 DESIGN AND SCOPE OF THE STUDY

1.1 Background

In pursuance of a meeting held on 3 September 1998 between the Standing Committee for Foreign Affairs of the Netherlands' Parliament, the Minister of Foreign Affairs and the Minister for Development Cooperation, the latter was requested to review the aid given to the Palestinian Authority (PA).

Since 1991, the Policy and Operations Evaluation Department (IOB) of the Netherlands' Ministry of Foreign Affairs has undertaken evaluation studies of Netherlands bilateral cooperation programmes with India, Tanzania, Mali, Bangladesh, Bolivia and Egypt.

Country programme evaluations examine the effectiveness of various aid forms, promote policy discussions and scrutinise the organisation and management of the Netherlands' development assistance. Previous country evaluations have covered the entire period of the aid relationship, usually started in the 1970s.

Since 1998, IOB aims to produce country evaluation reports within a shorter timeframe, whilst reviewing a limited time period. The timeframe chosen for the evaluation of development cooperation with the PA runs from 1993 to 1998, i.e. since the Declaration of Principles between Israel and the Palestine Liberation Organisation (PLO) had been drawn up in September 1993. Within this period, the present study evaluates a Dutch bilateral aid programme that evolved in a conflict society.

1.2 Objective and main questions

Dutch aid to the PA is part and parcel of the Netherlands Middle-East policy. In line with European Union policies for the Middle East, this focuses on the establishment of a comprehensive, just and permanent peace in the region. To attain this political objective, economic support with which to pursue a balanced socio-economic development of the region is provided, whilst institutions are being strengthened in support of civil society development (Source: Ministry of Foreign Affairs of the Netherlands, The Middle East, August 1997).

Numerous activities have affected the peace process since 1993. Some 40 donors have

been involved in development activities and important political actions have been undertaken by both Palestinians and Israelis. Hence, it is impossible to single out the contribution that may have been made by the Dutch development programme to the peace process.

This evaluation takes as a premise that a balanced socio-economic development and a functioning civil society in the Palestinian territories is favourable to the peace process. Hence, the general objective is to assess the effectiveness of the Dutch development programme in support of these two objectives. The Dutch development programme has included some 200 projects implemented in the following sectors: infrastructure, agriculture, rural development, education, health and sanitation, environment, gender, good governance, culture, and private sector development.

The general objective of the evaluation is operationalised by the following key questions:

- What is the relevance of the Dutch project and programme objectives with regard to Dutch Middle East policy, to the Palestinian Development Programme and sectoral programmes, as well as to actual development constraints?
- To what extent have project and programme objectives been realised?
- How efficient have the aid activities been, including their coordination, choice of aid instruments, management, and project costs?
- To what extent are results of the aid activities sustainable?

At the project level, the evaluation assesses the policy relevance, effectiveness, efficiency, and sustainability according to standard definitions applied by IOB, as follows.

Policy relevance focuses on the compatibility of the project's objectives with relevant development objectives of the Netherlands, Palestinian policies and priorities, and with actual socio-economic constraints;

Effectiveness refers to the extent to which project and policy objectives have been realised;

Efficiency considers the choice of instruments and the way in which aid activities have been coordinated and resources used and managed;

Sustainability concerns the technical, financial and institutional ability of the recipient to sustain the project results after external assistance has been withdrawn.

The evaluation assesses the effects of project results on the sectoral level. In addition,

these effects are assessed in terms of their contribution to the two broad development objectives: *a balanced socio-economic development and a functioning civil society*.

1.3 Methodological approach

In order to be useful for future choices regarding sector allocation and aid channels, the evaluation study required a broad coverage. Since the evaluation was programmed to be published within a year, the study had to concentrate on a limited time period.

This time constraint, combined with the need for extensive coverage, required a research approach that would look at broad lines and general developments rather than at details. This trade-off enables timely delivery of evaluation results that can provide feedback into the formulation of the annual plan and into project and programme management cycles.

The evaluation covers activities directly funded by the regular Dutch development programme. Activities of Dutch co-financing agencies in the Palestinian territories, funded by their own budgets, are not included.

The study started with the preparation of a data base, which yielded an overview of the principal aid activities in the evaluation period. A desk study was undertaken of relevant policy documents, project files, progress reports and evaluation studies. All aid activities in the evaluation period were scrutinised with respect to project objectives, amounts and duration.

An orientation mission undertaken in January 1999 selected sectors and aid activities for evaluation, and identified the main development issues in those sectors. The choice of projects for evaluation was based on the following criteria:

- relevance to sectoral development, institution building, socio-economic and environmental constraints and governance;
- substantial disbursements in the period under evaluation and/or strategic importance to the realisation of Dutch aid programme objectives;
- the potential to cluster selected projects into groups that could be covered by experts with relevant sectoral expertise.

Five sectors were selected for evaluation: transport, private sector development, environment, governance and social services. A total of 75 projects were selected in these sectors for further evaluation, representing 78 per cent of total disbursements of the Palestinian aid programme in the evaluation period.

Projects in the sectors of culture, emergency aid, miscellaneous as well as small embassy projects have not been included, due to their relatively small size and dispersed activities.

Over time, the evaluation study progressed as follows. The general terms of reference for the study were finalised and approved in March 1999.

A separate desk study was undertaken in March-April 1999 of political developments in the Middle East, the role of the Palestinian people in the peace process, and Dutch Middle-East policies.

Field studies were carried out by consultants with experience in the selected sectors. The study teams, consisting of international and Palestinian experts, were fielded simultaneously in mid-March 1999. To assist these teams, separate terms of reference were formulated, containing detailed evaluation questions, a list of key informants and main sources of data. Moreover, condensed project files were prepared, comprising an overview of project activities, the most relevant correspondence, and progress and evaluation reports, if available. The activities of the consultants included reality checks for construction projects, short visits to institutions that had been targeted for strengthening, and discussions with informants, officials and donors. The preliminary findings of the consultant teams were discussed with persons responsible for the evaluated projects during a two-day workshop held in Ramallah on 31 March-1 April 1999.

The desk studies and sectoral reports delivered by the consultant teams form the basis of this evaluation report. The sectoral reports, draft chapters of this report, as well as the main findings and conclusions have been reviewed by a reference group of external and internal resource persons.

At policy level, a Palestinian reaction to this evaluation report was obtained during a high level meeting in Ramallah in the third week of June 1999. Cross-sectoral and other project overriding issues as well as the main findings and conclusions of the study were dis-

cussed during that meeting. Both IOB and the Dutch Representation in Ramallah had the status of observer during the discussions. The proceedings of the meeting are included in this report (preceding chapter 1).

1.4 Organisation of the report

The report is structured as follows. The first three chapters provide the context of the evaluation. Chapter 1 sets out the design and scope of the study. Detailed information on IOB and on the organisation of the study are given in Annexes 1 and 2. Chapter 2 provides general background information on the Palestinian territories: the historical context, demographic data, and development trends and priorities in Palestinian Development Plans. Chapter 3 puts the Netherlands aid into the perspective of total donor assistance and describes the main objectives of Dutch development aid policies in the 1990s, including foreign and development policies for the Middle East. The third section of chapter 3 presents an overview and analysis of the Dutch bilateral aid programme with the PA.

Chapters 4 to 8 are evaluatory chapters, dealing with transport, private sector development, social services, environment and governance. Each has a uniform format, comprising the sectoral background, recipient institutions and institutional setting of the projects, project background and objectives, project implementation and results, and evaluation at the project and sectoral levels.

The findings and conclusions of sectoral evaluations are summarised in the Main findings and Conclusions to be found at the start of the report, together with the Palestinian policy reaction to the evaluation.

Map of West Bank and Gaza Strip



2 PALESTINIAN TERRITORIES: BACKGROUND

2.1 Historical context

Historically, Palestine under British mandatory rule comprised the areas of the present state of Israel and the Palestinian territories:¹ West Bank and the Gaza Strip. The genesis of the Palestine question dates back to 1897 when, during the first Zionist Congress in Basle, a programme was adopted which defined the aim of Zionism as the establishment of a ‘home’ for Jewish people in Palestine, which could only be established through massive immigration and land acquisition. At the turn of the century, the Jewish community in Palestine constituted less than 7 per cent of the total population. The rest were Arab in language, culture, and collective historical memory.

Broadly speaking, the immigration of Jews into Palestine has taken place in two major phases: the first lasted from 1918 to 1948 under the British mandate; the second, after a hiatus of almost twenty years, started in 1967. It was during the period of the British mandate that the demographic, economic, military, and organisational structure of the future Jewish state was laid down. The balance of power between the Palestinian population and the Jewish immigrant population slowly but surely shifted in favour of the latter. By 1947 the Jews were still a minority (only one-third of the population), but already held more power than the Palestinian population.

In November 1947, against unanimous Palestinian and Arab opposition, a UN resolution was adopted that proposed to partition Palestine into a Jewish and an Arab state. The Jews were allotted 55 per cent of the country, although they had owned no more than 7 per cent before partition. Two wars followed: one largely between the Jewish and Palestinian communities, before the end of the British mandate on 15 May 1948; and a second after 15 May between Israel (established on that date) and the Arab armies. As a result of these wars 700,000 to 800,000 Palestinians became refugees (60 per cent of the population), while more than three-quarters of the territory fell to Israel.

In 1967 a six-day war between Israel and the Arab states ended with victory for Israel which conquered the Gaza Strip, the West Bank of the Jordan, East Jerusalem, the Sinai Peninsula and the Golan Heights. The whole of former Palestine was now in Israeli hands and a programme was started to settle Israeli in the Occupied Territories. The UN Security

¹ In this text, the term ‘Palestinian territories’ is taken to mean the Gaza Strip and the West Bank of the Jordan, irrespective of whether these areas are under Israeli or Palestinian control.

Council passed Resolution 242 calling for Israeli withdrawal from (the) occupied territories and the exchange of land for peace. East Jerusalem was formally annexed by Israel in 1980.

After the defeat of the Arab armies in 1967, the PLO (established in 1964) radicalised and included armed struggle as ‘the only route towards the liberation of Palestine’; from the early 1970s, however, it committed itself to both political and diplomatic action. The first result of this new policy was PLO chairman Yasir Arafat’s ‘gun and olive branch’ speech in the UN Assembly in November 1974. The goal of liberating all of Palestine was dropped in favour of creating a Palestinian state on the West Bank and the Gaza Strip. In November 1988—one year after the outbreak of the *intifada*, a mass and initially unorganised insurrection of the people—the Palestine National Council endorsed Resolution 242 and accepted the existence of the state of Israel in its pre-1967 boundaries.

The Israeli government actually accelerated its settlement programme in the occupied territories and continued its attempts to crush the *intifada*. In summer 1990, Arafat decided to associate the PLO with the Iraqi regime of Saddam Husayn. As the Gulf crisis intensified, however, the PLO tried to cover its diplomatic flanks, describing the Iraqi invasion in Kuwait as illegal. In the aftermath of the Gulf war, the American administration proposed a peace conference to be jointly sponsored by the United States and the Soviet Union; in October 1991 the Bush Administration succeeded in engineering the Middle East Peace Conference in Madrid, in which Israel, the neighbouring Arab states, and the Palestinians participated.

The Peace Process, 1991-99

The Middle East Peace Process is a complex web of international negotiations based upon parallel tracks. The bilateral track consisted originally of separate sets of negotiations between Israel, and Syria, Jordan and the Palestinians respectively. The multilateral track aims at building-up confidence among regional parties and at solving a number of complicated issues in five working groups (water, environment, arms control, refugees, and economic development). These groups comprise 12 members of the Arab League, Israel and major donor countries. The Netherlands participates in all five. In September 1993 the regional economic development working group, under guidance of the World Bank, published a first reconstruction and development framework, *Developing the Occupied Territories: An Investment in Peace*.

² This resolution led to still-unresolved battles over language: the French version (*retrait des forces armées israéliennes des territoires occupés lors de recent conflit*) uses the article ‘the’ in referring to the occupied lands from which Israel must withdraw; the English version (*withdrawal of Israel’s armed forces from territories occupied in the recent conflict*), without the crucial ‘the’, left open interpretations that only partial withdrawal was required by the Council.

By 1991 the *intifada* had deteriorated into a Palestinian domestic affair, with an increase in internecine struggle, collaborator killings and occasional outbreaks of factional violence. In addition, the PLO's claim to political primacy came to be challenged by the Islamic Resistance Movement, known by its Arab acronym, Hamas. Initially encouraged and funded by Israel as a counterweight to the PLO, Hamas gained widespread popularity during the *intifada* and emerged in the early 1990s as an uncompromising—and sometimes extremely violent—resistance organisation. Its activities pitched the West Bank and the Gaza Strip into their worst period of violence since the *intifada*. The Israeli government 'indefinitely' closed-off the occupied territories, depriving 189,000 Palestinians of work, demolished scores of houses, and infiltrated Palestinian refugee camps and villages in order to flush out 'masked youth'. The Gaza Strip, seen as 'the base of Hamas', bore the brunt of Israeli punitive measures.

Basically, Israel was just as dissatisfied as the PLO with the lack of progress made in the post-Madrid talks and tried to enter into negotiations with the PLO. Israel's business elite in particular was no longer willing to pay the cost of ongoing occupation, and sought to promote a vision of a 'New Middle East' based on opening-up Arab markets to Israeli goods and services.

In January 1993, Israel and the PLO had secretly entered into direct negotiations in Oslo. These meetings, ranging over eight months, finally produced what became known as the Declaration of Principles: a statement of agreed principles to negotiate an 'agreed framework for the interim period'. After this (five-year) interim or transitional period it was hoped that a permanent settlement would be reached based on UN Security Council Resolutions. The interim period was to start with the withdrawal of Israeli forces from the Gaza Strip and the Jericho area. The final status talks were scheduled to commence not later than the beginning of the third year of this five-year period.

In May 1994, the Cairo (or Gaza-Jericho first) Agreement marked the first stage of implementing the Declaration of Principles and inaugurated the interim period, which expired on 4 May 1999. Under this agreement a Palestinian self-rule regime was established in approximately 60 per cent of the Gaza Strip and a small area around the West Bank town of Jericho. The Israeli civil administration in these areas was replaced by the Palestinian Authority, appointed by the PLO. The Israeli military 'redeployed' while the PA established

a strong police force with which to maintain law and order in Palestinian self-rule areas, in full cooperation with the Israeli security services.

The next major stage of implementing the Declaration of Principles came with the September 1995 Interim Agreement on the West Bank and the Gaza Strip (Oslo II). This classified the West Bank and Gaza Strip into areas with different administrative responsibilities for the Palestinian Authority, and established a schedule for further Israeli redeployment. Israeli forces were withdrawn from 'A areas', consisting of about three per cent of the West Bank (the cities of Nablus, Jenin, Tulkarem, Qalqiliya, Ramallah, Bethlehem and subsequently, in January 1997, 80 per cent of Hebron) and 60 per cent of the Gaza Strip where the PA is responsible for civil affairs and internal security. In 'B areas', consisting of about 27 per cent of the West Bank (primarily several hundred villages), the PA is responsible for certain municipal functions and for 'public order', while 'security' remains an Israeli responsibility. 'C areas', finally, consisting of about 70 per cent of the West Bank and 40 per cent of the Gaza Strip (including all 145 settlements and the new Jewish neighbourhoods in and around East Jerusalem) remain under full Israeli control.

The period since 'Oslo II' has been marked by the further expansion of Israeli settlements and bypass roads, causing repeated clashes, closure of territories, and impasses in the peace talks. The Israeli elections in 1996, after the violent death of Prime Minister Rabin, showed the beginning of a hardened stance on the side of Israel. Prime Minister Netanyahu agreed to meet the Palestinian leader Arafat, at Wye River Plantation, USA, to give a new lease of life to the peace process. The October 1998 Wye River Memorandum reconfirmed earlier agreements, among which Israeli withdrawal from an additional 13.1 per cent of the West Bank, but was suspended by Israel after its withdrawal from only an additional 2 per cent.

The most important issues have been postponed until the final status talks. The agenda of those negotiations includes the borders and nature of the Palestinian entity, the fate of Israeli settlers and settlements, the status of Jerusalem, the rights of Palestinian refugees to return (either to the Palestinian entity or to their abandoned homes in Israel), refugee compensation and water usage. Substantive permanent status negotiations have not yet begun and were therefore not completed before the 4 May 1999 deadline.



Jerusalem

2.2 Geography and population

The Palestinian territories consist of the West Bank with approximately 5,800 sq km and the Gaza Strip with about 365 sq km. The West Bank area is made up of a hilly region in the West and the Jordan Valley in the East. Major towns are: Jenin, Tulkarem and Nablus in the North; Ramallah and Jericho in the centre; and Bethlehem and Hebron in the South. The climate in the West Bank can be characterised as hot and dry during summer and cool and wet in winter. The Gaza Strip has a mediterranean climate and consists mainly of coastal dune sands, being located between the coast and the Negev and Sinai

Deserts. The main town is Gaza City. East Jerusalem links north–south transport in the West Bank.

At the end of 1997, the Palestinian Central Bureau of Statistics estimated the population of the Palestinian territories at 2.9 million, of which 1.9 million resided in the West Bank (including 0.2 million in East Jerusalem) and 1 million in the Gaza Strip. In mid-1997 the United Nations Relief Works Agency (UNRWA) registered 47 per cent of the population as being refugees (32 per cent in the West Bank and 71 per cent in the Gaza Strip). After the 1948 war, 60 per cent of the Palestinian population had become refugees, as three-quarters of Palestine was taken over by Israel. Many refugees still live in camps in Gaza, West Bank, Lebanon and other Arab countries.

Annual population growth has been close to a high 6 per cent in the period 1993–97, due to an overall fertility rate estimated at 6.06 children per woman. Crude birth rates are higher in the Gaza Strip than in the West Bank. In addition, many Palestinians working in Arabian Middle East countries returned to the Occupied Territories after the Gulf crisis, an estimated 15,000 coming from Kuwait and the Gulf. The Palestinian population is relatively young, with about 47 per cent under 15 years of age. The resultant population structure puts pressure on the education system and labour markets.

Between 1992 and 1996, the West Bank Israeli settler population expanded from 112,000 to almost 147,000, only 16 per cent of this being due to natural increase. In the same period, East Jerusalem's Jewish population grew by 22,000 to over 170,000.

The scarcity of land results in high population densities, particularly in Gaza where 2,888 persons live per sq km; in the West Bank the population density is 295 per sq km. These densely populated areas stretch the carrying capacity of the environment, resulting in over-exploitation of water and land resources. In particular Gaza's fragile natural eco-system is threatened by contamination of groundwater and degradation of coastal landscapes.

2.3 Economic indicators

Income and poverty

With a per capita GNP of US\$ 1,630 in 1998 (Source: UNSCO), the Palestinian territories can be characterised as a lower-middle-income economy. Natural resources, including land and water, in the territories are scarce. Only a limited area is suitable for vegetable and fruit production, while a stone and marble industry is found on the West Bank. Excluding the production of Palestinians working outside the territories, the bulk of GDP is derived from public and private services (60 per cent); the remainder is made up of agriculture (16 per cent), industry (15 per cent) and construction (9 per cent).

GDP per capita at the end of 1998 was estimated at US\$ 1380. Due to high population growth and frequent and prolonged Israeli closures, per capita income and production figures fell during the first four years of the interim period. This was in contrast with the period 1985–94 during which both development indicators had improved.

Table 2.1 Average annual real growth of GNP and GDP per capita

	1985–94	1995	1996	1997
GNP per capita	3%	-11%	-7%	-5%
GDP per capita	1%	-10%	-8%	-3%

Source: World Bank, *West Bank and Gaza at a glance, January 1999*.

The economic development of the Gaza Strip lags behind that of the West Bank. Per capita GDP in Gaza is at best two-thirds of the West Bank's and its investment level per head is less than half. However, estimates for 1998 indicate that economic indicators did pick up modestly for Gaza, although its unemployment rates are still considerably higher than those of the West Bank: 30 and 20 per cent respectively.

The geographical dispersion of poverty is furthermore skewed towards rural areas, villages and refugee camps. In the Gaza Strip most pockets of poverty are in the southern areas. In the West Bank 1996 poverty rates were 28 per cent in Jenin, 24 per cent in Hebron governorate, 11.5 per cent in Nablus, 9 per cent in Ramallah and 3 per cent in East Jerusalem. Female-headed households, which account for nearly 6 per cent of total fami-

lies, have a higher poverty rate (30 per cent) than male-headed households (22 per cent).

A study by the Palestine Economic Policy Research Institute has quantified that between 1995 and 1997 there had been a 5.1 per cent increase of population in the West Bank and Gaza Strip living under the poverty line. Causes of increased poverty since the peace accords have included: closures, expropriation of agricultural lands for Israeli settlements and bypass roads, lack of control of water resources, and house demolitions (Palestine Poverty Report 1998, National Commission for Poverty Alleviation). For 28 per cent of Palestinian households a level of absolute poverty was registered in 1997, i.e. about US\$ 650 per family member per year. The incidence of poverty in the Gaza Strip is higher (38 per cent) than in the West Bank (16 per cent).

Trade

The trade balance shows a structural deficit: merchandise imports are about four to five times higher in value than merchandise exports. In 1996, for example, exports totalled US\$ 316 million whereas imports reached US\$ 1,495 million. As a share of GDP, the export of goods and non-factor services ranged between 17 and 20 per cent during 1995–97, as opposed to 61 to 72 per cent for imports of goods and non-factor services in the same period. In 1998, exports grew by less than two per cent against almost 15 per cent for imports.

The Palestinian economy is highly dependent on Israel in terms of both merchandise trade and the export of labour. Over 80 per cent of exports and imports are to and from Israel, where at present 9 per cent of the Palestinian labour force of 585,000 persons is employed. In 1998 more than half the growth in job opportunities for Palestinians occurred in Israel-controlled areas; mainly in construction and agriculture (UNSCO, 1999).

Employment

The local economy has not been able to absorb the returnees from the Gulf States and those banned from working in Israel. In 1993, Palestinians working daily in Israel and Jewish settlements averaged 116,000; this declined to less than 30,000 in 1996 and 1997

and increased again to 55,000 in 1998. As a result, unemployment increased from 6.7 per cent in 1993 to above 20 per cent in 1996 and 1997. Under- and unemployment peaked during Israeli closures in 1996 in particular. In 1998, unemployment decreased for the first time since 1995, to 15.6 per cent.

Palestinian economic development has been below expectations since the peace accords. In particular, the private sector's role in the economy has been disappointing. The share of private investment in GDP fell from 19 per cent in 1993 to 10 per cent in 1997. The Palestinian Authority, with the financial help of the donor community, has stimulated the economy through public investments and by providing employment to Palestinians.

As a result, the size of the public sector increased, both in terms of expenditure and of personnel. At the end of 1997 the Palestinian Authority had 86,800 people on its pay-roll.

Closures

The uncertain border status, Israeli security procedures and closures (as of March 1993) have been the principal causes of the declining economic performance. The World Bank estimates that Israeli closures have cost the Palestinian economy between US\$ 6 million and 10 million per day. In 1996 the West Bank and the Gaza Strip were closed-off for 82 days, excluding weekends. Calculated at US\$ 8 million per day, the closures cost about US\$ 656 million, more than the amount of aid disbursed and almost one-fifth of GDP in that year. In 1998, the number of closures fell to 26 days, or 14.5 effective days excluding weekends. This meant a loss of 5.2 per cent potential work days, compared to 20.5 per cent in 1997.

Table 2.2 Aid and estimated cost of Israeli closures

	1996	1997	1998
GDP (US\$ million)	3,413	3,396	3,467
Disbursed aid (US\$ million)	572	544	400
Disbursed aid/GDP (percentage)	17	16	12
Effective closure days	82 (est.)	57 (est.)	14.5 (est.)
Closure costs (US\$ million)	656 (est.)	456 (est.)	116 (est.)

Source: World Bank, MOPIC and UNSCO.

In 1997 and 1998 aid levels were higher than the cost of closures. Disbursed aid as a share of GDP reached 17 per cent in 1996, 16 per cent in 1997 and 12 per cent in 1998. In 1996, Israeli closures made it necessary for Palestinian policymakers to trade-off medium and long-term development objectives against short-term emergency needs. In 1997, also, many donor-funded projects were refocused from development to social safety nets, such as immediate job creation.

The frequent closures since 1994 have affected the lower-income section of the population in particular, due to declining demand for Palestinian labour in Israel.

2.4 Palestinian development plans

Medium and long-term development views prepared by the Palestinian Authority have been presented in the Palestinian Public Investment Programme for 1997, and in 'rolling' Palestinian Development Plans (PDP), two of which have been prepared: the PDP 1998–2000 and the PDP 1999–2003. The long-term development philosophy underlying these documents is based on an outward-looking strategy and private sector-led economic growth.

The 1997 Public Investment Programme

The one-year Public Investment Programme (PIP) for 1997 amounted to US\$ 845 million, a rise from US\$ 552 million in 1996, and consisted of the following four investment components (percentage share of the total PIP budget):

- physical infrastructure (42.1 per cent);
- social sectors (33.7 per cent);
- direct support of private sector development (16.3 per cent);
- capacity-building for the public sector (7.9 per cent).

The Gaza harbour and airport and the Karni Industrial Park project in Gaza were mentioned in the 1997 PIP as key projects to redress the closure-induced constraints on external trade.

The 1998–2000 Palestinian Development Plan

The financial envelope of the 1998–2000 PDP was US\$ 2.7 billion, considered realistic by the PA in terms of recurrent costs and financial ceilings. Safe passage for Palestinians and goods between the West Bank and the Gaza Strip was mentioned in the PDP 1998–2000, in addition to the aim to decrease unemployment through providing 100,000 new jobs by the year 2000. The economic emphasis in this PDP was on small production facilities, development of the agricultural sector, and tourism. The empowering of women was mentioned under human resources development, with particular emphasis on girls education. With respect to the private sector the Authority wanted to create an enabling environment, among other things, by dismantling existing monopolies and encouraging a competitive business environment. In the field of human rights, the Palestinian Authority would protect freedom of speech and thought, and implement a law guaranteeing human rights protection. The main four programme areas were to be funded as follows (percentage share of the total PDP budget):

- Infrastructural development (water, wastewater and transportation): 49 per cent;
- Institution capacity-building (legal and regulatory framework): 10 per cent;
- Social and human resource development (education, health, housing): 21 per cent;
- Economic sector development (labour-intensive industries, land reclamation, rural development and tourism): 19 per cent.

The 1999–2003 Palestinian Development Plan

The latest PDP is the second three-year rolling plan (1999–2001), supplemented by projections for another two years (2002–2003). This Plan, released in January 1999, presents three medium-term scenarios for the Palestinian economy during 1999–2003. The first assumes some improvement in conditions, including the timely opening and operation of the Gaza industrial estate, full operation of Gaza international airport, and the establishment of safe passage. The second scenario assumes improved conditions and complete freedom of movement for goods and people. The third scenario simulates unchanged conditions. The results of these scenarios illustrate the implications of development constraints since ‘Oslo’ in terms of labour-employment, savings-investment and export-import gaps. Because the best results will be obtained under the second scenario, the PDP not only pleads for continued donor assistance but also for help to ensure a ‘political and economic setting different from the one that currently exists’. A basic assumption of

the PDP is therefore that ‘international financial support will be accompanied by increasing international political support in order to relieve the Palestinian economy from the present continued constraints and restrictions hindering development efforts and rendering the use of donor money less effective.’

Four policy objectives are given by the plan:

- Optimal use of natural and human resources
- A new legal and modern institutional framework
- Macro stability and micro efficiency
- Reorientation of trade flows in order to reduce dependency on the Israeli economy.

The resource framework for the first three years in the 1999–2003 PDP totals US\$ 2.6 billion. The sectoral ceilings are: infrastructure 49 per cent, social sectors 25 per cent, productive sectors 17 per cent, and institution building 9 per cent of the total PDP budget.

3 POLICY AND PROGRAMME CHARACTERISTICS

3.1 Development aid to the Palestinian territories

The signing of the Declaration of Principles in 1993 was followed by a donor meeting at which the mobilisation of resources in support of the peace process was discussed. According to the Palestinian Ministry of Planning and International Cooperation (MOPIC), total donor assistance over the period 1994–98 included pledges totalling US\$ 4.2 billion, of which US\$ 3.5 billion was committed and US\$ 2.5 billion was actually disbursed.

The total commitments and disbursements are presented by year in Table 3.1.

Table 3.1 Annual commitments and disbursements, 1994–98 (in US\$ million)

	1994 & 1995	1996	1997	1998	1994–98
Commitments	1561	882	685	413	3541
Disbursement	1112	572	544	277	2505

Source: MOPIC's 1998 Third Quarterly Monitoring Report of Donor Assistance.

Almost all donor assistance has been in the form of grants. Of the total disbursements of US\$ 2.5 billion, 96 per cent was donated as a grant, whereas 4 per cent was provided as a loan. With a population of 2.89 million (October 1997 census), total disbursements represented US\$ 865 per capita in the 1994–98 period.

On the basis of MOPIC's donor assistance database, total aid disbursements were allocated by category as shown in table 3.2:

Table 3.2 Disbursements by category, 1994–98 (in percentages)

Category	Percentage
Public investment	38
Transitional & budgetary support	21
Technical assistance	18
Equipment	7
Various categories	7
In kind	4
Private sector support	3
Employment generation	2
Total disbursements 1994–98	100

Disbursements for the 1994–98 period to the main development sectors were as follows:

Table 3.3 Disbursements by main development sectors, 1994–98 (in percentages)

Sector	Amount (US\$ million)
Multiple sectors: projects related to more than one sector	597.2
Water and sanitation, including sewerage	315.0
Education	297.3
Institutional building ^a	247.6
Health, including health care and medical equipment	193.5

^a MOPIC's sectoral definition of Institution Building includes: Institutional support and development, technical assistance (exclusive of being a project component), equipment supply, human resource management, and training and institutional scholarships. Projects outside institutions are excluded.

The Netherlands ranks eighth among donors in terms of disbursed aid in the 1994–98 period.

Table 3.4 Disbursements by the 20 major donors, 1994–98 (in US\$ million)

Rank	Donor	Amount	Rank	Donor	Amount
1.	USA	344.7	11.	Sweden	66.9
2.	Japan	306.1	12.	Italy	60.3
3.	European Union	298.3	13.	France	52.7
4.	Germany	270.8	14.	Denmark	50.9
5.	Norway	221.4	15.	United Kingdom	39.6
6.	Saudi Arabia	133.1	16.	Canada	34.8
7.	World Bank	127.6	17.	Kuwait	24.0
8.	Netherlands	113.2	18.	Austria	19.3
9.	Spain	86.0	19.	United Arab Emirates	19.0
10.	Switzerland	82.2	20.	Belgium	17.3
				Remaining donors	137.7

Special organisational structures for the management of donor investment were created shortly after the Washington Conference in October 1993. The Ad Hoc Liaison Committee (AHLC) was then established as the principal policy coordination body for development efforts in the West Bank and Gaza. AHLC members are: Canada, the European Community, Japan, Norway, Russia, Saudi Arabia and the United States. In November 1994, the AHLC set-up the locally-based Joint Liaison Committee (JLC) to better coordinate development efforts on the ground and to boost the transformation of pledges into disbursements. The JLC was structured as the local counterpart of the AHLC, addressing policy and political issues. It also monitors the Tripartite Agenda for Action (TAP) which addresses development constraints of the Palestinian people including revenues, expenditures and donor funding, and specifies responsibilities of the PA, the Government of Israel, and the AHLC. An initial TAP was agreed by the first two of these and the donor community at the April 1995 AHLC meeting in Paris.

In addition to AHLC, a World Bank Consultative Group was established as a forum for all donors. Consultative Group meetings have been occasions for donors to discuss specific programmes and to pledge and/or commit funds. Besides JLC, a Local Aid Coordination Committee (LACC) has been established as a supplementary committee to increase the efficiency of development efforts at the local level. This is an all-donor body, similar to the

Consultative Group. Approximately 25 to 30 donors, including Israel, are represented at meetings of LACC.

In an effort to improve information sharing and coordination at the operational level and to direct donor assistance towards the needs and priorities identified by the Palestinian Authority, the LACC has established twelve Sector Working Groups (SWGs). Each of these is composed of all donors interested in that particular sector, with one donor representative acting as Shepherd of the group, a representative of relevant PA ministries as Gavel Holder and the World Bank and/or the United Nations Special Coordinator's Office (UNSCO) as Secretariat. The SWGs cover the following sectors: agriculture, education, employment creation, environment, health, infrastructure and housing, institution-building, police, private sector, public finance, tourism, and transport and telecommunication. The Netherlands is Shepherd for the Environment SWG. The extent to which SWGs have succeeded in coordinating donor activities according to Palestinian Authority priorities in the sectors evaluated in this study is discussed in the evaluatory chapters 4–8.

Parallel to these multilateral mechanisms, some donors and aid agencies conduct formal bilateral consultations with the PA; the Netherlands has not so far established such a formal bilateral policy dialogue.

3.2 Dutch aid policy

Dutch development aid policies for the 1990s have been set out in the policy documents: *A World of Difference* (1990) and *A World of Dispute* (1993).

In *A World of Difference* the sustainable relief of poverty was taken as the key target of Dutch aid policy, distinguishing the following three components:

- investing in people, particularly the poor, to strengthen their productive capacity;
- improving the provision of basic needs;
- encouraging participation of the poor in the political decision-making process.

A World of Difference emphasised the alleviation of poverty from the bottom up and stressed the importance of adequate social conditionalities. Sectoral and thematic policy areas were formulated for: rural development, urban poverty alleviation, education and health care for all, culture and development, governance and the role of the market, and women in development.

The many conflicts that surfaced within and among countries after the fall of the Berlin Wall in 1989 brought the recognition that Dutch development aid needed capacity and instruments with which to deal with the instability caused by such conflicts and tensions. In *A World of Dispute* (1993), development cooperation was presented not only as a means by which to promote an equitable international order but also as an instrument with which to prevent disorder. Activities were needed to prevent any escalation of hostilities and to promote social rehabilitation in post-conflict societies. Good governance was also promoted, including proper administration and a participation-oriented social structure.

In 1995, the Dutch foreign policy as a whole was subjected to review: all components of foreign policy, including development cooperation, were in future to be closely coordinated in order to increase their effectiveness. A separate policy paper, *Aid in Progress* (1995), highlighted the implications for development cooperation, including a reduction of project aid in favour of programme aid, simplified aid procedures, the delegation of tasks to embassies, and more responsibilities for aid recipients.

Two regional policy plans have been produced that were relevant to the Palestinian territories. The first presented the Netherlands aid programme and policy intentions for the Nile and Red Sea Region during the period 1992–95. The second policy document, published in August 1997, focused on the establishment of a comprehensive, just and permanent peace in the Middle East. Dutch Middle-East policies are elaborated upon below.

Dutch foreign policy for the Middle East

After the Suez crisis in 1956 the Netherlands delivered substantial arms supplies to Israel. This was caused to some extent by national economic interests concerning free passage through the Suez canal and by Cold War tactics: Egypt was to some degree on the side of the Soviets. The emotional involvement with Israel reached its peak during the June 1967 war in which the Netherlands supported Israel militarily and morally. The sympathy of the Netherlands towards Israel was also made clear by Dutch efforts to reach a preferential trade agreement between Israel and the European Community (signed in 1970) and by the fact that after 1967 the Netherlands represented Israel's interests in Moscow. For a long time the Netherlands voted against UN resolutions that explicitly recognised the Palestinian right of self-determination, usually joined in doing so by the United States and Israel, while most West European countries abstained from voting.

Dutch relations with the Palestinians were restricted to the provision of humanitarian aid.¹ The Netherlands government was in favour of Israel's 'withdrawal from occupied territories' in return for Arab recognition of Israel and, therefore, voted for UN Security Council Resolution 242.² Israel rejected the Resolution mainly because the proposed withdrawal included East Jerusalem. Subsequently, the Netherlands government reverted to the established pattern and voted against UN resolutions that called for recognition of the political rights of Palestinians, hereby isolating itself from its EC partners.

In the early 1970s, Dutch policy towards the Middle East became more in line with EC policy and, as a consequence, distanced itself to some extent from its avowed pro-Israeli stance. This change became clear in 1972 when the Netherlands, together with its EC partners, after serious doubts voted for a UN Resolution that included a paragraph in which the political rights of the Palestinians were mentioned. During the October 1973 war, with Egypt and Syria both fighting Israel, the Netherlands again supplied the latter with arms and offered landing facilities to American aircraft on behalf of the American airlift of weapons to Israel.

This pro-Israeli stand caused the Netherlands, together with the United States and several other countries, to be hit by an oil embargo initiated by the Organisation of Arab Petroleum Exporting Countries. As a result Dutch policy towards the Middle East underwent a major shift, becoming more attuned to the rather pro-Arab policy of the European Political Cooperation (EPC)³ in order to improve its political relations with the Arab world as well as to safeguard the large Arab market for Dutch business. The Netherlands supported EPC statements demanding Israeli withdrawal from the occupied territories and recognising the right of Palestinians to participate in peace negotiations. In 1977 an EC declaration was supported in which the legitimate rights of Palestinians to express their national identity was mentioned and also the need for a Palestinian homeland.

In June 1980, the Venice Declaration stated that the Palestinian people must be enabled to exercise fully their right of self-determination. Although the Netherlands signed the Venice Declaration, its policy towards the PLO was ambivalent. In the 1980s, Dutch public opinion with regard to Israel started to change: Israel's invasion of Lebanon and its suppression of the intifada gave rise to numerous violations of human rights. Dutch support to Israel after the targeting of Iraqi Scud missiles on Tel Aviv during the second Gulf war (early 1991) made it clear, however, that the special relationship with Israel still existed.

¹ An extensive overview of Dutch foreign policy with respect to Israel and the PLO is given in Ph. Everts (ed.), *Dilemma's in de buitenlandse politiek van Nederland*, Chapter 7, F. Grünveld, 'Israel versus de PLO', pp. 181-211.

² The Netherlands government explicitly referred to the English version of the Resolution (see Ch. 2.1 above).

³ In 1970, on the basis of the Davignon report, an attempt had been made to bring European foreign policy onto an intergovernmental level through establishing the European Political Cooperation.

The Gulf War and its aftermath paved the way for the Middle East Peace Conference in Madrid, engineered by the United States, and for the Oslo agreements. The signing of the Declaration of Principles in September 1993 led to considerable intensification of Dutch aid to Palestinians living in the West Bank and the Gaza Strip with the Netherlands becoming one of the main donors. In September 1994 the Netherlands opened its representation to the Palestinian Authority in Jericho. In the course of 1998, the EU, and the Netherlands in particular, expressed grave concern regarding the human rights situation in the occupied territories.

In its bilateral relations the Netherlands tries to strengthen its relations with Middle Eastern countries and supports initiatives by regional partners towards intensifying regional cooperation. It also participates in the five working groups involved in the multi-lateral track of the Middle East Peace Process, and continues to support attempts to reactivate this approach. In this respect, the Netherlands assumes that it can build on its friendly relations with Israel, the Palestinians, Egypt and Jordan.

Dutch aid policy for the Middle East

Dutch policy since the Oslo agreements has developed fully in line with the international consensus approach - 'aid as the cement of peace'. Accordingly, the Netherlands considerably intensified its development assistance from 1994 onwards. Time and again, Dutch ministers referred explicitly to the danger of further radicalisation as a result of worsening social and economic conditions. Assistance was directed particularly towards income-generating activities and the promotion of economic growth via improvements in the physical infrastructure and institutional strengthening. In consultation with the international donor community and the Palestinian Authority, the Netherlands focused its efforts on the employment, education, agriculture and health care sectors, and is also an important donor in the area of the environment in Palestinian territories (see Chapter 7).

A large part of Dutch aid has been supplied via international organisations such as the World Bank, the United Nations Development Programme (UNDP) and UNRWA. Part is also channelled via Non-Governmental Organisations (NGOs), including the Dutch co-financing organisations. Budget support to the Palestinian Authority has been supplied via the Holst Fund, managed by the World Bank. UNRWA has received from the Netherlands, in addition to a contribution to its general budget, specific contributions for

projects relating to such matters as education and the construction of sewerage systems and shelters. Dutch policies became increasingly directed towards bilateral cooperation with the Palestinians, with a view to improving the management and implementational capacities of their institutions. The Netherlands is making a substantial contribution to the opening-up of Gaza, for example, by paying for preparatory studies for the construction of the Port of Gaza, and reserving a substantial amount of ORET funds for actual engineering works.

While the peace process slowly but steadily moved towards deadlock, Dutch and other donor aid efforts carried on unabatedly between 1994 and 1998. The Dutch aid programme for the Palestinian territories is described below.

3.3 Main programme characteristics

Netherlands Government commitments for aid activities with the Palestinian Authority totalled NLG 335 million at the end of 1998. Disbursements then totalled NLG 256.6 million, resulting in a Disbursement/Commitment ratio of 77 per cent. The difference between commitments and disbursements can largely be explained by the delayed construction of Gaza harbour and related technical assistance and training for which NLG 45.0 million had been budgeted in 1994.

On average, annual disbursements in the evaluation period amounted to NLG 51.3 million. The largest outgoings were made in 1996, for emergency clearance campaigns, the Holst Fund (World Bank-managed programme aid), construction of schools and provision of schoolbooks, financial support to and training of the Palestinian police force, and the design study of Gaza harbour.

Table 3.5 Overview of Dutch bilateral aid to the Palestinian Authorities, 1993–98 (NLG million)

	1994 ^a	1995	1996	1997	1998	1993–98
Disbursements	45.26	38.88	93.28	44.25	36.98	256.65

^a Upto and including 1994.

Project aid represented 75 per cent of the total disbursed Dutch aid of NLG 257 million. The bulk of the programme aid was provided to the good governance sector (Holst Fund).

Dutch aid has been disbursed to the following sectors and categories, upto and including 1998.

Table 3.6 Dutch bilateral aid by sector and category, 1993–98

Sector	Amount (NLG million)	Share of project aid (percentage)
Social services	90.3	94
Good governance	67.5	18
Transport	51.1	100
Private sector development	23.3	92
Environment	9.8	100
Others	14.8	82

Dutch bilateral aid has mostly been ‘nation-wide’ with some concentration of activities on Gaza. In value terms, 72 per cent of aid disbursed upto and including 1998 was destined for West Bank and Gaza, whereas 24 per cent was specifically for the Gaza Strip. Relatively few projects were focused on East Jerusalem or on the West Bank as a region.

Table 3.7 Dutch bilateral aid by region from 1992 upto and including 1998

Region	No. of activities	Value (NLG)	Value (%)
West Bank	18	8,982,858	3.5
Gaza Strip	41	60,488,124	23.7
East Jerusalem	9	1,612,255	0.6
> 1 Region	135	184,266,587	72.2
Totals	203	255,349,824	100.0

^a Not included are nine activities for which no disbursements have been made, and 11 regional activities.

After the Oslo accords, Dutch bilateral aid flows were channelled increasingly through the Palestinian Authority in order to support the self-government of Palestinian territories after the transition period. In 1994, when the Palestinian Authority was established, it received 29 per cent of total aid disbursements. In the period 1995–98 this ranged between 55 and 71 per cent. Aid disbursements to NGOs and co-sponsoring channels decreased, although this recovered in 1998. With Palestinian Ministries in place and a

balanced budget of the Palestinian Authority in 1998, aid disbursed through co-financing with multilateral or other bilateral donors declined in 1997 and 1998.

Table 3.8 Dutch bilateral aid disbursed by recipient category, 1994–98 (NLG millions)

	1994	%	1995	%	1996	%	1997	%	1998	%
Aid to PA entities	12.6	29.1	20.7	57.7	48.3	55.1	29.7	70.7	19.2	58.6
Aid to or via NGOs	10.0	23.1	5.6	15.5	6.3	7.2	5.2	12.4	8.3	25.3
Co-sponsoring	17.7	40.8	9.6	26.7	30.5	34.7	6.1	14.6	4.5	13.8
Others	3.0	7.1	0	0.0	2.6	3.0	1.0	2.3	0.7	2.3
Total	43.3	100.0	35.9	100.0	87.7	100.0	42.1	100.0	32.7	100.0

Dutch bilateral aid activities in the Palestinian territories are mostly small value projects of short-term duration, 69 per cent being of less than NLG one million. Only four activities have exceeded a committed value of NLG 10 million: three ORET projects (export grants) and programme aid to the Holst Fund. The ORET projects comprised the commitment for the construction of Gaza harbour and the actual delivery of 75 buses and two Fokker 50 aircraft. In terms of project life, 55 per cent of activities had a duration of less than one year, whilst 24 out of 216 had a project life of over three years. These included the construction of schools, projects related to Gaza harbour, institution building projects in the agricultural and water sectors, assistance to Local Governments, and a number of private sector development projects.

Table 3.9 Dutch bilateral aid activities by duration, 1993–98

Duration	No. of activities	Percentage
Less than one year	118	54.6
Between one and two years	40	18.5
Between two and three years	34	15.7
Over three years	24	11.1
Total	216	100.0

The Dutch bilateral package has not included much long-term technical assistance. Out of the sample of 75 projects evaluated by IOB, only ten activities received technical assistance for more than six months. The philosophy apparently has been to support light,

flexible and short-term project structures in the field which concurred with Dutch policy directives for ‘countries in conflict or rehabilitation’.

In 1996 the administrative responsibility of the bilateral aid programme was delegated from The Hague to the Netherlands Representative Office to the PA, with the exception of the export development-related (ORET) projects. The regional water and competitiveness projects, and the human rights projects.

4 TRANSPORT

4.1 Background

The West Bank and the Gaza Strip are separated by some 40 kilometres of Israeli territory. Before 1967, the West Bank was under the jurisdiction of Jordan and the Gaza Strip under Egyptian rule. The West Bank enjoyed open connections with Jordan and had a small airport north of Jerusalem. The Gaza Strip had an opening to Egypt and benefited from a UN airstrip as well as a small seaport. Earlier, before the 1948 war, Gaza was situated on a railway line running from Egypt to Turkey, which had connections with Tulkarm and Nablus on the northern part of the West Bank.

The 1967 war effectively cut off the territories from Jordan and Egypt; only an Israeli-controlled passage to Jordan remained, whilst in 1979 a single passage was opened to Egypt. Travel from the Palestinian territories to Israel was permitted, although such movements were strictly controlled through a system of permits. In the period of Israeli occupation of the West Bank and Gaza between 1967 and 1994, the existing infrastructure was severely neglected. Some 150 Israeli settlements were established in the occupied territories, interconnected by a system of highways and roads into Israel. Railways, air and seaports were no longer at the free disposal of Palestinians.

When, in 1994, the Palestinian Authority was established in Gaza and part of the West Bank, the only mode of transport available was a deteriorated system of highways and streets, intersected by Israeli-controlled roads to the settlements. The system of travel permits was continued, with severe limitations on travel to Israel, between the West Bank and Gaza as well as to East Jerusalem. Public transport facilities were limited to buses, shared taxis and city taxis, albeit that between 1967 and 1994 the number of buses fell from 1,200 to 460. The buses, mostly old and in a poor state of repair, ply without fixed schedules, severely restricted in their operations by the fact that they are not allowed to use the main hub for intra-West Bank connections: East Jerusalem. This affects the profitability of bus companies; connections to and from East Jerusalem are maintained by illegal taxis.

4.1.1 *Palestinian transport policy*

In view of the poor transport situation, the Palestinian Authority has given priority to investments in transport infrastructure. The aim is to improve the mobility of people and goods within and between the West Bank and Gaza, as well as to Israel and other neighbouring countries. This includes the direct connection—also indicated as ‘safe passage’—between the West Bank and Gaza, a commercial airport and seaport in Gaza, all of which are subject to Israeli consent. The Gaza harbour and airport projects were taken up as strategic projects in the 1997 Palestinian Public Investment Programme, and mentioned as national priorities and basic assumptions in the two subsequent Palestinian Development Plans. The airport in Gaza, although still under control of Israel, became operational in November 1998; also the seaport and safe passage are still subject to political debate in Israel. The Wye River Memorandum in 1998 had brought the issues momentarily close to solution, but soon after political complications dampened the possibilities for a quick decision on both seaport and safe passage.

The Palestinian Development Plan 1999–2003 allocates almost 50 per cent of the budget to infrastructure and natural resource management, one-quarter of this being earmarked for transportation. Road construction gets second priority in this budget, after water and waste water projects. Regional roads connecting the governorates have top priority and second priority concerns all-weather local roads, connecting villages and rural communities to regional roads. The Ministry of Planning and International Cooperation has developed a road strategy to determine priorities in regional and local road construction, aiming at a well-integrated regional road network. The strategy mainly comprises the construction of North-South connections in both Gaza and the West Bank, with sufficient East-West connections in the latter to link the most important economic centres to the main road. The construction of a safe passage between Gaza and the West Bank is considered a prerequisite for economic and social integration and development, to ensure the economic viability of the Palestinian territories.

4.1.2 *Institutional framework*

The institutional setting for transport development is extremely complicated, since in effect three territories are involved: Israel, Gaza and the West Bank; moreover, within the Palestinian territories there are three different security areas. The Palestinian Authority is only allowed to construct roads in A and B areas, but most planned highway connections will touch all types of security areas. This means that coordination with the Israeli author-

ities is required in virtually all planned constructions. It is also required for construction of the port, the safe passage through Israel and the organisation of public transport, including the operation of the commercial airport in Gaza.

On the Palestinian side, various institutions share responsibility with regard to transport. The Ministry of Transport is basically responsible for the transport sector in terms of rules and regulations, licences, prices and inspections. Several other Ministries and public institutions are involved in diverse aspects of the transport sector:

- The Ministry of Planning and International Cooperation deals with infrastructural planning in the Palestinian territories, including the Gaza seaport;
- The Ministry of Public Works awards contracts for construction projects and takes care of maintenance of (mostly urban) streets and highways;
- The Ministry of Local Government is concerned with planning for towns and villages;
- City Municipalities are responsible for the construction and maintenance of streets in their jurisdiction;
- The Palestinian Economic Council for Development and Reconstruction (PECDAR) raises donor funding for highway construction and maintenance and supervises these activities according to World Bank standards;
- The Palestinian Civil Aviation Authority is responsible for the operation of Gaza Airport;
- Palestinian Airlines operate the scheduled and chartered flights of Palestinian aircraft.

Buses are operated by private bus companies, united in a Federation of Bus Companies in the West Bank and Gaza. This Federation defends the common interests of companies, but cooperation and coordination between them with regard to bus operations is limited.

4.2 Programme overview

According to MOPIC data, donor disbursements in transportation during 1994–98 amounted to US\$ 49 million, 2 per cent of total disbursements for all sectors in that period. In addition to the harbour and seaport projects, small-scale infrastructural works have made a significant difference to the quality of life of many Palestinians: the construction of rural and urban roads, new water and sanitation projects, improvements in waste disposal, and access to energy sources. In Gaza, construction of the North-South route (Salah Eddin Road) has effectively opened-up Northern Gaza, which was almost

inaccessible during winter. In transportation, the Netherlands is the largest donor in terms of disbursements, followed by Japan, Germany, Spain and the USA.

The larger infrastructural projects encounter many implementation problems, emanating from strained relations with Israel, and are dependent on progress in the peace process. Towards the end of 1998, some progress was made as the airport was able to start operations and a first phase of the Gaza Industrial Estate was realised (although the Industrial Estate still does not function as a Free Trade Zone).

In the period 1994–98, the Netherlands disbursed some NLG 51 million, including money to projects for the development of transport facilities (aircraft and buses), and has further committed some NLG 45 million (Gaza Port). The funds for these three projects are drawn from the Dutch budget for Export Transactions Relevant to Development (ORET), which provides grants to fund part of development-relevant transactions; the recipient organisation has to borrow the remainder on commercial terms. The following transactions have been funded and selected for evaluation.

Table 4.1 overview of the Dutch-funded transport projects

Project	Amount	Year of implementation
Commercial air transport exploitation	NLG 28,350,000	1996
75 buses for the Palestinian Bus Federation	NLG 15,596,000	1997
Gaza Seaport (commitment)	NLG 45,000,000	
Total	NLG 88,946,000	

The value of the projects covered by this evaluation (disbursements and commitments) represents some 88 per cent of the total Dutch allocation to the transport sector. In the early stages of the programme, the Netherlands put great importance on improving the physical infrastructure in Palestinian areas, with the aim of enhancing conditions for increased employment and exports. At present, the Netherlands pursues these objectives mainly through private sector development programmes (small credit schemes and export promotion, Chapter 5) and social services (PARC rural road construction, Chapter 6).



4.2.1 Commercial air transport exploitation

Background and objectives

The Palestinian Authority has acquired autonomy over Gaza and parts of the West Bank. As yet, however, there is no open access to foreign countries and no authority over good road and rail connections to neighbouring countries or between Gaza and the West Bank; moreover, Gaza does not have a modern seaport and, until late 1998, the airport could not be used for commercial operations. The Palestinian Authority has put high priority on the development of an internal and external transport network, including a Palestinian airline. The Oslo Accord had permitted the Palestinian Authority to procure aircraft and, hence, on 14 May 1996 two used Fokker 50 aircraft were purchased in the Netherlands for NLG 35 million. The Netherlands development authorities provided an exceptionally high ORET grant of 81 per cent of the transaction amount (40–45 per cent was the grant maximum). The deal included two used aircraft; training of pilots, mechanics and cabin staff; maintenance and engineering support; a stock of spare parts and tools; and ground support equipment. Germany and Spain provided equipment for Gaza airport during the evaluation period.

The objective of the transaction was to establish a reliable and safe airline operating out

of Gaza, with direct connections to airports in the region (Gaza to Amman, Cairo, Damascus, Beirut, Jeddah and Larnaca). The project was also intended to ensure a maximum transfer of Fokker aircraft and technical expertise to Palestinians to enable them to operate the aircraft independently once the support programme was finalised.

Implementation and results

The aircraft have been delivered with a delay caused by Israeli refusal to grant landing rights for Gaza; matters concerning security and procedures had not been worked out in mutual agreements. The aircraft ultimately arrived on 8 July and 7 August 1996 respectively, but their actual operation started in 1997 out of Egypt (El-Arish). Operating out of Gaza became possible when Gaza airport was opened and became operational on 24 November 1998. The commercial use has gained momentum and other elements of the contract with regard to training, spare parts and maintenance have been carried out. If maintenance costs can be controlled, operation at break-even levels can be realised in the near future. Regular flights have been established to Amman, Cairo and Jeddah, albeit at a lower frequency than anticipated. The passenger load factor in 1998, the first full year of operation, was 64 per cent for regular flights and 47.5 per cent for charter flights. The latter concerns pilgrim flights to Jeddah, which always include an empty in- or outbound flight. In 1996, Palestinian Airlines signed a 'continuous technical support package' with Fokker for a period of five years, and plans to extend this contract when the present phase expires.

4.2.2 75 Buses for the Palestinian Bus Federation

Background and objectives

In the absence of railway links, buses play an important role in public transport. The organisational structure of bus companies has not changed fundamentally since its inception under the British Mandate: concessions for routes are awarded to bus companies provided that their vehicles are not older than 15 years. Since the stock of buses had aged considerably under occupation, this condition was occasionally relaxed to 19.5 years. Some 85 companies now operate less than 500 buses. The shortage has created a market for official and illegal taxis. The latter are tolerated by Palestinian Transport authorities in view of the employment they offer, despite the fact that they often consti-

tute safety and environmental hazards. In 1995, two-thirds of the buses in the Palestinian territories were older than 15 years; mostly because no new buses had been acquired since 1988. The Authorities therefore put much emphasis on the need for new buses, and uses an ORET grant to procure 75 buses from the Dutch firm Den Oudsten. Initially, the standard ORET grant of 40 per cent of the transaction value was granted; however, the repeated closure of important roads by Israel meant that profit expectations had to be adjusted downward and an exceptional concessionality of 60 per cent was deemed necessary for the contract to be carried through. Germany supplied 15 vans in 1995.

The objective of the delivery of buses was to raise the service level in public transport through improved reliability and efficiency; increased carrying capacity of regular public transport; replacement of old buses; and improved driving and maintenance capabilities of private bus companies.

Implementation and results

The buses were delivered in 1997 and have since become fully integrated into the route network of the various companies. They are reported to offer safety, comfort including air conditioning and easier (dis)embarkation for women, reliability, speed and fuel economy (down from 85/90 litres/day to 50/55 litres/day). Profitable operations are difficult due to the repeated road closures by Israel, the inability to offer services between Gaza and the West Bank, or to use East Jerusalem as a hub from North to South West Bank. Routes to foreign destinations such as Amman are also not allowed. Some 60 buses are used for new routes or tasks, such as school buses, whilst 15 have been used to replace obsolete buses. A small training component has been provided for drivers and substantial training for maintenance staff.

4.2.3 Gaza Seaport

Background and objectives

In 1994 a Dutch fact-finding mission supported the need for a seaport in Gaza to guarantee the free import and export of goods and private international travel. At present, the Palestinian territories form a de facto customs union with Israel whereby Israeli authorities control all movements of goods and persons into the territories. The Netherlands

Government committed NLG 45 million of ORET funds to the construction of a seaport in Gaza and to training of port personnel. The contract for the project has been agreed between the Palestinian Authority and the European Gaza Development group, a consortium comprising a Dutch company, Ballast Nedam, and a French company, Spie Batignolles. France has also put in a grant element of US\$ 20 million.

The objectives of the project are to create direct and indirect employment; to establish an efficient seaport authority; to reduce transit costs by avoiding Israeli ports for the export and import of goods, and thus to improve export earnings.

Implementation and results

It has proved difficult for the Palestinian Authority to reach consensus with Israel on issues regarding engineering, operations and security. At present, security still remains a bone of contention. As a result, no disbursements have been made for the actual port construction, nor has a tender been floated for the training of port personnel. Under its stipulations, the initial 1994 contract expired after five years; hence, certain clauses and conditions may have to be re-negotiated in the light of actual developments and needs. The Dutch Government has tried to accommodate the various Israeli conditions and environmental concerns through additional disbursements and commitments from its regular development budget. An institutional study has been carried out by the ports of Rotterdam and Amsterdam, which may result in a lasting relationship between Gaza and some Dutch ports. Already the City of Amsterdam has signed a memorandum of understanding with respect to development cooperation and assistance for Gaza port. Some NLG 560,000 has been disbursed for environmental impact assessments (see Chapter 7), NLG 180,000 for institutional and security studies, whilst a further NLG 1,850,000 has been committed for construction supervision. In addition, an annual NLG 5 million for supplementary sand deliveries to the North of the harbour has been promised for a duration of five years.

4.3 Evaluation

Policy relevance

The transport projects have addressed some top priorities of the Palestinian Authority. At the time of its establishment, the Authority was confronted with a run-down infrastruc-

ture and a lack of open access to other countries. The buses have contributed to safer and more reliable public transport, and the aircraft have allowed direct contact with other countries in the region. Commitments for the seaport in Gaza not only address a priority and need of the Palestinians, but also serve as political support for their desire to gain independence. The transport projects are in line with Dutch Middle East policies, which emphasise the need for economic development of the Palestinian territories. Large differences in economic development between Middle Eastern countries are considered to be a threat to stability.

Effectiveness

The projects for aircraft and buses have attained their immediate objectives: the deliveries have been made, including necessary spare parts. Staff training for the aircraft and bus maintenance were carried out according to project specifications, but the training of 150 bus drivers was reduced to half-a-day per participating bus company. The buses and aircraft have started regular services, the aircraft to three cities in the region rather than the five that were envisaged, and at a lower frequency than foreseen. Both aircraft and buses have generated direct employment for about 120 persons in total, and indirect employment in maintenance, catering, cleaning, etc. The effectiveness of the port project cannot be established as yet, although in terms of political support it has already been effective.

Efficiency

The efficiency of transport projects has been affected by the strained Israeli-Palestinian relationship. All projects have suffered delays in delivery, the port project to such an extent that, five years after the contract, actual construction had not yet been started. Operation of the aircraft from Gaza Airport has meantime been allowed, but they still operate at sub-optimal levels. Occupancy rates are reasonable, however, given the fact that the aircraft form the backbone of a starting airline that has to operate within a difficult political context. The maintenance costs of a Fokker 50 aircraft are comparable to a Boeing 737, for example, but the latter carries twice the amount of passengers or cargo. The planes make the export of flowers and premium vegetables possible in principle, although Fokkers are not designed to carry a combination of cargo and passengers. Given normal services to five or more regional destinations, the aircraft should become a normal profitable operation in the near future.

Bus operations are largely inefficient due to various restrictions, the most important being the inability to use Jerusalem as a hub for West Bank routes. As a result, smaller buses and illegal taxis have emerged, which exert a downward pressure on prices and affect occupancy rates. If circumstances allowed Jerusalem to be included in the routing, and plying between the West Bank and Gaza, the buses would be able to run a commercially viable operation. They are fuel efficient and technically dependable, which reduces maintenance costs and allows a reliable operation.

The port project is not operational as yet, but some prerequisites for its efficient operation can be mentioned. The port will provide Palestinians with free access to the world's maritime trade lanes, but its operation will depend on the degree of managerial and operational freedom allowed by the Israeli authorities. Moreover, safe passage between Gaza and the West Bank will be needed to ensure a stable and secure flow of goods and persons to and from the port. Finally, the already started development of industrial zones in Gaza will need to be sustained in order to attract industries that will use the port.

Sustainability

The technical sustainability of buses and aircraft seems assured, as spare parts, tools and maintenance training have been given sufficient attention. A special maintenance contract for the aircraft has been signed, an extension of which is already contemplated. Major overhauls will be done by Fokker in Amsterdam. When the stock of spare parts has been used up, new parts will have to be imported, which may present problems in terms of cost and time of delivery. The workshops for bus maintenance are still small and inefficient, but their staff is very skilled. The spare parts are an asset to the companies as very few have had to be used to date, indicating that the buses are of good quality and well-run.

The financial sustainability of both buses and aircraft is fully dependent on political circumstances in the region. Given the possibility of running at efficient schedules, i.e. without too many inhibiting closures, restricted personal travel and rules and regulations that change irregularly and unpredictably, operation at break-even level at least seems assured. Up to and including December 1998, the two aircraft had carried 19,226 passengers in total. On certain routes, Palestinian Airlines face competition from other airlines

that operate larger planes. For its expansion, the company therefore contemplates the procurement of Boeings: one Boeing 727 has been received from Saudi Arabia and another is being leased.

The institutional sustainability of Palestinian Airlines will depend for some time to come on outside assistance. The airline needs additional training of cockpit and cabin crews as it plans to expand the number of flights, destinations and aircraft. Since its operations are still running at a loss, the Authorities will have to guarantee financial support to allow this infant industry to grow. The bus companies are very capable of running a good operation, and have used the new buses to maintain their market share in a highly competitive market. With regard to the port, the planned NLG 2.5 million for training seems modest in view of the enormous need for training and management assistance.

4.4 Sectoral issues

The Palestinian Authority has put the construction of a port in Gaza, the airport, and safe passage between Gaza and the West Bank at the top of its infrastructural priorities, as they are necessary prerequisites for Palestinian economical independence. Given the strained relations between Israel and the Palestinian Authority, these infrastructural works have become subject of political differences; their realisation, and effective and efficient operation depend fully on Israeli consent. Without a port and safe passage, Israel is better able to control the movement of goods and persons. It is for this reason that security issues have become the most important stumbling block to reaching agreement on port construction and safe passage.

The start of construction of the seaport and the safe passage is still uncertain, while the aircraft cannot operate freely. Dutch support to the aircraft and port are particularly important as a sign of political support to the Palestinians, as their socio-economic effects are still limited. To the Palestinian population, the provision of buses has probably been more visible and with a broader socio-economic impact under present political circumstances.

4.5 Summary conclusion

The Palestinian Authority has to cope with an underdeveloped physical infrastructure resulting from some 30 years of neglect during the occupation. The various Palestinian development plans have put infrastructural development at the top of the agenda,

emphasising the establishment of a seaport in Gaza, the development of a national airline, and safe passage through Israel from the West Bank to Gaza. The Dutch contributions have thus addressed some of the most pressing infrastructural needs of the Palestinian Authority, by providing export grants to Dutch aircraft and buses, as well as a commitment to the construction of a port in Gaza by a Dutch-French consortium.

The efficiency of aircraft and of bus delivery and operations is affected negatively by the many closures and restrictions imposed by the Israeli authorities. Under normal conditions the aircraft and buses could be run profitably. Lack of consent with regard to several issues, especially security, has delayed the start of construction of Gaza port since 1994. The Dutch commitment has nevertheless served a purpose in that it has served as political support for the Palestinians and has created spin-off effects in the form of environmental and institutional studies. The technical and institutional sustainability of the aircraft and buses seems assured, but their financial viability depends fully on political developments. The institutional setting of the transport sector is rather complicated, involving many ministries and institutions whose coordination is not optimal. The largest contribution towards socio-economic development has been made by the buses.

5 PRIVATE SECTOR DEVELOPMENT

5.1 Background

Economic growth in the evaluation period has varied among sectors. The services sector constituted the engine of growth, whilst contributions to GDP made by the agricultural and manufacturing sectors remained below expectations. Due to unpredictable Israeli closures and restrictions on the movement of goods and individuals, and to political uncertainty, marginal investments only have been made in the latter sectors.

According to estimates of the International Monetary Fund, the ratio of total investment to GDP fell from 26 per cent in 1993 to 16 per cent in 1997, caused by a sharp decline in the level of private investments for which increased public investment levels could not compensate.

Private sector companies constitute the majority of business establishments. Based on 1997 data of the Palestinian Central Bureau of Statistics, it is estimated that there are some 63,000 private sector establishments, accounting for 88 per cent of the total. Of this total, 75 per cent is engaged in trade and manufacturing. The majority of undertakings are either micro or small-scale businesses: 93 per cent have less than ten employees.

Given the unpredictable external conditions, the Palestinian Authority regards micro and small-scale enterprise development as crucial to the stimulation of economic development and as a survival strategy for the Palestinian people. These privately-owned businesses continue to face several constraints, however, including low levels of technology and competitiveness, lack of managerial experience and know-how, and limited access to credit.

5.1.1 *Palestinian private sector development policies*

The development strategy of the Palestinian Authority is based on a market-based and private sector-led economy. Long-term planning documents mention such fundamental principles as: export orientation, regional integration, and the application of appropriate technology to increase the competitive advantage of the economy.

The priorities in the Palestinian Public Investment Programme for 1997 for private sector

development included: an enabling environment, basic infrastructure for industry, private sector participation in infrastructure, agriculture and tourism, and medium-term lending.

The latest Palestinian Development Plan (PDP) allocated 17 per cent (about US\$ 765 million) of the total investment budget to the productive sector. The PDP 1999–2003 gives the following priorities for development within the productive sector:

Percentage share of the investment budget:

Agriculture	27
Industrial development	25
Tourism and archaeological resources	30
Other private sector support projects	18

Under Tourism, the Bethlehem 2000 Programme is given priority: the Authorities expect hundreds of thousands of tourists to spend the turn of the millennium in Bethlehem. Agriculture receives slightly more support than industrialisation because for the time being it is viewed as a more dependable economic activity. Within industry, priority is placed on the development of industrial estates. Across sectors, the emphasis is on supporting small and medium-sized enterprises oriented towards the home economy.

The framework for the Palestinian trade regime is conditioned by the protocol of economic relations with Israel, signed in Paris in April 1994. Trade agreements concluded by the Palestinian Authority with other countries have to comply with that trade regime. The Authority's ability to manoeuvre and devise its trade strategies independently is therefore limited.

The Palestinian Authority signed an Interim Association Agreement with the European Union in February 1997. This allows the Authority to become a full participant in the Euro-Mediterranean partnership, with its own quotas for agricultural exports to the EU. Rather than bringing significant trade effects, the agreement is a political expression of the Authority's desire to obtain economic self-determination.

Trade agreements have also been signed with Egypt and Jordan. No significant trade flows with these neighbouring countries have materialised, however, due to the structural

trade ties with Israel and the unfavourable competitive position of Palestinian products and services.

The lack of a transparent regulatory system, including commercial laws, has reduced the willingness of private sector entrepreneurs to invest. Direct foreign investments have been discouraged by ambiguous rules and application procedures. Palestinian import monopolies in tobacco, oil and cement have also affected the competitiveness of the Palestinian economy since they are used as inputs in industry, services and construction.

5.1.2 Institutional framework

The institutional environment for private sector development comprises Government entities, business support organisations, the financial system, and available consultancy services.

The major *government entities* are:

- the Ministry of Planning and International Cooperation, responsible for public investment programming and for the preparation of Palestinian Development Plans;
- PECDAR, the Authority's implementing agency of the investment programme. In addition to numerous infrastructural projects, PECDAR has implemented employment-generating projects;
- the Ministry of Economy and Trade, in charge of the promotion of economic and trade relations between foreign countries and the Authority;
- the Ministry of Industry, which oversees industrial development and licensing. This Ministry prepares legislation for industrial estates and zones and participates in drafting investment, standards and specifications legislation;
- the Palestinian Monetary Authority, responsible for developing the legal environment for the governance of domestic banking.

Business support organisations comprise:

- Fourteen Chambers of Commerce distributed over the main cities. A Federation acts as the representative body for all Chambers which have been in existence for some decades, processing trade documents such as certificates of origin. Recently, their role in supporting private businesses has been activated.

- Sector associations that service their members through lobbying and training activities. They include: the Pharmaceutical Industry Union, the Stone and Marble Union, the Textile and Garments Union, and the Food Industry Union.
- The Palestine Trade Centre (PalTrade), which is the first point of contact for external trade organisations seeking to establish linkages with the private sector. PalTrade was merged with the Palestinian Trade Promotion Organisation (PTPO) in order to strengthen trade promotion efforts.

As a result of the 1967 Arab-Israeli war, the *financial system* in the West Bank and Gaza broke down and all banking institutions suspended operations. After the Oslo peace agreement, the financial sector was revived. At present 20 banks with some hundred branches are active: eight of these are national banks, ten are Arab, and two are foreign. The financial system is still underdeveloped, however, as types of institutions, services and products show little diversity. This is a direct result of political instability and the ensuing uncertainty regarding the future status of the Palestinian territories. The loan/deposit ratio, a measure of bank-borrower confidence, remains low, although it increased from 24.8 per cent in 1996 to 34.5 per cent at end 1998. Lending activities, dominated by overdraft facilities, are characterised by conservatism and a narrow borrower spectrum on the part of the banks. Credit options for micro and small businesses include family resources, NGO credit programmes, money changers and, to a certain extent, bank credit activities that are subsidised/facilitated by international donors.

The market for *consultancy services* has been evolving since 1993, mainly based on demand from donor-supported and subsidised projects. There are now over ten Palestinian consultancy firms and several international firms that provide private sector firms with such services as management consultancy, quality control, financial and feasibility studies, accountancy, market research and training.

5.2 Programme overview

MOPIC's database on donor assistance shows that donor commitments and disbursements for private sector development during 1994–98 totalled US\$ 192.3 million and US\$ 107.4 million, respectively. However, these amounts exclude donor assistance for industrial development (textile development, wood and handicrafts) which would normally classify under private sector development.

The major donors in private sector development in terms of disbursements have been: the USA, Germany, the European Union, and the World Bank. The USA financed a small business support project and a micro-enterprise development project together with UNRWA and PalTrade. Germany has supported a project with the Arab Palestine Investment Bank. The European Union provided financial support to credit extension projects and to the Centre for Private Enterprise Development in Ramallah. The World Bank financially supported the MIGA Fund to reduce non-commercial risks for foreign investors.

The Local Aid Coordination Committee includes a Sector Working Group for the private sector. On the donor side the USA has the role of 'Shepherd', while the secretariat is shared by the World Bank and UNDP. For the Palestinian Authority, the role of 'Gavel Holder' is shared by PECNDAR and MOPIC. The Sector Working Group had its first meeting in February 1995 and has since given much attention to the development of industrial estates.

Dutch project support to private sector development totals NLG 15.6 million for eight projects; 74 per cent of the funds were disbursed during the evaluation period. All Dutch-supported projects in private sector development were selected for evaluation, with the exception of the emergency and short-term employment creation projects with UNRWA, for which the Netherlands government disbursed NLG 6.6 million. Five out of the eight private sector development projects are in the field of credit & micro-enterprise schemes, representing 76 per cent of the total; the remaining 24 per cent has been allocated to three projects on export promotion and competitiveness.

Table 5.1 Overview of Dutch assistance to private sector development, 1993–98

Project	Amount	Project duration
	NLG mln	
<i>Credit & micro-enterprise schemes:</i>		
Small business credit scheme and financial control	1.912	1993–95
Agricultural exports by small-scale farmers from Gaza	0.207	1993–95
Support to Palestinian women's economic activities	3.441	1995–99
IFC/World Bank Micro-enterprise project	4.357	1997–2000
YMCA Machinery lease project	2.014	1997–98
<i>Export promotion & competitiveness projects:</i>		
Support to the Palestinian Trade Promotion Organisation	3.166	1992–2000
Competitive advantage PA team	398	1996–97
Support to Federation of Palestinian Chambers of Commerce	126	1998–99
Total	15.621	

5.2.1 Credit and micro-enterprise schemes

Small business credit scheme and financial control programme

Background and objectives

From 1988 until 1992, the Netherlands Ministry of Foreign Affairs, together with British Overseas Development Assistance and the European Commission, supported a credit scheme run jointly by an NGO, Cooperation for Development, and UNRWA. In the initial years the UNRWA cover provided more freedom of movement than would have been possible by just operating as a Palestinian NGO. The establishment of the Palestinian Authority and the re-establishment of commercial banks enabled Cooperation for Development to sever the credit scheme from UNRWA. Some 86 per cent of the support was allocated to a new credit scheme whose overall objective was to establish a locally-run self-sustaining credit institution promoting small business development in the West Bank and Gaza. The immediate objectives of the credit scheme were: to train locally-recruited project development officers; to build up expertise on appraisal and loan supervision; and to raise loan capital. The remaining 14 per cent of the support went to a financial control programme intended, in conjunction with the credit scheme, to help



borrowers and project officers to improve their financial control techniques and management of funds.

Implementation and results

Loans extended under the credit scheme were regarded by borrowers as grants rather than loans, resulting in very low repayment rates. The number of loans extended with Dutch funds could not be verified. The credit scheme did not make timely use of a commercial bank as a transaction window, and fund raising remained below target. The final report of the project mentioned prejudices against female managers and indicated that more resources were needed for targeting women proprietors. Training materials for the financial control programme were provided, but no permanent local financial institution was established. The Management Information System manuals proved not to be very useful, since most NGO staff learned better on computers than from manuals. Initially, the financial control programme achieved less outreach than had been anticipated, but inter-NGO networking improved at a later stage.

Agricultural exports by small-scale farmers from Gaza

Background and objectives

The European Community granted trade preferences to agricultural products from the Occupied Territories in 1986 and in 1992 started an Export Credit Programme, supervised by Cooperation for Development. The objective of the Dutch-supported project 'Agricultural exports by small-scale farmers from Gaza' was to obtain more equitable benefits for small and medium-sized farmers from the EC-supported programme. Specific aims of the project were to produce strategy papers on priority products and markets, as well as export manuals for exporters.

Implementation and results

The export manuals have been delivered. In 1994, responsibility for the Export Credit Programme was transferred from Cooperation for Development to the Bank of Palestine Ltd in Gaza, after which project activities came to a halt. Small-scale farmers have not realised exports to western markets.

Support to economic activities of Palestinian women

Background and objectives

Women's economic activities in the Palestinian territories are particularly important for female headed households. In many cases, male heads of households have been imprisoned or women became either the major or sole breadwinners in their families during Israeli closures. While the importance of their economic role has increased, their access to resources such as capital, land and training has remained restricted.

The overall goal of the project was to enhance the contribution of Palestinian women to the economy and to strengthen their presence in civil society. The three project components: credit, training and consultancy/counselling, aimed at providing a conducive environment in which women could undertake economic activities.

Implementation and results

Initially, the division of labour between the implementing agency and the various subcontractors for training and counselling was not optimal. Coordination with regard to implementation of the three project components was consequently far from satisfactory. The implementing agency financed a myriad of projects in all sectors. An external evaluation initiated by the Netherlands has recommended that the target group be defined more clearly in order that the project may be better geared towards the abilities and needs of the beneficiaries.

At the time of the field mission, loans were issued at an interest rate of 6.15 per cent plus a one per cent service charge each for the Arab Bank and the implementing agency, but this was too low to cover the latter's operating costs. No collateral was required from the women; instead, loan agreements had to be signed by the borrowers and guarantors. The credit extended totalled US\$ 868,150, with an average loan size of US\$ 6,291. Loans were granted with a six-month grace period and a repayment period of up to 36 months; they included free training and counselling services. Rather than merely stressing the need for repayment, the implementing agency actively monitored borrowers in their business development, thus motivating the women to repay the loans.

The project's outreach has covered remote rural areas, refugee camps and all the main cities. A total of 138 loans were extended and 207 jobs were created. Based on the evidence of five borrowers visited by the field mission and on facts presented by project management in a video film, the women benefiting from the project have strengthened their economic and social position.

IFC/World Bank Micro-enterprise project

Background and objectives

Palestinian micro-enterprises generally have no access to formal credit as they usually lack collateral. The commercial banks apply only collateral-based lending procedures and are not familiar with cashflow-based lending. The overall project objective is to achieve a commercially viable lending system, among three participating banks, for enterprises with up to 10 employees. IFC and World Bank have provided credit funds to an Arab Bank,

the Commercial Bank of Palestine and the Jordan National Bank for on-lending to micro-enterprises. The Dutch contribution was in support of the training programme for staff of the three banks.

The specific objective of the training component was to attach micro-business advisors to the three participating banks to provide policy assistance, to set-up loan procedures and management information systems, and to select and train loan officers.

Implementation and results

All three banks now have micro-enterprise loan procedures and management-information systems in place and have been lending since November 1998. Training objectives were realised through on-the-job training and international study tours, although at a later stage than foreseen. The trainees use their new expertise in daily practice. The number of staff trained under the project at the three participating banks, however, is still small.

Initial studies under the project have shown that the demand for micro-enterprise loans has already exceeded the total funds of US\$ 20 million, made available in 1996 for a five-year period. All three banks reported that they are committed to the programme, but in the initial phase had a prudent policy with respect to micro-enterprise lending.

With respect to the loan fund, only four per cent had been disbursed by mid-March 1999. Average disbursements are still small at US\$ 10,509, given a maximum ceiling of US\$ 30,000 and the availability of other credit programmes for loans of less than US\$ 10,000. The average size of loans in the project pipeline has now increased to US\$ 20,332. More training in marketing and more incentives for bank staff to improve their lending performance are necessary to accelerate the slow depletion of the loan fund.

Machinery lease project

Background and objectives

The East Jerusalem YMCA Extension Services Unit, in cooperation with the American YMCA, is engaged in employment promotion for vocational graduates of different levels

and in helping ambitious vocational graduates to initiate and improve their own small businesses. In November 1997 the Netherlands government was approached by the East Jerusalem YMCA with a proposal for a machinery rental programme designed for young entrepreneurs. The project formed a complementary component to that with YMCA.

The objective was to support small-enterprise development and to create job opportunities in the West Bank and Gaza through a machinery lease programme. Target sectors included: carpentry/upholstery, auto mechanics/auto body repair, aluminum/metal works, sewing/tailoring/clothes design, and plastic/nylon production. The immediate target was to support the procurement of machinery for 110 new firms, of which 65 were established by graduates in the vocational sector, 30 by women entrepreneurs, and 15 by disabled entrepreneurs. Moreover, 110 new jobs would be created.

Implementation and results

The machinery lease project offered an alternative product in the credit market for small firms. The application procedures for entrepreneurs were straightforward: he or she selected the desired machine and presented a simple business plan. After approval by a loan committee, a legal contract specifying the loan amount and conditions would be signed by the borrower and the YMCA Extension Services Unit and co-signed by two warrantors. Follow-up visits were made to borrowers in their place of business for monitoring purposes. After repayment, the title of the machinery is transferred to the borrower.

Project objectives were surpassed, with the exception of those specified for women and disabled persons. Some 152 enterprises were assisted and 335 jobs created. The average contract size was about US\$ 7,500 per assisted firm, at an annual interest of seven per cent. The machinery lease project became well-integrated with YMCA's vocational and management training programmes. Employment effects are systematically monitored by a motivated project staff.

Based on visits to three borrowers, the price/quality ratio of the machinery purchased appeared satisfactory. The costs for overhead and administration have been kept in check, while the total amount budgeted for lending has been exceeded. Repayment rates have been good with repaid amounts going into a revolving fund. No loans have had to be written off.

5.2.2 Export promotion and competitiveness projects

Support to the Palestinian Trade Promotion Organisation

Background and objectives

The initiation of this project was politically motivated. Palestinian efforts to export directly to foreign markets have been impeded by complicated export procedures and security checks. Nevertheless, some exports of mainly fresh agricultural produce to the EC took place during 1988–91, partly due to a favourable policy agreement with the EC. In 1992 a centre for the Promotion of Palestinian products was established in Rotterdam at the offices of the Centre for the Promotion of Imports from developing countries (CBI). In view of the fact that the export infrastructure of the West Bank and Gaza had been totally neglected under Israeli occupation, a project was also necessary to help the Palestinian business community to develop a system of export support services.

The objectives of the first project phase were to provide the Palestinian business community with information and other assistance in identifying and developing export marketing opportunities and to generate a broader interest in exporting. The objective of the second phase was to establish an integrated trade information and export development point, focused on sectors and product areas with the largest export development potential. The third phase has not been evaluated, as it falls largely outside the evaluation period; the latter phase has among its objectives the development of project-based export marketing activities and ensuring programme resource mobilisation.

Implementation and results

The first PTPO Board, appointed by a Government in absentia, rarely met and had little export experience. In the absence of an experienced Board and despite a hostile export environment, PTPO staff performed reasonably well. An external evaluation estimated that additional exports achieved as a result of their activities were about US\$ 2 million in the first phase. Typical examples of export achievements were matchmaking services for exporters of citrus, fresh vegetables, cut flowers, and handicrafts. These matchmaking activities were based on CBI programmes or organised in cooperation with PTPO's overseas trade office in Rotterdam. During the first phase, a basis for a competent PTPO staff was laid.

In the second phase, more focused sectoral export development work was pursued for non-traditional handicrafts, apparel, fresh agricultural products, and pharmaceuticals. A structure for membership fees and for services on a fee basis was completed in December 1996. In this phase, PTPO was also successful in co-financing and mobilising resources from other organisations for its programme and in performing services under subcontract to other donor-sponsored development projects. PTPO made more use of CBI's integrated export promotion programmes in its own sectoral export development programmes. By the end of July 1998 PTPO had assisted some 267 exporters and 87 firms producing potentially exportable products. Sectoral export profiles had been published on fresh horticultural products, textiles and garments, generic pharmaceutical & paramedical products, handicrafts, stone and quarrying, and food processing. By the end of the second phase, the institution was staffed with experienced trade promotion professionals. Relations between the PTPO and the Ministry of Economy & Trade had improved as compared to the situation at the end of phase 1, when the Ministry considered that PTPO was not in a position to represent private sector interests. Meanwhile, PTPO had opened-up its membership and had replaced its old Board by a new elected Board. Furthermore, PTPO's activities were coordinated with PalTrade, to become the national export development centre. A merger between PTPO and PalTrade took place in September 1998, with political support by the Palestinian Authority and technical and financial support by USAID. PTPO mainly works with firms, while policy issues are taken up as they come along; the PalTrade organisation does more structured work on trade policy. In addition, PalTrade gives more attention to the competitiveness of firms serving the local market.

Competitive advantage of the Middle East (PA team)

Background and objectives

In response to a request made during the Amman Economic Summit in 1995, the Netherlands encouraged an initiative to foster regional cooperation in the Middle East. A proposal, prepared by Prof. M. Porter, aimed at providing Egypt, Israel, Jordan and the Palestinian Authority with an outline for an economic framework to raise the global competitiveness of their industries and firms. National teams, assisted by an international team, had to examine the competitiveness of existing and potential clusters of industries, evaluate institutions and policies, and draw up an action plan for concrete steps for improvement. The objective of the first phase was to build capacity for economic analysis.

The evaluation of this regional project has been limited to an assessment of its effects for the Palestinian Authority.

Implementation and results

At the level of the Palestinian Authority, the project was coordinated by MOPIC. At the regional level, the project was carried out by the Centre for Middle East Competitive Strategy. The first phase of the project had to be extended by nine months as the tense political situation in the region had delayed implementation. The Palestinian team, consisting of seven members, was familiarised with modern research techniques with which to identify industry clusters through various training activities and with technical support of the Centre for Middle East Competitive Strategy. Nine industry clusters were worked out. In August 1998 the publication *Building Competitive Advantage in the Palestinian Economy* was released and sent to some universities. The concepts of competitive advantage have been applied in the formulation of Palestinian Development Plans.

The Palestinian team did its work in an isolated and academic way. The Ministries of Economy and of Trade and Industries, for example, were not involved, and the proposed private sector-driven implementation mechanisms were not elaborated. As a result, the study has been shelved whilst other organisations, including the World Bank and the Centre for Private Enterprise Development, have meanwhile done similar work. The Palestinian team stopped functioning in April 1998.

Support to the Federation of Palestinian Chambers of Commerce, Industry and Agriculture

Background and objectives

In the first half of 1998, a proposal was submitted to the Netherlands Government for the creation of a Competitive Advantage Unit at the Federation of Palestinian Chambers of Commerce, Industry and Agriculture. Such a unit would follow-up on the work carried out by MOPIC for the Porter study (set out in the previous section) and give it a private sector focus. The Palestinian Authority gave political support to the project, the objective of which was to strengthen the Federation through the competitive advantage unit.

Implementation and results

A Competitive Advantage Unit with three staff members has been established within a reasonable time period, and has undertaken various activities, including: a study of banking and credit facilities, a training needs assessment, a mindset survey among 130 medium- and large-scale firms to give directions to its work programme, and a transaction cost study. The first of these resulted in a draft agreement between the Palestinian Development Fund and the Federation, and in four workshops in which the role of the banking sector in private sector development was discussed.

Despite the many activities undertaken, however, a systematic work plan, stating intended project activities and expected project results, is not available. The project has been approved without clear reference to project goals and activities; hence, the unit operates in a haphazard way. It is fully dependent on donor support and has approached several other donors for funding.

5.3 Evaluation

Policy relevance

The eight Dutch-funded projects are all relevant to Palestinian private-sector development policies. Palestinian policy makers emphasise the need for support for small and medium-sized enterprises, medium-term lending, export orientation, regional integration and increasing the competitive advantages of the economy.

Dutch Middle East policy aims at reducing disparities in levels of development between the Palestinian territories and other Middle Eastern countries in order to improve stability in the region. It is assumed that economic growth will create the best chances for stability, employment and reducing poverty and, hence, for the Peace Process. Considering the important role of small and medium-sized businesses for the Palestinian economy, the eight private sector development projects have also been relevant to Dutch policy objectives.

The emphasis in the credit schemes on improving the position of women who have no access to formal credit has been particularly relevant to Dutch development objectives.

Effectiveness

Six of the eight private-sector development projects have realised their immediate objectives. Particularly successful were projects for women's economic activities, the machinery lease project, and institutional support to PTPO. Whether PTPO will become effective in contributing to additional exports will largely depend on improvements in the export environment. Once the export climate becomes better, capacity for export support services will be immediately available. The outlook for results of the IFC/World Bank micro-enterprise project is good but could be improved by training more loan officers in micro-enterprise lending. Two projects, implemented early in the evaluation period by Cooperation for Development, did not attain their original targets. In part this was due to unrealistic project objectives, but the NGO was also over-stretched and unable to cope with the heavy workload entailed by the running of a credit scheme. The effectiveness of the regional project on competitiveness was restricted by its isolation from actual practice. This was to be remedied by support given to the Federation of Palestinian Chambers of Commerce, but the project has no clear goals. Apart from the fact that a Competitive Advantage Unit has been established, it is difficult to give any appreciation of its effectiveness; so far, no concrete benefits of the work undertaken by the Unit have been identified.

Efficiency

The project costs of the *credit and micro-enterprise schemes* were found to be reasonable in view of difficult circumstances on the ground. One of the four credit schemes tried to implement an independent credit operation without any links with a formal bank, which was not efficient. The start-up and operation of two schemes were delayed due to lack of management skills at the NGO involved. Project managers of schemes operated in a rather secluded fashion, and no functioning network was found for referring client-borrowers who qualified for larger loans from other schemes. Monitoring by the Netherlands has been insufficient for the two projects run by Cooperation for Development; external evaluations, although planned, were not carried out.

The *export promotion and competitiveness projects* were found to be cost effective. The PTPO executed reasonable work programmes with limited resources. Delayed performance of these projects was caused by external factors beyond the control of implementing agen-

cies. Appraisal of the project to support the Federation of Palestinian Chambers of Commerce has been minimal, as no clear set of objectives had been developed.

The formal donor coordination mechanism of the private sector working group has not functioned well. The Ministries of Economy and of Trade and Industry and representatives of the business community itself have thus far played hardly any role. The working group did not address the coordination needs of Dutch-supported private sector development projects.

Sustainability

Project results of the *Small business credit scheme* and *Agricultural exports by small-scale farmers from Gaza* were not sustainable. Financial sustainability of the *Support to Palestinian women's economic activities* will depend on cost-saving measures taken by its local implementing agency, on its ability to raise additional funds, and on the application of higher interest rates to borrowers. Chances for the institutional and financial sustainability of the *Micro-enterprise project* and *Machinery lease project* are good.

The institutional and financial sustainability of activities under the *Support to the PTPO* is also good; cost coverage is high due to successful resource mobilisation, while the merger with PalTrade will enhance PTPO's work at given costs. The *Competitive advantage project* appeared not sustainable as the Palestinian team ceased its activities when Dutch financial support was discontinued. For the time being, activities under the *Support to the Federation of Palestinian Chambers* project are still dependent on donor funding.

5.4 Sectoral issues

The closures and an unpredictable system of restrictions prevailing in the Palestinian territories have caused a sharp decline in private investments, mainly in larger companies. Smaller companies continued to invest in the period under evaluation, but were affected by a weakened purchasing power in the home market. Impasses in the peace process have caused implementation delays for all private-sector development projects.

The *credit and micro-enterprise schemes* have brought their activities closer to commercial banks. These fulfil the useful function of financial intermediaries, receiving payment orders for, and giving out repayment slips to, client-borrowers of NGO credit schemes. At

present, there are no longer any independent NGO credit operations. A common policy weakness was found in the uncertain legal environment regarding loan agreements: enforcement procedures are indistinct and expensive. The targeting of women by credit schemes continues to be difficult, since there are few women in vocational training and in non-traditional skills and technologies. In the formal banking sector, lending to women is regarded as a charitable non-viable activity since they are traditionally active in food production, knitting and sewing, for which they are poorly paid on a piece basis by Israeli clients. The position of women has nevertheless been strengthened through the small credit schemes, and the latter's initial charitable character has changed into a more business-oriented approach. In the early phases, insufficient attention was given to the design and monitoring of credit schemes, notably with respect to the long-term institutional viability of the NGOs involved.

The special industry cluster studies showed that the Palestinian business environment is deficient in strategy and rivalry. Most businesses are small and lack a clear strategy. Exclusive distribution licences stifle competition. In addition, there is no sophisticated domestic demand, no consumer protection, and no contract laws with which to govern commercial transactions. A structured approach in remedying internal deficiencies is lacking; rather, there is a tendency to carry out more special cluster studies, which would not be effective. The Ministries of Economy and of Trade and Industry are best positioned to address these internal competitiveness issues in cooperation with private sector institutions. The Palestinian Authority regards the Dutch role in private sector development as pioneering and politically important. The fact that the Netherlands had actively supported the promotion of Palestinian direct exports prior to the Oslo Accord is particularly appreciated.

The contribution to socio-economic development and a functioning civil society has been more direct in the *credit and micro-enterprise schemes than in the export promotion and competitiveness projects*. Efforts to help micro- and small-scale enterprises to develop their local business have been effective and have resulted in better living conditions for beneficiaries and their families. The small credit schemes have made a positive contribution towards improving the position of women, towards alleviating poverty and to creating an atmosphere of normalcy. The export promotion and competitiveness projects have aimed at strengthening the economic rather than the social base of Palestinian society. Their benefits can be expected to materialise over a longer-term period as the business environment improves.

5.5 Summary conclusion

The long-term philosophy of the Palestinian Authority in the various development plans is based on a private sector-led growth, with emphasis on small and medium-sized enterprises. In the period since 1994, small companies proved to be the most resilient under political and economic pressure. Support to this category in the form of credit schemes has therefore been relevant to their development. Small-enterprise development is closely linked to the Palestinian policy of enhancing regional competitiveness and export orientation. Dutch projects for export promotion and competitiveness studies have been relevant in this respect.

The early credit schemes showed little effectiveness, but later schemes have managed to increase their effectiveness and efficiency substantially over the years. They offer various loan products with a good outreach in terms of different target groups, including women, and in regional spread. The results obtained through the projects are visible and help to improve the living circumstances of the beneficiaries. The chances for sustainability are good.

The export promotion and competitiveness projects have been effective in training, which in the case of export promotion has enhanced institutional sustainability.

6 SOCIAL SERVICES

6.1 Background

At the time of its establishment, the Palestinian Authority was confronted with a heavily deteriorated social infrastructure. Schools and systems for drinking water and waste disposal had suffered from gross neglect during almost 30 years of occupation. The development of a rural infrastructure was lagging behind, whilst 60 per cent of the Palestinians live in rural areas and depend on agriculture for their livelihood. The Netherlands responded to these needs with a rather wide array of projects, mainly for school construction and the provision of school books; improved water supply and water studies; land reclamation and agricultural training.

Education

The Palestinian Authority inherited a deteriorated educational system and school infrastructure. Existing curricula paid no attention to the Palestinian identity as an Egyptian curriculum was in use in Gaza and a Jordanian one on the West Bank. School buildings are still poorly equipped and many lack lighting, paved courtyards and toilet units. Because of a shortage of buildings, many schools operate under a two-shift system. This system reduces the opportunity to develop extra-curricular activities as well as the quality of teaching in terms of time dedicated to pupils. In 1997/98, the number of pupils per class in government schools averaged 43 in Gaza and 32 in the West Bank. In order to be able just to cope with the net annual increase of pupils, some 470 extra classes are needed each year in the West Bank and some 280 in Gaza. Only then will it be possible to maintain the average number of pupils per class, albeit still based on a double shift system.

Water and sanitation

The Palestinian Authority lacks control over water sources and the population faces a shortage of potable water. The Palestinian Water Authority estimates individual consumption at about 29 cubic meters/year, which is low in comparison with 53 cubic meters/year in Jordan and 100 cubic meters/year in Israel. Water demand by the Palestinian population is expected to rise to 50 cubic meters/year by the year 2000. At pre-

sent 37 per cent of the population is not connected to any water network; moreover, the existing network is old and in need of rehabilitation. It is estimated that 50 per cent of water is lost through leakage. Water negotiations with Israel are ongoing, partly with regard to the allocation of water from the River Jordan for irrigation.

Rural development

Some 60 per cent of the Palestinian population live in rural areas and depend at least partially on farming. About 14 per cent of the labour force work in agriculture, which used to be the most important sector of the Palestinian economy. In times of closures, agricultural activities have offered part-time work for unemployed workers. Important needs in the rural areas are the reclamation of land, paving of agricultural roads, and expansion of agricultural extension programmes.

6.1.1 Palestinian social sector policies

In education, policy-makers give priority to basic education. Their aim is to lessen the number of schools that require double shifts and to reduce the average class size. The large number of unsuitable schools has caused the Ministry of Education to allocate more funds to school rehabilitation than to the construction of new schools. For a lasting improvement of basic education, assistance will have to change from a maintenance mode to a continuous improvement mode. However, budgetary restraints do not allow for such an approach. The public investment budget for education totalled US\$ 96 million in 1997, 87 per cent of which was allocated to basic education and 13 per cent to higher education. An annual budget of US\$ 30 million is needed for new schools and classrooms to accommodate the increasing number of students. Rehabilitation of schools and printing of school textbooks are other major investment requirements in basic education. To contain the civilian wage bill, the Palestinian Authority has frozen additional PA employment with the exception of teachers and health workers. To increase the quality of teachers, other donors, including Norway, provide training programmes.

In water and sanitation, the Palestinian Water Authority pursues four priorities: providing water to population centres without network connections; rehabilitating existing water networks; constructing sewerage networks and water treatment plants; and improving water management. In 1997, US\$ 215 million, or 17 per cent of the public investment budget, was allocated to water and waste water. In the Development Plan 1998–2000

water and waste water are classified as a priority for development to improve the quality of life of many Palestinian families. In the latest Development Plan, 20 per cent of the budget is earmarked for this subsector.

Initially, the Palestinian Authority paid relatively little attention to rural development. In the 1997 Public Investment Plan it was not specifically featured and only US\$ 36 million or three per cent of the budget was allocated to agricultural development. Since then, the interest of policy makers in rural development has gradually increased. In the latest Development Plan, agriculture is considered to be the leading productive sector to which US\$ 206 million has been allocated, or 27 per cent of the total investment budget. This Development Plan stresses the need to encourage farmers to increase production through land reclamation, improved services, extension and training.

6.1.2 Institutional framework

The Ministry of Education and Higher Education was established to negotiate the transition of the educational system and infrastructure from the Israeli to the Palestinian administration. It was divided into a Ministry of Education, responsible for primary and secondary education including vocational training, and a Ministry of Higher Education, responsible for tertiary education. Other important institutions in education are UNRWA, for the refugee population, and the private/NGO sector.

All matters related to water are under jurisdiction of the Palestinian Water Authority. Water rights and the allocation of water is a major political issue in the Middle East. Negotiations with Israel on this issue are the responsibility of the Palestinian Water Authority, formally the executing body of the National Water Council. In the Palestinian territories, the Water Authority focuses on general solutions and large investments, limiting its interventions to 'A' (Palestinian-controlled) areas. Rural water supply is mostly covered by NGOs, using donor assistance to help local communities in overcoming water shortages. The Palestinian Hydrology Group and the Save the Children Federation, for example, encourage families and farmers to benefit from rainwater by building hundreds of collection cisterns and using them for drinking water. The Palestinian Water Authority estimates the amount of lost rainwater at around 70 million cubic meters/year. The provision of irrigation water falls under the responsibility of the Ministry of Agriculture.

In rural development, the most important institutions are the Ministry of Agriculture and

the Palestinian Agricultural Relief Committees (PARC). In the beginning of the evaluation period, the Ministry was institutionally weak. With the regained significance of agriculture as an alternative source of employment, the Ministry's importance has also increased. Although a medium-term plan for agricultural research and extension has been prepared, a comprehensive agricultural policy has not yet been formulated. The Ministry has limited authority in rural areas, since most are situated in the 'B' and 'C-zones'. PARC is the largest local NGO, and received the major part of Dutch funds allocated to rural development. It was created in 1983 and now has a permanent staff of 95 persons. PARC's activities are concentrated on agricultural land development, agricultural extension, utilisation of water resources, and development of grassroots organisations. A formal and functional relationship between PARC and the Ministry of Agriculture has developed and is laid down in a memorandum of understanding in which PARC has been assigned a complementary role.

6.2 Programme overview

6.2.1 Education

In the period 1994–98, education received US\$ 297.3 million or 12 per cent of total donor aid disbursements; coming after Multiple sectors (US\$ 597.2 million) and Water and sanitation (US\$ 315.0 million). Donor coordination takes place in the Sector Working Group on education, in which France is 'shepherd' and the Ministry of Education 'gavel holder'. The group meets regularly to exchange information. To enhance coordination at the practical level, an international conference on education is planned in the Palestinian territories for October 1999.

At the end of the evaluation period Dutch aid disbursed to education totalled some NLG 47 million (about 10 per cent of total donor assistance). All major education projects were selected for evaluation, omitting only three small projects with a value of less than NLG 50,000. Twelve projects can be divided into three categories: construction and rehabilitation of schools (seven projects), printing of school books (three similar projects), and programme support to higher education (two projects). The twelve projects were executed either by the Palestinian Authority or by UNRWA.

Table 6.1 Overview of Dutch-funded education projects, 1991–99

Project	Amount (NLG million)	Project duration
School construction	26.548	1991–1999
School books	17.665	1995–1999
Higher education	2.996	1993, 1997/98
Total	47.209	



School construction

Background and objectives

Before 1994, UNRWA already took care of education for registered refugees on the West Bank and Gaza. Many UNRWA schools, however, had been constructed as temporary buildings for refugees and some had never been replaced since the early 1950s. For this purpose, the Netherlands has funded school construction costs for UNRWA since 1991. Public schools were administered by Israel since the 1967 war, and taken over by the Palestinian Authority in 1994, who found most of them in bad condition.

The high population growth in the Palestinian territories entails that the Palestinian Authority and UNRWA together need some 750 new classrooms per year. The objective of Dutch support is to upgrade and extend the infrastructure in basic education through constructing new schools and classrooms, repairing boundary walls, rehabilitating sanitary units, and purchasing necessary furniture and equipment.

Implementation and results

The construction and rehabilitation of the physical infrastructure for education have been carried out in close cooperation with either UNRWA or the Ministry of Education. Eight new schools were projected for UNRWA while planned extensions and repairs included 11 classrooms, 5 specialised classrooms and 11 sanitary units. All planned activities have been executed and two more schools were built out of remaining funds. Work for the Ministry of Education concerned mainly rehabilitation, including sanitary units for 48 schools and repairs and extensions for nine schools. The latest reconstruction project for Government schools foresees the rehabilitation of 30 schools ranging from minor repairs to the construction of new buildings. Field verification of rehabilitated schools has shown that they are not always the same as those indicated in the project document. The Ministry operates according to a list of priorities that is executed according to the arrival of funding. The total list of implemented works, however, is comparable to the planning. The quality of construction and rehabilitation works has been satisfactory, both in the case of UNRWA and of the Ministry of Education.

School books

Background and objectives

Before the educational activities were transferred to the Palestinian Authority, school books had been made available by Israel free of charge. When the Palestinians took over, they had to take care of the printing and distribution of the books. As no Palestinian curriculum has yet been developed, Egyptian and Jordanian books have to be produced for Gaza and West Bank. Since school books are used as exercise books, many titles have to be printed each year. The distribution of books is free. The development of a Palestinian curriculum is under way and will be introduced gradually between 2000 and 2004.

The Dutch contribution had the initial objective to eliminate the shortage of school books in 1996/97 and to contribute to their supply in the period 1997–99.

Implementation and results

In the first year after establishment of the Palestinian Authority there was a serious shortage of school books. In 1995/96 the Ministry of Education obtained World Bank financing to enable their printing. In following years, the Bank included the printing of school books in the second project for the rehabilitation of education and health, for which co-financing was requested from other donors. The Dutch authorities agreed to continue the financing of school books, but not in the form of co-financing.

The first Dutch financing concerned the year 1996/97. This contribution appeared to be too high, and surplus funds were carried over to the contribution for 1997/1998. Whilst Dutch funds covered all printing costs in 1996 and 1997, the third contribution was conditional on the gradual transfer of such funding to the Ministry of Education.

School books have been printed and are available. In 1995/96 278 titles were printed with a total of 6,654,000 copies. In 1997/98 385 titles totalled 7,446,000 copies. For 1998/99, 7,855,000 copies represented some 320 titles.

Higher education

Background and objectives

The higher education segment has suffered several times from acute budget problems. In 1993, a financial gap needed to be bridged before a large EC project started on 1 January 1994. A second shortage occurred in 1997 due to the economic decline and the freezing of tax money transfers by the Israelis after the bomb attacks of July 1997.

Implementation and results

The Netherlands has twice contributed to the financing of higher education. In 1993 an amount of NLG 1 million was disbursed to cover the running costs of universities during one month; Norway funded another two months. The second funding of NLG 2 million

took place towards the end of 1997. As these two projects concern budget support for operational costs, no specific output can be identified.

6.2.2 Water and sanitation

Its sensitivity during the Arab-Israeli conflict has caused donor countries to give special attention to development of the *water sector* in the Palestinian territories. Aid disbursed for this purpose amounted to US\$ 315.0 million up to September 1998, or 12.6 per cent of all aid disbursements. This level has not been reflected in the intensity of donor coordination in the Infrastructure Working Group, ‘shepherded’ by Germany. Recently, MOPIC took over responsibility to coordinate with donors on behalf of the Palestinian Water Authority.

By the end of the evaluation period the Netherlands had disbursed NLG 20.8 million to water and sanitation projects (about 3 per cent of total donor support). Ten projects were selected for evaluation, representing NLG 15.2 million, or some 75 per cent of the total. While water and wastewater are the central themes, some projects contain agricultural (irrigation) and agricultural extension objectives. The evaluated projects comprise water supply improvement (four projects); integrated development activities (two projects); water sector capacity building (three projects) and the Middle East water project. All have been implemented through international or multinational institutions and NGOs, except for the Bethlehem drinking water project which was implemented by the Bethlehem municipality. None have been executed in direct cooperation with the Palestinian Authority.

Table 6.2 Overview of Dutch-funded projects in water and sanitation, 1993–2000

Project	Amount (NLG million)	Project duration
Water supply improvement	1.506	1993–1999
Integrated development activities	5.800	1994–1999
Water sector capacity building	4.105	1995–2001
Middle East water project	3.806	1997–1999
Total	15.217	

Water supply improvement

The water supply improvement projects comprise study projects for Gaza, and implementation projects for Bethlehem and Gaza.

Background and objectives

Sanitary conditions in Gaza were particularly poor, and many rehabilitation activities were therefore targeted to the Gaza Strip. The complexity of the situation and the extensive rehabilitation needs required careful studies and plans. Two projects, one through UNRWA and the other through the Palestinian Hydrology Group (PHG) with assistance from Novib, appraised the situation. The objective of the UNRWA study was to review existing plans, to conceptualise implementation designs and to identify local capacity for implementation. Particular attention was to be paid to the deteriorated sanitary environment and health conditions of the Beach Camp area in Gaza. In two project phases, the Novib/PHG project aimed to undertake studies of water quality, and to organise workshops and symposia on water issues in the Gaza Strip, public awareness programmes and training. In Gaza, a PHG branch office was to be established.

The Novib/PHG project also planned to implement hydro-projects by which to develop water resources for domestic and agricultural use. These activities were expanded in a new project phase, aimed at the construction of cisterns and ponds for the harvesting of rainwater and the rehabilitation of springs and wells. In Bethlehem, the municipality had already formulated a project for the improvement of water supply before the establishment of the Palestinian Authority. Its objectives were to improve water supply in three communities, several villages and refugee camps.

Implementation and results

The UNRWA study was executed in 1993 by a Dutch consultancy firm. Additional activities on existing facilities were carried out by the same firm in 1994 and 1995, in order to ensure consistency with previously assessed plans.

The first phase of the Novib/PHG project was completed in June 1995, according to schedule. The Gaza branch office of PHG was extended and the staff participated in a number of

training courses in order to enhance their skills. The planned studies were carried out: the water quality study was completed ahead of schedule, but another on water losses encountered some delay. Significant changes in the Gaza water network were made as a result of a World Bank emergency plan, but the study could be completed in 1996. In addition, the PHG Gaza branch executed a study on the desalination of water with other financing. In the second phase, several studies were undertaken and a hydrological database developed. Two training courses were organised, a public awareness programme was executed in the form of training courses for children in 62 nurseries in Gaza, and 5 workshops were held in the West Bank. Moreover, the development of the Palestinian Water Authority, new legislation and a national water policy, was advocated and lobbied for.

In the field of physical infrastructure, the Novib/PHG project had constructed the planned water storage pools by the end of 1993. The two planned wells were rehabilitated during the year 1994, while a third was rehabilitated in the first half of 1995. During the project period PHG organised several study groups and also published an instructional pamphlet on *The relationship of water with health and general hygiene, and methods of maintaining water quality*. Other publications and a public environmental awareness campaign were developed in cooperation with other NGOs and international institutions. The second phase is ongoing; so far, 596 cisterns and 12 ponds have been constructed, and 9 springs and 8 wells rehabilitated, benefiting some 50,000 people.

The project in Bethlehem was finalised in December 1996. A booster house with three pumping units has been installed, a pump house and operator building constructed, and maintenance work carried out on the existing reservoir. Fencing activities have been extended with the construction of a boundary wall. Due to budgetary constraints, however, some activities could not be finished, such as the asphalt works.

Integrated development activities

Background and objectives

The integrated development activities of the Save the Children Federation (SCF) sought to improve the standard of living of 71,500 people from low income groups through water resource development, sanitation, environmental health and agricultural development. The project aimed at numerous activities in two sectors. In water and sanitation, these

included the installation of water networks, sewage networks, refugee camp sanitation and subsurface draining techniques, the construction of rainwater harvesting cisterns, the rehabilitation of drinking water wells and towers, and the executing of environmental awareness activities. Activities in the agricultural sector comprised the construction of cisterns, the upgrading of wells, the construction of ponds, crop diversification, land reclamation, construction of agricultural roads, and agricultural training and demonstrations. A follow-up project has largely similar aims with respect to the water sector, albeit with more explicit focus on women and children.

Implementation and results

Integrated development activities through SCF reached an estimated 200,000 persons, almost thrice the stated objective of 71,500. Overall project output has been according to plan, but the many small sub-projects showed large differences between expected and actual results. While results on several items exceeded targets, others lagged behind or were not carried out at all. All sub-projects were executed with local participation. In total, more than 27 national and regional NGOs and 157 grassroots committees were involved in the implementation of the entire project. The first phase ended in February 1997. Agricultural activities were continued for a short period by another Dutch-funded project, which lasted from June to December 1997. The follow-up project on water and sanitation activities is now under implementation.

Water sector capacity building

Background and objectives

During deliberations in the Multilateral Working Group on Water Management of the Middle East peace talks, the need to expand Palestinian expertise in the fields of water and sanitation was confirmed. While the EU started with the design and implementation of courses and undergraduate education at Bir Zeit University, the Netherlands agreed to finance the postgraduate training of selected Palestinian candidates abroad. The project aims at enhancing Palestinian expertise in the fields of 'Sanitary engineering', 'Water resources assessment, planning and management', and 'Water quality management' by financing a two-year postgraduate course for 12 Palestinian engineers. The courses were supplied by the International Institute for Infrastructural, Hydraulic and Environmental

Engineering (IHE) in Delft; candidates were selected by IHE in collaboration with the Palestinian Water Authority and the Association of Engineers. The project was renewed in 1995 for a second group of 12 students. In 1996 another renewal was decided for two groups of 15 students starting in 1996 and 1997 respectively.

Implementation and results

During the first three phases 38 Palestinian engineers were trained, all of whom obtained their degree. A last group of 15 engineers will finish their course in summer 1999. (While this series of programmes was completely run by IHE in Delft with only minor collaboration with Palestinian institutions, another programme is being conducted in the Palestinian territories: the *Water sector capacity building in Palestine*. The aim of this still ongoing programme is to establish a Msc. course in Water Engineering at Bir Zeit University and to set up and implement strategic and applied research activities to support the Msc. course and the Palestinian Authority in developing its water and sanitation sector policies.)

Harvard Middle East water project

Background and justification

The management of water resources is considered to be a key problem in the Middle East. The allocation of water resources is particularly sensitive in that it often depends on political decisions. The Harvard Middle East water project aimed at developing a sophisticated and user-friendly model of the Israeli, Jordanian and Palestinian water systems. The model will treat water as a scarce resource and, hence, base its allocation on principles of economic analysis. The specific objectives of the project include:

- to provide each government with a decision-support tool for the efficient management of its water system, the analysis of infrastructural projects, and the evaluation of different policy alternatives;
- to provide the parties with a method of valuing water so that disputes over water property rights can be resolved in a context where water can be traded-off against other non-water concessions;
- to provide the parties with a systematic method for analysing the gains to be had from resolving water disputes through continued cooperation, rather than through

permanent allocation of water quantities. The project started in January 1997; in August 1997 it was extended by a component for capacity building of the Palestinian management unit.

Implementation and results

The main activities of the Harvard Middle East water project have been the building of two computer models, the Water Allocation Model (WAS) and the Agricultural Submodel (AGSM). Both have been realised with the involvement of the Palestinian Water Authority. The WAS model was labelled version 3.3. Work on its successor, WAS 4, improving on some components of WAS 3.3 and integrating AGSM, started during the project but was halted due to lack of funds.

While model development has been realised, data sharing has encountered difficulties because of the politically sensitive character of data. As a consequence, all parties now dispose of a national model in which data on water use by the other parties is based on assumptions.

6.2.3 *Rural development*

Donor contributions to the agriculture sector and to rural development have been relatively small, considering the importance of the sector. Donor funds spent for this purpose during the 1994–98 period amounted to US\$ 37.2 million, or 1.5 per cent of total aid. This situation has improved lately with an increasing amount of donor commitments for agriculture. Several donor countries are interested in funding projects of the Ministry of Agriculture, but are constrained by the absence of a general policy and a national strategic plan for the sector. In principle, donors would prefer bilateral cooperation with the Ministry rather than working through NGOs and international organisations. There is little consultation with the Sector Working Group on agriculture, ‘shepherded’ by Spain.

Table 6.3 Overview of Dutch-funded projects in rural development, 1993–2001

Project	Amount (NLG million)	Project duration
Palestinian Agricultural Relief Committees	6.414	1993–2001
Agricultural education and training	3.191	1994–2001
Total	9.605	



Dutch aid disbursed to agriculture and rural development amounted to NLG 12.4 million in the evaluation period (about 16 per cent of total donor funds). Seven projects in the rural development sector were selected for evaluation, with a disbursement value of NLG 9.6 million at the end of December 1998. Four of the projects had been entrusted to an NGO: PARC, while the three agricultural education and training projects were executed by three different organisations: UNDP, the Ministry of Education, and a Dutch agricultural school.

Palestinian Agricultural Relief Committees

Background and objectives

PARC had already received Dutch support prior to establishment of the Palestinian Authority, as it was the main actor in rural development. In the absence of a fully functional and effective Ministry of Agriculture, PARC carried out a range of activities that would normally be implemented by a ministry: executing employment programmes, providing extension services and building rural infrastructure. Two support projects in 1993 and 1995 were actually contributions to PARC's regular programme. The 1993 support

was aimed at the operation of three experimental stations, agricultural extension to women, the salaries of three PARC staff members, and the purchase of two bulldozers. Funding was channelled through NOVIB. The 1995 contribution was aimed at regular programme activities such as: promoting the use of new and sustainable agricultural methods, increasing the availability of means of production, increasing the productivity of farming, improving the economic situation of women, and improving the supply of services to farmers. Activities further included demonstrations, spraying campaigns, applied research, training of staff and of farmers, opening of agricultural roads, land reclamation, veterinary services, and alternatives to chemical products.

Two contributions to PARC in the period 1996–2001 are aimed particularly at employment creation: ‘Enhancing food security conditions and creating new job opportunities in Palestine’. The long-term objective was to realise an increase in arable land through land reclamation and a consequent rise in agricultural production. The short-term objective was to create employment for workers who had lost their job through the Israeli closures of the Palestinian territories. Project activities concerned the opening of agricultural roads, land reclamation, terracing, removal of plastic, supply of tools, training and extension.

Implementation and results

The first project actually constituted five months of additional funding for a two-year programme already financed by NOVIB. Results in the two-year period were according to plan. The operation of the experimental stations was assured; two bulldozers were purchased and the salaries of three staff members paid. Ten training courses for women were organised, with a duration of one to five months, and were attended by 238 participants. Reports on regular programme activities supported in 1995 also show an impressive list of outputs. This concerns the programme of PARC as a whole and not only the Dutch-financed part. The programme had a particularly good implementation record in the distribution of palm tree saplings, the opening of agricultural roads, land reclamation, animal extension visits, fighting of parasites and the rehabilitation of water wells.

PARC employment projects were particularly successful in the reclamation of land (2913 dunums realised against 1500 planned) and the opening of agricultural roads (271 roads with a total length of 594 km against a projection of 150 roads totalling 300 km). For ter-

ricing and plastic collection, output lagged behind projections because there was a lack of processing capacity for collected waste. Some 85 per cent of the planned terraces was realised, with the remaining budget being transferred to the urgent construction of agricultural roads. Many training and awareness campaigns were organised, though fewer than projected as certain activities did not require training.

Results in terms of employment creation are not clearly seen from the reports. According to the project proposal, some 87,500 working days were expected to be created. From the reports it cannot be deduced whether this has been realised as figures are given on numbers of beneficiaries, farmers and workers, rather than of days worked. As output is according to projections and there has been no major change in technologies used, the number of working days might be assumed to be in line with projections.

The project was extended in 1998. The main objective remains the reclamation of land, but the immediate first objective is no longer to increase agricultural production but to protect the land against Israeli confiscation (rehabilitated lands are more difficult to confiscate).

Agricultural schools

Background and justification

Vocational training in the Palestinian territories is little developed. Although 60 per cent of the population live in rural areas, there are only two schools for agricultural training. To improve this situation, UNDP submitted a request for the rehabilitation and upgrading of two secondary agricultural schools in 1994. The first phase of the project was implemented by UNDP. The objectives were to rehabilitate the physical infrastructure by renovation and construction, curriculum improvement and practical training courses for government officers and NGO staff. The project was extended in 1998 with the objectives to install equipment in the rehabilitated schools, to complete modernisation of the curriculum, to train staff, and to introduce and manage a training programme for staff of ministries and NGOs, farmer organisations, etc. This second phase was implemented directly by the Agricultural College of Dronten, the Netherlands and the Palestinian Ministry of Education.

Implementation and results

Rehabilitation of the two agricultural schools has partly been realised in the first phase. The planned training programmes, however, were not executed due to budgetary constraints as construction works proved more voluminous and expensive than planned. For the first phase, it was thought better to postpone training programmes rather than construction.

In the second phase there is still a component of rehabilitation of infrastructure that had not been realised in the first phase. In the second phase a start was made with the revision and upgrading of the curriculum and the training programmes.

6.3 Evaluation

6.3.1 Education

Policy relevance

Palestinian society attaches high importance to education. School attendance rates are reported to be 98 per cent for basic education. Many schools were in bad condition and there is still a shortage of schools. Construction of new schools and rehabilitation of existing ones is in high demand by both the Palestinian Authority and UNRWA. The funding of operational costs, such as in the case of school books, is welcome as it permits the Ministry of Education to allocate the larger part of its budget to salaries of teachers. The relevance of the budget support for higher education is lower as tertiary education has not the same priority as basic education.

Effectiveness

School infrastructure

Most of the construction and rehabilitation projects have been effective. The new and rehabilitated schools are in full use, often in double shifts. One UNRWA school-construction project was actually perceived as an employment project, and provided temporary relief to the jobless. The target group consists of children in the school-going age. The

results are neutral on aspects of poverty and gender as education policy concerns the whole population, regardless of sex and income level.

School books

The availability of school books was generally confirmed and children in all visited schools during the field mission were in the possession of books. The three school-book projects have effectively contributed to the operation of the educational system, again regardless of sex and income level.

Higher education

Ad-hoc budget support to the Ministry of Higher Education has effectively addressed an urgent liquidity problem.

Efficiency

Aid coordination

While project proposals drawn up by the Ministry of Education contain specific names of objects to be financed, the Ministry in fact executes the works according to its priority list and available funding. While this procedure in itself is pragmatic, it should be made more explicit in project proposals and financing agreements. Contacts between donors and Palestinian Authorities, as well as among donors, are good: donor coordination on matters regarding education is very active. The sector working group meets regularly and its functioning is enhanced by the presence of a fulltime staff member for education at the French Consulate General.

The project cycle

Reporting is done by the implementing organisations. Procurement procedures have been assessed by a mission of the Dutch Government. Procedures, also for tenders, followed by the Ministry of Education were considered fully acceptable.

Five projects have suffered extensive delays, averaging almost 17 months, for which sever-

al causes can be identified. Firstly, for a number of projects the period allowed for implementation has been too short. Realisation of a school building from design to construction is estimated to last 16 to 18 months. The project duration of one year set in some financing agreements is therefore too short. A second problem is the difference between Palestinian tendering rules and Dutch budgeting principles. The Netherlands grants the money in two instalments, the first permitting the start of the works, the second allowing for completion. The Ministry of Education, however, only starts tendering when all the money has been received. This is due to bad experiences in the past when some donors withdrew despite commitments. As a result, the Ministry only tenders half of the planned activities after receipt of the first instalment and starts with the second half of the project after acquiring the second instalment.

At UNRWA, procedures were hindered at the beginning of the 1990s because field offices did not have technical departments and all administration was centralised in Vienna. The extension of the field offices with technical departments and the transfer of UNRWA Headquarters from Vienna to Gaza have improved efficiency. In addition, UNRWA has shortened the project cycle: at present, project preparation is started even before financing is agreed, so that implementation can start immediately after agreement has been reached.

Project costs

The execution of construction projects has been based on tenders, and procurement procedures are satisfactory. The Netherlands Representative Office is usually invited to the meetings of the tender commission and attends regularly. Competition has resulted in a fair price:quality ratio. Consequently, project costs have often been lower than budgeted, both for UNRWA and the Ministry of Education. Projects are rarely closed after completion of the planned objectives if unspent balances remain. Instead, the implementing agency usually carries out other activities until the total committed amount has been spent. Since construction and rehabilitation activities follow the Ministry's priority list rather than those specified in the project document, Dutch funding has actually had the character of programme financing. This ambiguity between project and programme financing causes delays in that each change of the initial agreement has to be cleared administratively.

The printing of school books has also been put out to tender. Printing costs appear reasonable, the average price ranging between US\$ 0.5–0.6 per book. Most books are used as exercise books and serve only one year; hence, the quality required is relatively low.

The Ministry of Higher Education suffers from structural budget problems which have been discussed during Consultative Group meetings. The ad-hoc funding by the Netherlands of budget gaps in higher education seems superfluous as the World Bank-managed Holst Fund was established for this purpose. The Netherlands has also contributed to that fund (see Chapter 8).

Sustainability

School infrastructure

The operation and maintenance of school buildings is the responsibility of recipient organisations: UNRWA for schools in refugee camps and the Ministry of Education for other schools in the Palestinian territories. Minor maintenance is financed out of school fees; larger works have to be supported from UNRWA and Ministry budgets. Both organisations have sufficient institutional capability to operate and maintain the schools, but major budgetary problems regularly prevent adequate maintenance. The Palestinian Authority, however, has given priority to basic education in its recurrent spending.

School books

The Ministry of Education handles the printing of school books well, but suffers from a general budget constraint. Financing has not yet been found for 1999/2000. If this situation persists, necessary funds will have to be released by the Ministry of Finance. As basic education has high priority in Palestinian policy, the allocation of such additional funds should follow over time.

Higher education

Both contributions concern ad-hoc budget support for operational costs, the sustainability of which cannot be assessed. However, the budget support has allowed universities to continue functioning.

6.3.2 Water and sanitation

Policy relevance

Water, water resource development and sanitation are crucial for the Palestinian population. The management of water at source and the allocation of water quantities for the Palestinian territories is still in Israeli hands; hence, Palestinians have only a limited say in water issues. One of the priorities of the Palestinian Water Authority is therefore to negotiate with Israel and Jordan on the use of water from the River Jordan. Other priorities include the supply of drinking water, rehabilitation of existing wells and springs, and the improvement of water sector services in the Palestinian territories. The study and construction projects in water and sanitation have been relevant to both Palestinian and regional water-related problems and policies.

Dutch-funded water projects have also been relevant to the Middle East policies of the Netherlands. The distribution of water and water resources is an important item in the Middle East peace process, to which the Netherlands wishes to contribute. The water capacity building projects and the Harvard Middle East water project are results of discussions in the context of multilateral peace talks.

Effectiveness

Water supply improvement

The appraisal of a sewerage and sanitation plan for Gaza was a positive first step in implementing a plan for the deprived Gaza Beach Camp area, that has now been fully implemented. The project that resulted from the appraisal study contributed to an improved standard of living for the refugee population, most of whom belong to the poorer strata of Palestinian society. The physical output of PHG activities has been good. The technology used was appropriate and the training of beneficiaries effective. The environmental effects of PHG's projects are positive, as they reduce water losses and improve sanitary conditions.

The Bethlehem drinking water project has been effective in improving drinking water supply in all but one of the targeted communities. The project benefits the whole community, without distinction as to gender or income, including the poor and women in particular.

Integrated development activities

Integrated development activities through SCF have considerably surpassed the stated target of 71,500 sub-projects. As all are implemented with local participation, it can be concluded that the SCF project has effectively mobilised the population. The target was to improve the living standards of people from low-income groups, but no specific criteria with which to select the poorest were developed. The lack of any partial exemption from an own contribution required from local communities might disadvantage the poorest. The project has therefore reached low-income groups, according to its objective, but not necessarily the poorest of those groups.

Women benefit from most activities, but are not considered a special target group. Drinking water projects have lessened their workload or have reduced water costs. Some public awareness campaigns and agricultural projects are particularly targeted towards women.

Water capacity building

Some water supply improvement activities were geared towards the institutional strengthening of PHG. An extended PHG Gaza branch has been established and is fully operational. Its services are requested by individuals, by formal and informal groups, as well as by public services and other institutions. While PHG's physical activities affect large numbers of people, there is no systematic targeting on the poor. PHG concentrates its activities on rural areas, that are less developed than urban areas, but within these areas there is no particular poverty focus.

Training with which to enhance expertise in the water sector has been effective, in that most of the Palestinian students who attended special courses are now employed in the sector. Nevertheless, discrepancies were felt between actual needs and matters taught in the course. The successor to the training projects follows a more participative set-up, and is expected to reflect more accurately Palestinian needs. The follow-up project has also been able to attract more women to its Msc programme.

Middle East water project

The Harvard Middle East water project has successfully developed the water management models, but their scope of application is limited. Water distribution remains a highly political issue and is not considered as an economic good that can be allocated on the basis of economic principles. The project was not considered as neutral by the Palestinians in view of the fact that the project leader was an Israeli.

Efficiency

Aid coordination

Prior to 1994 all water issues were under Israeli authority, while local problems were managed by municipalities and community committees. NGOs implemented many projects, such as drinking water and sewage networks, which normally would be the responsibility of local and national authorities. Negotiations with Israel on water and water rights are now the responsibility of the Palestinian Water Authority (PWA), created in 1995. PWA had a difficult start as it had to assert itself among NGOs active in the sector. At present there is a relationship of mutual collaboration, albeit on an informal basis. There is no Memorandum of Understanding between PWA and the NGOs in this sector, and the NGOs are not members of the Palestinian Water Council. PWA has formulated a number of elements for a water policy, but as yet a comprehensive policy or master plan does not exist.

In view of PWA's limited access to the Palestinian territories, NGOs have implemented activities in the field. There are many problems of coordination between NGOs and the authorities, however. PWA has complained that NGOs install networks without prior coordination. According to SCF, also involved in installing drinking water and sewage networks, coordination is the responsibility of the municipalities and the Ministry of Local Affairs. Donor coordination is also inadequate. A subgroup of the Infrastructure Sector Working Group has been responsible for water and wastewater. This working group has met very irregularly, however, and its role is being taken over by MOPIC.

Management of the project cycle

Project proposals are introduced by the implementing agency or by a Netherlands partner. External project appraisals are not found. Several projects have been subject to external evaluation which is then used in the appraisal of project extensions. Cost-benefit analyses are not systematically applied in the appraisal of project proposals, even for activities with a predominantly economic character such as irrigation and greenhouses. Reporting is made on a regular basis and is of reasonable quality. Execution time is mostly respected, with the exception of delays in the Harvard Middle East water project (4.5 months), the first integrated development activities of SCF (9 months), and the Bethlehem drinking water project (30 months).

Project costs

Projects in the water sector have reached a substantial number of beneficiaries, comparing favourably in most cases with the amount spent. Most activities are subsidised, even those that generate income or savings for the beneficiaries. In such cases, there seems to be scope for increasing contributions by the beneficiaries, so as to make more efficient use of donated funds.

Sustainability

Water supply improvement

Construction activities of PHG are mainly on the household or farm level. The quality of the works is reasonable to good and technology is appropriate, hence technical sustainability is likely. Many PHG works generate income or savings for the benefiting population, providing potential but hitherto largely untapped sources for operation and maintenance.

Sustainability of the Bethlehem drinking water project is doubtful; an evaluation mission (1998) has stated that there was no adequate facility for operation and maintenance. The only operator had not been properly trained and management by the Water Supply and Sewerage Authority was characterised as weak.

Integrated development activities

The integrated development activities of SCF at the household and family level, such as drinking water cisterns and ponds, can be considered as technically and institutionally sustainable. As with PHG, however, the potential to generate fees has not been fully utilised. Water networks constructed on the neighbourhood or community level have a strong public service character and future maintenance should be carried out by the local authorities. While the mobilisation of informal, participatory groups has been effective for construction and installation, it may be more difficult for funding operations and maintenance. Sustainability of these activities will therefore depend on a good division of tasks and responsibilities between public authorities and local committees.

Water sector capacity building

Most of the trained Palestinian students are employed within the water sector. Part of the funding has been used for internal capacity building of PHG. The present organisational structure is sound, but sustainability of the organisation is linked to donor funding, which is not always assured. The financial sustainability of the organisation might be increased by activities for third parties.

Middle East water project

Sustainability of the Harvard Middle East water project is dependent on the use that can be made of the models. A follow-up project is trying to promote their effective use and is testing the models in practice.

6.3.3 Rural development

Policy relevance

PARC

The frequent closures of Israeli borders and the return of large numbers of Palestinians from the Gulf States have increased the interest in agriculture as an alternative source of income and employment. Furthermore, effective land use has proven an important instru-

ment against the confiscation of land by the Israelis. This can be done if the land has not been cultivated during the previous five years or if it is rocky for over 50 per cent. Thus, agriculture not only serves an economic goal but also a political and strategic goal. The importance of land reclamation is illustrated by the fact that it is allotted 44 per cent of the investment budget for the agricultural sector in the latest PDP. In both respects, i.e. the creation of employment in agriculture and the development of agriculture through land reclamation, PARC activities funded by the Netherlands' government are highly relevant to Palestinian policy.

Agricultural education and training

The training project is in line with the policy to strengthen the role of vocational training, as shown by the upgrading of the concerned department of the Ministry of Education into a Directorate General. Technical and vocational training has received second priority after primary education. From the Netherlands point of view, agriculture has received special attention in Dutch policy documents. The financed projects, concerning mainly agricultural and agriculture-related activities, are therefore relevant to Dutch and Palestinian policies.

Effectiveness

PARC

PARC projects show some discrepancy between stated and pursued objectives. Agricultural production and productivity are frequently mentioned among objectives, but no figures on project results are presented. One objective of the employment project is to enhance national food security, within the context of Israeli restrictions; this is confusing as there is no general food shortage in the Palestinian territories. Food shortages on the household level are generally a problem of poverty, not of food availability. Moreover, farmers benefiting from PARC project activities are not necessarily the poorest and reclaimed land is often planted with fruit trees that do not bear fruit for five to ten years. At the same time, tree cultivation is not a very labour-intensive activity. Land reclamation assumes ownership of land, and is not concerned with the landless or unemployed, except for momentary input as daily workers.

Nevertheless, land reclamation is in great demand by the people as it is an effective way of preventing confiscation. This can be illustrated by the case of a farmer who won his case against confiscation in court thanks to his reclamation works done with the help of PARC. Fruit trees are an effective crop, as large areas can be cultivated with limited labour inputs. The choice of crops is guided by a policy of self-sufficiency rather than of food security, in order to become independent of Israeli supplies; in effect, a policy of import substitution. In the long run, the projects also provide income-generating opportunities.

Agricultural roads constructed by PARC are needed to create market outlets for products and for the supply of inputs. At the same time, they provide Palestinians with a road infrastructure that is under their control, while paved roads continue to be under Israeli control. Here again, development objectives have certain political and strategic connotations which project activities have been effective in addressing.

Agricultural education and training

The objectives of the training project have partially been realised. As construction and rehabilitation costs proved higher than expected, part of the planned training courses have had to be postponed until the second phase that is now under implementation. A new curriculum based on Jordanian agricultural vocational training has been introduced. With the help of Dronten Agricultural College, several elements are being further improved during the second phase, while staff is also being trained to teach the new methods.

The agricultural school in Beit Hanoun (Gaza Strip) has been built and is operational. The quality of the work can be considered acceptable. Work at the El Arroub school (West Bank) has concerned mainly rehabilitation and renovation. The construction work is of low quality and part of the sanitary unit is closed and already in need of repair, only two years after completion. Delivered equipment is good and in line with specifications prescribed by the school. The schools intend to start girls' classes at the beginning of the next school year and both have a number of female students enrolled for the coming year.

Efficiency

Aid coordination

A draft sector policy paper on agriculture is under preparation with the help of the Dutch-funded UNDP project for institutional support to the Ministry of Agriculture. Its completion and publication are expected in the first half of 1999. There is no active donor coordination in the sector; the Sector Working Group on agriculture had its last meeting in August 1998.

Cooperation between the Ministry of Agriculture and NGOs, notably PARC, was initially difficult, but the current Minister actively seeks cooperation with the NGOs. This has resulted in the signing of a Memorandum of Understanding in October 1998 between the Ministry and ten NGOs, including PARC. Several projects under the responsibility of the Ministry of Agriculture are being implemented by NGOs.

Management of the project cycle

Prior to further funding, the PARC Core programme has been evaluated upon completion, while the agricultural training project has been subject to review by Dronten Agricultural College.

Cost-benefit or cost-effectiveness analyses have not been performed for land reclamation activities. The recipient organisation assesses the financial viability for the beneficiary but not the profitability of the investment. In part, the absence of economic analyses can be explained by the fact that the primary objective of land reclamation is political, i.e. to avoid confiscation through clearly-established property rights. Implementation delays for PARC projects have not been excessive. The vocational training project in agriculture managed by UNDP, however, has exceeded the planned duration by 17 months.

Project costs

The outputs of PARC projects are obtained at relatively low cost. In general, unit costs are too low to require tendering.

The agricultural education and training project is considered too expensive. While

UNRWA and the Ministry of Education systematically realise lower-than-budgeted prices in tendering, this has not been achieved by the physical infrastructure component of the agricultural education and training project. Moreover, quality is poor, especially in the case of renovation of Al Aroub School. Site supervision was carried out by means of periodic visits, which must have been inadequate.

Sustainability

PARC

The question of sustainability is closely linked to the nature of the projects. For land reclamation, the political objective to preserve ownership of the land seems to dominate over other objectives. Once political problems have been solved, sustainability will depend largely on the economic results of the use of agricultural land. For the moment it is not clear if these will be profitable in an open economy.

Agricultural roads do not merely serve groups of farmers but in fact form a network of feeder roads. In this respect they are part of a road infrastructure, which has the character of a public service. Regular maintenance of these roads, however, is based on ad-hoc fund raising, which is not always adequate. Some older roads are already in need of repair.

Agricultural education and training

The sustainability of schools depends on the availability of general budget funds and on management of the agricultural production activities from which schools derive part of their revenues. Ordinary education expenses have to come from the budget of the Ministry of Education. Although the Palestinian Authority faces budgetary constraints, sustainability is nevertheless likely as vocational training is considered a second educational priority.

6.4 Sectoral issues

Social services projects have played a relevant role in the Palestinian territories, particularly in view of the need for public services after prolonged neglect during occupation. The particular political environment in which projects have been executed gives rise to issues with regard to project objectives, sustainability of results and aid coordination.

The rural development projects executed by the Palestinian Agricultural Relief Committees have realised extensive rural infrastructural works, notably agricultural feeder roads and reclaimed land. Both have been realised in the context of social service projects, although the works are primarily politically motivated. The halting peace process has led to continued confiscation of Palestinian land for Israeli settlements and for bypass roads from these settlements into Israel. Land reclamations form a successful shield against such confiscations, and agricultural roads provide safe connections between Palestinian villages, enabling their users to avoid Israeli-controlled routes. The results of PARC projects should be viewed in this context, rather than as the stated social objectives.

Public works in the water and sanitation sector have largely been realised by NGOs rather than by the Palestinian Authority. Little attention has been given to the possibilities of raising revenues from those who benefit from the works in order to ensure future maintenance of the structures. Complex relations among Authority, NGOs and donors, as well as the fact that the Authority has little control over water supply, renders difficult the operation and maintenance of these public utilities.

The large-scale construction of schools, roads, water and sanitary works leads to increasing budget requirements for operation and maintenance. The tight budgetary situation of the Authority will make regular or preventive maintenance a difficult matter. New construction and rehabilitation plans are now considered with respect to their recurrent cost implications.

Other than education, the coordination of aid activities is minimal. Given the large need, the risk of overlap is not yet very likely, but some undesirable effects can nevertheless be discerned. Contacts and information flows between NGOs and the Palestinian Authority are not optimal, although they have recently improved in the agricultural sector. Since various donors work directly with NGOs, chances for an overview and coordination of activities are small. Moreover, the strong donor-supported NGOs sometimes overshadow the formal institutions and delay the institutional strengthening of the latter. Lack of coordination among donors, the absence of established relations between NGOs and some ministries, and incomplete reporting on aid activities, also undermine the central coordinating role that the Ministry of Planning and International Cooperation is sup-

posed to play. On the other hand, NGOs fear that the Palestinian Authority will have the right to determine which NGO may be active.

6.5 Summary conclusion

The various social services projects financed by the Netherlands have been fully in line with Dutch and Palestinian policies and have addressed a real need on the ground. Most projects have been effective in addressing actual needs of the intended beneficiaries, although deviations from stated objectives have frequently occurred. The need and effectiveness of support to higher education was less obvious, and the effectiveness of the regional water study suffered from strained relations. The social services projects mostly addressed a general public requirement, allowing hardly any specific targeting towards women or the poorest members of society.

Most projects have been efficient in that good value for money was obtained. Tender procedures have been adequate and implementation pragmatic. Differences in rules and regulations between donor and recipient, as well as cumbersome administrative procedures, have frequently caused delays.

The institutional sustainability of training and physical construction activities is generally good, although most institutions depend fully on external funding. Possibilities to increase the technical sustainability of physical works, e.g. through raising direct income for maintenance, are not fully explored.

7 ENVIRONMENT

7.1 Background

Years of neglect during the occupation from 1967 to 1994 have created severe environmental problems in West Bank and Gaza. Lack of waste water treatment plants, of sewerage systems and of waste water collection for recycling lead to the uncontrolled discharge of waste water into the environment. Similarly, the disposal of solid waste is poorly organised, resulting in open-air burning of waste, littering and illegal dumping on random sites. In agriculture, overgrazing, littering with agricultural plastic, the unbalanced use of fertilisers, herbicides and pesticides, as well as poor land-use planning, all give cause for concern. Special groundwater and ecological protection zones are consequently under threat.

These problems are exacerbated by the quick population growth in the territories, particularly in Gaza where population pressure is high and a sanitation infrastructure has been virtually non-existent (see Chapter 6). The lack of rules and regulations with regard to industrial pollution and irrigation management has led to uncontrolled emissions of waste water and gases, as well as to ecological dumping in the Palestinian territories. The latter is caused by the very strict environmental laws in effect in Israel, with very high fines for contraventions.

Many environmental issues are of a cross-boundary nature, hence their solution depends largely on close cooperation with the Israelis with whom the Palestinians share natural resources and ecosystems. Examples of such shared environmental issues are: the exploitation of groundwater and surface water; waste water management; Palestinian access to grazing lands in West Bank to mitigate overgrazing; and illegal dumping by Israeli settlements in West Bank and Gaza.

7.1.1 *Palestinian environmental policies*

Environmental conditions are not ranked by the Palestinian Authority among its most pressing problems. In Palestinian planning documents, the environment, under the heading of Infrastructure and Natural Resources Management, is almost synonymous with solid waste and waste water issues. The 1997 Public Investment Programme does not deal with the environment as a topical issue; under physical infrastructure it receives an amount of US\$ 9 million, equivalent to 1 per cent of the total public investment budget.

7.1.2 Institutional framework

The growing concern of the Palestinian Authorities for environmental problems, however, is shown by institutional developments since 1994. At first, an Environmental Planning Department (EPD) formed part of the Ministry of Planning and International Cooperation. In 1997, environmental matters became the responsibility of the newly-established Palestinian Environmental Authority (PEEnA). Nevertheless, EPD continued its activities for another year before transferring them to PEEnA. In 1999, it is envisaged that PEEnA will become incorporated by a new Ministry of Environmental Affairs. This development from EPD to a full Ministry, with a clear mandate for itself and other institutional players, would mark the evolution from mere project coordination to environmental planning, policy development, management and monitoring.

The implementation of environmental projects in agriculture is handled largely by the Ministry of Agriculture. Its Department of Forestry and Range Land is concerned with tree planting projects and has signed a Memorandum of Understanding with several environmental NGOs. The latter have been instrumental in establishing contact with their counterparts in Israel, resulting in a Palestinian-Israeli Environmental Secretariat. The largest NGO, PARC, predates the establishment of the Palestinian Authority and carries out many different environmental and agricultural projects (see Chapter 6).

The coordination of various environmental endeavours has not yet been worked out, as the formal and informal institutions have experienced parallel development. The Ministry of Environmental Affairs has yet to assume its coordinating role. Institutional complexities are also reflected in the Sectoral Working Group on the Environment, for which the Netherlands is 'shepherd'. The group has not effected any good communication links between PEEnA, the Ministry of Planning and International Cooperation, and donor countries.

7.2 Programme overview

According to the database on donor assistance of MOPIC, aid disbursed by the donor community for the environment totalled US\$ 7.1 million in the 1994–98 period. This included support for environmental policies and legislation, but excluded funds for solid waste. The Netherlands is the largest donor in terms of disbursements for the environment, followed by Denmark and Austria. The Danish Environment Protection Agency has provided institutional support to the Environmental Planning Department of MOPIC;

Austria has supported an environmental databank with the Applied Research Institution for Jerusalem.

The Netherlands disbursed some NLG 8.7 million for environmental projects in the period 1994–98, the bulk being spent on environmental profiles and programmes for environmental planning, coordination and management. Two projects were targeted directly towards environmental improvements, such as planting of trees.

Table 7.1 Overview of Dutch-funded environment projects, 1994–98

Project	Amount (NLG)	Period
Environmental Profile for the Gaza Strip	3,750,000	1994–1996
Palestinian Environmental Action Programme	1,933,000	1997–1999
Green Palestine	1,430,000	1997–2000
PARC Environmental Project	397,000	1997–1998
Palestinian-Israeli Environmental Secretariat	850,000	1997–2000
Total	8,360,000	

The above projects, representing 96 per cent of total Dutch disbursements for environmental projects, have been selected by this evaluation. Most of them were scheduled to finish in 1999, but some have been extended on a budget-neutral basis as disbursements have been slower than anticipated. For the moment, no new commitments are being made for environmental projects.

7.2.1 Environmental Profile for the Gaza Strip

Background and objectives

The Environmental Planning Department was established in 1994 without any clear mandate. It was to coordinate the various donor initiatives with regard to environmental problems, but the number and variety of those problems was such that prioritisation and planning was difficult. They are most pressing in the densely populated Gaza Strip.

The project was conceived in 1992, when Dutch consultants and representatives of the

then PLO undertook a mission to establish the need for an environmental profile for Gaza. The objective was to prepare and publish an Environmental Profile for the Gaza Strip (GEP). The GEP had to be instrumental in quantifying environmental problems and in developing a strategy for their solution on the basis of a baseline description of the environment. The process of preparing the GEP was to enhance Palestinian capacity for environmental planning and management. In the context of GEP, the production of a book on birds of Gaza was foreseen as educational material for school children.

Implementation and results

In close cooperation with Dutch consultants, the project preparatory missions in 1992 and 1993 yielded a first report in 1994: GEP part 1, which comprised a complete inventory of natural resources. In the following years, fieldwork continued for land use planning as well as historic and hydro-geological data collection, in cooperation with the Water Resources Action programme. This culminated in GEP parts 2 and 3 reports in 1995, and in the realisation of an Emergency Resources Protection Plan. The quantitative data collected were published in a seven volume *Hydro-geological Data Book of the Gaza Strip* (1995). The cooperation between Dutch consultants and the Environmental Planning Directorate in the context of GEP led, in 1996, to the publication of *Gaza Water Resources: Policy Directions in Groundwater Protection and Pollution Control* and *Gaza Land Resources: Land Use Planning and Resources Protection*.

The GEP has been widely distributed among Palestinian institutions and the donor community. The profiles are used as standards and guides for new environmental initiatives and projects, as witnessed by the following examples: GEP profiles have been used to formulate and implement the World Bank project on Gaza Waste Water, the EU project on Solid Waste, as well as for the Environmental Manual for the Gaza Industrial Estate and the Storm Water and Sewage project in Northern Gaza. The GEP has served as example and guide in the preparation of West Bank Environmental Profiles by the Applied Research Institute Jerusalem and for the Status Report of the Environment.

The book on Birds in Gaza has not yet seen the light due to poor management of the production process. Although the project has not been concluded, it is at present not clear whether the book will ever be printed.



7.2.2 The Palestinian Environmental Action Programme

Background and objectives

In 1995, the project for the Gaza Environmental Profile was evaluated. One of the recommendations was to strengthen the management and planning capacity of the Environmental Planning Directorate and its cooperation with other organisations and agencies dealing with environmental problems. The development of an action plan was deemed necessary to improve the targeting of the most pressing environmental problems of the Gaza Strip and the West Bank. After establishment of PEnA, the Palestinian Authority asked the Netherlands to extend its support for an action plan to this institution.

The main objective of the projects was to formulate a Palestinian Environmental Action Programme (PEAP) that would target the most serious environmental problems in Gaza and West Bank. This would be pursued through strengthening the Environmental Planning Directorate and, subsequently, the Palestinian Environmental Authority as a focal authority in the field of environmental planning, policy and strategy formulation

and the preparation of special action plans.

Implementation and results

The project has been implemented through close cooperation with various Dutch consultant consortia, and has interacted with and benefited from the project on the Gaza Environmental Profile. Several publications mentioned under the GEP project have been realised with the cooperation of a strengthened Environmental Planning Directorate, e.g. Hydrogeological Data Book of the Gaza Strip and the Environmental Manual for the Gaza Industrial Estate. Further publications were the Environmental Impact Assessment Regulations as well as a draft Emergency Resource Projection Plan, both for Gaza and the West Bank. Moreover, standards and guidelines for environmental protection have been developed and implemented, and an environmental law is expected to be enacted soon.

In the present third project phase, the publication is envisaged of a three-year National Environmental Action Plan and a ten-year National Strategic Plan for the Environment, containing planning approaches and an analysis of the most urgent problems and actions that need to be undertaken.

Some 50 Palestinian professionals in West Bank and Gaza have been able to improve their skills with regard to evaluation and description of environmental problems, as well as their technical capabilities in the fields of land use, spatial planning, nature and biodiversity, Geographic Information System (GIS) and database management. They have further enhanced their skills with regard to the management of waste water, solid waste, natural and water resources. Another 15 professionals were trained in environmental planning for long term environmental strategy and action plans.

7.2.3 Green Palestine

Background and objectives

Due to overpopulation and long-time environmental neglect, forests and rangelands in both West Bank and Gaza have been degraded. An emergency programme for the protection and rehabilitation of the natural environment was therefore deemed necessary. The project aims at rehabilitating forest and range lands, as well as natural areas in and around urbanised areas. A derived objective is to raise the awareness of Palestinians with

regard to the need for environmental protection and conservation, and to entice them to participate in the implementation of the programme, notably the small-scale planting of trees.

Implementation and results

Implementation of the various project activities was undertaken by the Ministry of Agriculture in cooperation with a variety of other ministries, NGOs, local communities, municipal and local councils. The project has undertaken staff training activities in nursery management, seedling production and basic forest protection. Small-scale tree planting activities were realised in eight locations in Gaza and West Bank.

7.2.4 PARC Environmental Project

Background and objectives

PARC is an NGO which focuses its activities on target groups in rural areas, such as rural women and small farmers. A specialised unit in PARC deals with irrigation and environmental issues. Many environmental problems in rural areas arise through lack of awareness with regard to the use of fertilisers, pesticides, and plastics, as well as limited knowledge of environmentally-friendly solutions. The project's objective was to improve the environmental management capacities of rural communities, to reduce the use of chemical products, and to encourage young people to take responsibility for a clean environment.

Implementation and results

PARC has organised 26 environmental training courses throughout West Bank in which 600 people have participated; cleaning campaigns were organised in 100 West Bank villages and 51 lectures were given to 1,000 participants. Throughout West Bank and Gaza, some 40,000 seedlings have been planted in 252 localities. Awareness raising was pursued through the production of nine posters on energy conservation and four pamphlets on the use of pesticides.

7.2.5 Palestinian-Israeli Environmental Secretariat

Background and objectives

Environmental problems transcend national boundaries, particularly in the case of Israel and the Palestinian territories. Palestinians and Israelis share vulnerable ecosystems in a relatively small geographical area. The Oslo Accords therefore mention the need for Governmental cooperation with regard to water management, sewage and other waste disposal; in actual practice, however, no such cooperation exists at governmental level, with the exception of waste water disposal. Various non-governmental organisations have recognised the need for a secretariat that would be open to all environmental NGOs that support Palestinian-Israeli cooperation. The project supporting the Secretariat aims at raising awareness with regard to environmental matters in the context of the peace process, with particular attention to the youth.

Implementation and results

The official opening of the Palestinian-Israeli Environmental Secretariat (PIES) in Jerusalem in February 1998 was attended by some 300 people. Much publicity was gained through the issue of Quarterly Newsletters, Conferences and Workshops; publication of a special issue of the Palestine-Israel Journal (Vol. V, No. 1, 1998); and an Activities Report for the period July 1997-February 1999. The office is now fully staffed, it issues an information kit and newsletters, and maintains a web site. Other activities initiated and coordinated by PIES are: student-to-student workshops and camps; environmental summer schools; Nature Knows no Boundaries youth groups; joint Israeli-Palestinian environmental workshops for professional groups; and an environmental management programme.

7.3 Evaluation

Policy relevance

The need for environmental protection was recognised by the PLO and the donor community in the early 1990s. After 1994, the Palestinian Authority immediately assigned responsibility for environmental matters to an Environmental Planning Department,

whilst non-governmental organisations addressed the need to coordinate environmental actions with Israel. Since many environmental problems emanate from the poor sanitary conditions in the Palestinian territories, most donor interventions are geared towards the improved disposal of solid waste and waste water (Dutch sanitation projects are evaluated in Chapter 6). Meanwhile, the planning capacity of the Authorities with regard to environmental problems was insufficient to deal with their prioritisation of the various donor actions. The Netherlands also accorded high priority to the environment in Palestinian Areas, as is shown by its shepherd role in the Sectoral Working Group on Environment. Dutch environmental projects can therefore be considered as policy-relevant.

Effectiveness

All projects have attained their immediate objectives, with exception of the Bird Book of Gaza. They have been instrumental to a better planning and management of environmental projects, particularly in the realm of sanitation. Environmental awareness, particularly with regard to waste disposal, is reported to have increased considerably: littering has substantially been reduced while the collection of garbage has been improved. The various projects have been instrumental in prioritising environmental bottlenecks, as many institutions and donor organisations have used the environmental publications and data bases for planning purposes. The capabilities of the Environmental Planning Department, the later Palestinian Environmental Authority, and the Palestine-Israel Environmental Secretariat have been strengthened by the projects in terms of staff training and transfer of technology, viz. the quality and use of their output. Tree planting activities have resulted in the immediate reduction of erosion and the beautification of several natural areas in and outside urban areas.

Efficiency

The projects for the Gaza Environmental Profile and the Palestinian Environmental Action Programme have enhanced the planning capacity of the various institutions involved in environmental management. Initially, the initiatives of donor and Palestinian organisations lacked any overall framework. GEP laid the groundwork for environmental plans and actions, whereas PEAP has culminated in a concept Environmental Strategic Plan (March 1999), which allows effective monitoring and evaluation of environmental projects (a 'cyclic environmental planning process'). This requires full cooperation and coordination

among the various Palestinian institutions, NGOs and donors. To date, however, such cooperation has not been properly streamlined; in particular that between Ministries and NGOs needs improvement, while some donors duplicate efforts because they prefer to undertake their own studies. The establishment of the Ministry of Environmental Affairs may bring about the needed improvements.

Environmental awareness activities of the Palestinian Agricultural Relief Committee and the Palestinian-Israeli Environmental Secretariat have been efficient in that they have reached many people. Some evidence, such as reduced littering and the increased use of environmentally-friendly agricultural methods, indicate that awareness also brings about a change in attitude.

The tree planting projects have suffered from some loss of seedlings through lack of planning and coordination early in the programmes. During the project period skills have improved and are now adequate; nevertheless, they require continuous monitoring as many local entities are involved.

Sustainability

The technical sustainability of planning and awareness projects lies in the enhanced capacity of the institutions involved. The training of staff, the transfer of technological skills and the medium-term character of Dutch assistance to EPD, PENa and PARC seem to have contributed more to their technical expertise than to their institutional strength. The various reports and data bases produced by the projects are still used by donors and Palestinian Authority institutions.

The tree-planting activities coordinated by the Ministry of Agriculture and PARC are considered sustainable as staff have been trained in the production of seedlings, and nurseries continue their operations even outside the context of projects.

The institutional sustainability of planning projects largely depends on the functioning of the new Minister of Environmental Affairs. The degree of cooperation and coordination among the Palestinian Authority institutions, NGOs and donors is still cause for concern. PARC is a strong organisation linked through a Memorandum of Understanding to the Ministry of Agriculture, which sustains its institutional viability. The Palestinian-Israeli

Environmental Secretariat still suffers from growing pains, as the functioning of its directors depends on outside funding.

The financial sustainability of PARC and the Palestinian-Israeli Environmental Secretariat is largely dependent on donor funding, whilst government institutions depend on the political support of the Palestinian Authority as well as on donor willingness to continue financing.

7.4 Sectoral issues

The Palestinian Authority has addressed the practical environmental problems (solid waste, waste water), but has not yet given sufficient attention to the institutional framework for protecting the environment. Given the few years that the Palestinian Authority has been in power and the urgency of other socio-economic constraints, it is not surprising that the environmental management structure of the administration is still not ideal. Internal conflicts of competence among Palestinian environmental policymakers have caused a changing and ambiguous local counterpart structure. The creation of PEnA as the only responsible body within the Palestinian Authority is a case in point. It took almost a year before MOPIC and PEnA decided to transfer the tasks and responsibilities of EPD to PEnA, resulting in considerable delays in the Dutch-funded PEAP project. The above findings concur with the lessons learned by a DAC Working Party that describes institutional capacity development in environment as a difficult process since environment ministries are often characterised by being relatively young organisations with limited political influence. In addition, the DAC report notes that capacity development in environment and local funding for it do not appear to be priority concerns in many developing countries (source: DAC Working Party on Aid Evaluation, 31st Meeting, 27–28 January 1999, PEM Consult, Background Document No. 1.)

Implementation of some environmental projects by NGOs has been undertaken in isolation from the Palestinian Authority, e.g. the book on birds of Gaza. Information on these project activities should not be withheld from the Palestinian Authority. On the other hand, there will be no reason to do so if there is a clear allocation of tasks and duties between PEnA and the organisations involved in implementing these projects: other Ministries, including Agriculture, Health and Industry, and the NGOs.

7.5 Summary conclusion

Dutch-funded environmental projects have been relevant to the institutional strengthening of Palestinian institutions dealing with environmental planning and management. They have concentrated on the establishment of data bases and studies that would allow the prioritisation of environmental problems, the development of strategies and planning, as well as the monitoring and evaluation of environmental projects in the context of an environmental planning cycle. The institutions involved have been strengthened to an extent that the staff involved are technically capable of preparing environmental strategy documents, updating data bases and advising on major projects. The various publications emanating from the projects have been widely used by donors and Palestinian institutions alike, but coordination among donors, NGOs and Palestinian institutions still requires improvement. The newly-appointed Minister for Environmental Affairs has the mandate to enforce such coordination. Concerted efforts to raise the environmental awareness of Palestinians have been successful in that many people have been reached, and some actual changes in attitude can be observed: littering has been reduced and the use of environmentally-friendly materials and techniques is increasing. The medium-term character of the projects has thus far contributed to the technical rather than to the institutional sustainability of results.

8 GOVERNANCE

8.1 Background

The Washington Conference of October 1993, Oslo I, had yielded donor pledges to the tune of US\$ 2.4 billion for the five-year interim period from 1994 to 1999. Two broad goals were to be pursued simultaneously: improving the standards of living in the Palestinian territories and laying the foundations for sustainable long-term growth. These economic objectives could not be separated from the political aspects of the peace process; development assistance had to be delivered to Palestinian territories where Israel was in control.

The Netherlands' Middle East policies (1997) with regard to Palestinians were also based on the premise that a comprehensive, just and lasting peace would depend on a balanced socio-economic development of the region. This comprised not only economic support to the ailing economies of West Bank and Gaza, but also support for democratisation, good governance and increased respect for human rights.

The governance situation in the Palestinian territories during the interim period has been very complicated. There were frequent closures, house demolitions, travel restrictions and deportations by Israel, which dealt economic blows to the Palestinian economy and violated human rights of detainees and prisoners. Palestinian governance was marked by the lack of a ratified Basic Law that would guarantee the separation of powers between legislative, judiciary and executive branches. In this context, there was a certain incidence of arbitrary arrests, executions, dismissals and appointments, and misuse of firearms. Moreover, there is a lack of legal predictability in that several different legal systems are in force and applied randomly. This hampers transparency and an independent justice administration. The lack of a ratified Basic Law, and a Law on Local Authorities that has been ratified but not enforced, gives substantial executive powers to President Arafat.

8.1.1 *Palestinian policies*

The link between peace, socio-economic development and governance has been acknowledged by the Palestinian Authority. In his opening address to the United Nations Inter-Agency meeting in 1995, President Arafat declared that: 'Peace will bring democracy,

democracy will bring stability, and stability will bring economic and social development.’ In the first years of Palestinian self-rule, the formulation of proposals and projects in the field of governance were hampered by the complexity of the situation. The authorities had to create a civil service system from disparate groups of public service personnel, such as Palestinian former staff of the Israeli Administration, PLO staff and NGO representatives, whilst donors were already coming in with substantial funds. Donor proposals and projects were thus formulated in a situation where the recipient was not able to absorb such a project-driven programme.

In subsequent years, the sectoral planning and development of strategies improved markedly, and a policy with regard to governance was elaborated in the 1997 *Palestinian Public Investment Programme*. The programme stressed the need for institution building and human capital development in order to build a competent, streamlined and effective public sector. In its *Palestinian Development Plan 1998–2000* the Palestinian Authority specified strategies with regard to governance as follows:

- institutional capacity building
- establishment of a legal framework
- promotion of democracy and respect for human rights
- good governance policies and systems.

8.1.2 Institutional framework

Prior to 1993 the public sector in the occupied territories comprised Israeli civil administrators and Israeli-appointed village and municipal councils. Aid to the territories was channelled through Palestinian and international NGOs, as well as through the United Nations Relief Works Agency (UNRWA) which constituted the largest provider of services after the Israeli administration. In 1994 and 1995, the then Palestinian National Authority comprised 24 members responsible for the new duties and powers bestowed upon them by the Oslo Accord. In January 1996, those responsibilities were transferred to the newly-elected Legislative Council which had both legislative and executive powers, the latter being exercised through the ‘Executive Authority’ headed by the President. The public sector employed some 22,000 Palestinians in 1994, but by 1998 this force had grown to almost 90,000 Palestinians in some 28 Ministries, 40 Public Institutions and Commissions, eight Security Forces and approximately 350 municipal and village offices.

A Draft Basic Law has passed the first and second readings in the Palestinian Legislative Council and has been sent to the President, who has yet to respond. There is as yet no separation of powers between the legislative, judiciary and executive branches (civil institutions and security forces), each of which suffers from a particular set of problems. The Legislative Council and the public have no parliamentary experience, which leads to the pursuance of personal affairs rather than public issues. Moreover, the relationship between the Council and the Executive Authority of the President has not been decided upon. The Judicial Branch has to deal with a complicated legal inheritance of legal systems: Egyptian and Palestinian law in Gaza and Jordanian and Palestinian law in West Bank, each of these superimposed by Israeli military orders and the remnants of Ottoman and British Mandate laws. The Executive Authority further interferes with matters regarding the Judicial Branch, without any independent agency taking care of appointments, promotions and discipline. The functioning of the Executive Branch is complicated by the lack of a centralised organisational structure, as a result of which the President heads many ministries and commissions.

8.2 Programme overview

The multi-donor effort mounted to sustain the Palestinian Authority in its early years through budget support is a most conspicuous example of institution building. Some US\$ 250 million have been disbursed through a special fund, managed by the World Bank. Contributions regarding human rights activities are more difficult to trace, as these are mostly channelled through NGOs. Public and private donations for this purpose are not consistently reported to the Ministry of Planning and International Cooperation, hence an estimate of the total financial effort for human rights is difficult to make. MOPIC's latest report on donor assistance, however, provides the following figures for donor disbursements in the 1994–98 period (percentage share of total donor disbursements):

- Human rights & social development, including professional and civil society development	US\$	46.3 million	(2%)
- Institution building	US\$	247.6 million	10%
- Legal affairs	US\$	2.5 million	(0.1%)
- Police	US\$	93.1 million	(4%)

Donor coordination with regard to governance issues has been structured in two Sectoral

Working Groups: Police and Institution building. The Working Group on police matters is 'shepherded' by Norway, whilst the EU takes the leading role of 'shepherd' in the group on institution building. Three subgroups were subsequently added to the latter: Legal Sector, Public Administration, and Local Government. The Sectoral Working Groups functioned in the mid-90s as a platform to provide donors with information with regard to relevant developments, pledges, commitments and disbursements. The frequency and attendance of group meetings decreased in later years through frequent personnel changes and better first-hand knowledge among donor representatives. The structure of the working groups changed in 1998: the group for institution building now comprises Local Government, Rule of Law, Public Administration and Police. The role of representatives of the Palestinian Authority, the 'gavelholders', has been strengthened vis-à-vis the 'shepherds'.

In the Dutch aid programme for the Palestinians support to governance constitutes the largest field of activity after social services: NLG 67.5 million was disbursed in the period 1993-98, or 26 per cent of total disbursements. Support to governance comprises projects in the field of institution building, human rights development and so-called people-to-people projects promoting contacts and mutual understanding between Palestinian and Israeli people. The largest disbursement, NLG 40 million, represents direct support to the Palestinian Authority to cover severe budgetary problems caused by extended closures of the territories. Support to the Palestinian Police Force constitutes the second largest budget item over a relatively extended period. Support to human rights is characterised by several small disbursements to NGOs with an average amount of NLG 174,000.

Projects covered by the field study constitute 89 per cent of disbursements in this sector. Most projects have been finalised, or will be finalised in 1999. Support to the Palestinian Police Force will most probably be continued in 1999. With regard to Human Rights, two important Palestinian NGOs are being supported by the Netherlands: LAW-the Palestinian Society for the Protection of Human Rights and the Environment, and the Palestinian Centre for Human Rights. The latest projects with these two NGOs, however, are of recent date and therefore remain outside the purview of this evaluation.

Table 8.1 Overview of Dutch contributions to selected governance projects in 1994–98

Project	Amount (NLG million)	Period
<i>Institution building</i>		
Budget support to the Palestinian Authorities	40.897	1994–1996
Police Force: financial support and training	14.200	1994–1997
Local Government support	2.174	1996–2000
Ministry of Agriculture: institution building	0.691	1997–1999
Palestinian Independent Comm. for Citizens Rights	0.258	1994–1999
<i>Human rights</i>		
- Palestinian Human Rights Information Centre		1992–1993
- Society of St. Yves, Legal Resource Centre for Human Rights	1992–1993 and	1996–1997
- Association for Civil Rights in Israel		1995–1996
- HamoKed: Centre for the Rights of the Individual		1995 and 1997
- LAW-Conference on Human Rights Violations		1997
- Palestinian Human Rights Monitoring Group		1997–1998
<i>People-to-people projects</i>		
Sesame Street Project	0.463	1996–1997
Total	60.077	

8.2.1 *Institution building*

Budget support to the Palestinian Authorities

Background and objectives

A special donor meeting held in January 1994 urged the establishment of a special fund to provide financial support to the Palestinian Authority in its first year. This fund, the J.J. Holst Fund, named after the then Norwegian Foreign Minister, is administered by the World Bank with the objective of channelling untied grants to meet the start-up costs of the Palestinian Authority. For this purpose, a grant agreement was signed with PEC DAR.

Implementation and results

The support was intended for the first year of operations of the Palestinian Authority, but for several reasons the Fund has had to remain in force for some years. Firstly, recurrent budget support was necessary as an effective revenue system was difficult to realise in the absence of a Ministry of Finance, of budgetary procedures and an ensuing fiscal discipline. Actual revenues thus remained low and tax clearance arrangements between Israel and the Palestinian Authority were far from smooth. Bomb attacks in Jerusalem and Tel Aviv in 1996 led to repeated and extensive closures of the territories, the cumulative effect of which was extremely damaging for the Palestinian economy. The donor community considered the severe economic effects of the closures, resulting in unprecedented unemployment levels, to be a danger to the peace process. It was therefore decided to use the Holst Fund to fund an Emergency Employment Generation Programme which created short-term employment for thousands of workers. Between 1996 and 1998, some 700 micro-employment projects were implemented.

Meanwhile, the Palestinian Authority managed to establish a fairly effective revenue system and the budget for 1998 was on a cash basis in balance. Hence, the need for emergency budget support through the Holst Fund has abated and the Fund is at present dormant.

Support to the Palestinian Police Force

Background and objectives

The 1994 Consultative Group meeting in Paris suggested that the Holst Fund be used for the establishment of a Palestinian Police Force: paying police salaries and procuring equipment. Donors initially hesitated to support, even multilaterally, a police force comprising former freedom fighters and Intifadah activists. The policemen were accepted by the Palestinian community but depended on civilians for food and housing. Furthermore, they did not have any uniforms or weapons. As this situation could undermine the morale and prestige of the police, it was decided to channel emergency funds through UNRWA with the objective of providing the Palestinian Police Force with salaries and equipment.

The international donors supporting the Palestinian Police Force through UNRWA agreed

on a division of tasks, whereby the Netherlands was requested to provide a training programme for anti-riot police operations. The short-term objective was to provide tailor-made training for large-scale anti-riot operations, applying minimal force and resulting in minimal injuries to public and police. The longer-term objective was to establish a core training unit which would ultimately create an able police force that would provide a general perception of security and stability.

Implementation and results

The Netherlands, together with seven other donors, disbursed funds through UNRWA in support of the Palestinian police, providing them with a basis on which to become a professional force. The Netherlands provided special expertise in the field of large-scale riot control, embodied in the Dutch Police Institute for Public Order and Safety. This institute organised two training courses, monitored by Nuffic; one in the Netherlands (1994–95), and a training-of-trainers course in the Palestinian territories (1996), in which 40 persons participated.

Other institution-building projects

Background and objectives

1. The Association of Netherlands Municipalities (VNG) sought contact with the PLO in order to support the Palestinian local authorities. This initiative resulted in a project for 'Assistance to the reconstruction of Palestinian local government', with the objective creating an Association of Palestinian Local Authorities. This would provide local authorities with information, advice, services and opportunities to lobby for their interests among institutions of the Palestinian Authority.
2. The Ministry of Agriculture had already received institutional support from UNDP and the Food and Agriculture Organisation (FAO) when, in 1997, the Netherlands was requested to fund the second phase of this assistance. The objective was to enhance the capacity of the Ministry's General Directorate of Planning and Policies Development for the formulation of a Long-term Sustainable Strategy, a Medium-term Investment Plan and individual project proposals for submission to donors.

3. The Palestinian Independent Commission for Citizens' Rights received direct financial support to reinforce its role as ombudsman and to review and propose new legislation.

Implementation and results

Ad 1. The Association of Palestinian Local Authorities (APLA) started operations in 1996, at which time the Ministry of Local Government had increased its supervision over Palestinian local authorities (budget and project allocation). VNG assisted APLA through a process-oriented approach rather than an output-oriented approach, because of the continuously changing external circumstances to which the project was exposed. Meanwhile, some 300 local authorities have become member of APLA, i.e. all but the smallest hamlets.

Ad 2. The support project for the Ministry of Agriculture has experienced substantial delay. Most project activities have not yet been implemented, including the setting-up of a Gender in Development Unit. Draft laws have been formulated by FAO legal experts and submitted to UNDP and the Ministry and subsequently to the Legislative Council. This approach has not been effective because the international experts were not aware of the complex multi-layered Palestinian legal history. The delays were also due to internal power struggles. The Ministry was divided into spheres of power exercised by the Minister, the Deputy Minister and the Assistant Deputy Minister, each with a group of loyal civil servants. The paralysing effect of this situation was ended in late-1998 with the arrival of a new minister and the drawing-up of new plans for the planning directorate. As only some 20 per cent of project funds had been disbursed, the project was extended to end-99. At present, the project concentrates on the production of concrete outputs, i.e. documents intended to attract donor funds.

Ad 3. The Palestinian Independent Commission for Citizens' Rights has mainly acted as ombudsman, processing grievances and complaints regarding the Rule of Law. The number of cases being pursued has steadily increased and totalled over 700 in 1998. Replies from relevant government agencies have also grown in number, 372 in 1998, and in length, i.e. substantive documents with supporting documentation rather than short evasive answers. Moreover, some 200 security officials dealing with human rights and rule of law have been trained.

8.2.2 Human Rights projects

Background and objectives

With regard to human rights, the Netherlands has pursued a policy whereby support was divided among various human rights organisations, each representing a different aspect of the problem in the Palestinian territories. The assistance was mainly financial, provided either directly or via Dutch NGOs (Novib, ICCO, Cebemo/Bilance).

1. The Palestinian Human Rights Information Centre was established in 1986 with a mandate to monitor and document human rights violations in the Occupied Territories and, since 1991, also to organise human rights education and advocacy.
2. The Legal Resource Centre for Human Rights, the Society of St. Yves, was established in 1991 as a church-based non-partisan and a-political organisation. The objective was to provide legal assistance to poor Palestinians and to raise consciousness of human rights among Israeli and Palestinian populations.
3. The Association for Civil Rights in Israel was founded in 1972 and supported by Novib after 1988. It promotes the civil liberties and human rights of all individuals in Israel and the Occupied Territories, regardless of nationality, religion and political beliefs. The Association has undertaken legal actions in the Palestinian territories and promotes the rights of Arab citizens in Israel.
4. The HamoKed Centre for Rights of the Individual was founded in 1988 to defend the rights of Palestinians in Gaza, West Bank and East Jerusalem. HamoKed is registered in Israel with a democratically-elected board of Israeli and Palestinian members. It processes individual human rights complaints of Palestinians through administrative and legal channels.
5. The Palestinian Human Rights Monitoring Group, established in 1996, also targets Palestinians in the Gaza Strip, West Bank and East Jerusalem, with the objective of supporting the democratic development of Palestinian Society through newsletters, reports and press releases.

6. Finally, a conference on '50 years of Human Rights Violations' was supported in 1998.

Implementation and results

Ad 1. The Palestinian Human Rights Information Centre lost its independent status as the organisation could not be separated from the Arab Study Society, whose director was a Palestinian Authority Minister. This, plus declining donor funds, led to its collapse in 1994.

Ad 2. St. Yves also suffered from declining donor funding, as it had taken on too many tasks while lacking concrete objectives and activities. The Netherlands terminated its support in 1998.

Ad 3. The Association for Civil Rights in Israel concentrated on issues of family reunification, house demolition, interrogation methods and military courts. In 1996 it decided to cease operating in Gaza as its activities had been taken over by Palestinian organisations.

Ad 4. HamoKed has concentrated its activities on quiet deportations from East Jerusalem, detainee rights, Security Force violence and entry permits. Since the Association of Civil Rights in Israel scaled-down its activities in Gaza and West Bank, HamoKed is one of the few Israeli organisations operating in the territories, with Israeli lawyers who can go to the Israeli High Court.

Ad 5. The Palestinian Human Rights Monitoring Group has gained substantial media access, sourcing its information from an extensive network of other human rights NGOs. Its activities are focused on human rights violations by Palestinian Authorities. As their messages are not popular in the territories, they often seek Israeli media to make their findings public, thus rendering the organisation controversial in the Palestinian community.

Ad 6. The conference on '50 years of Human Rights Violations' was sponsored by several donors and yielded a non-governmental platform of prominent activists to communicate Palestinian concerns to organisations in other countries that work for the Palestinian cause.

8.2.3 People-to-People Project

Background and objectives

People-to-people projects are activities that support workshops, theatre projects, discussions, etc. in order to facilitate mutual understanding and cooperation between Arabs and Jews. The Sesame Street project is such an activity, making children's television series. It received financial support through the Bernhard van Leer Foundation, Amsterdam. Sesame Street's objective was to produce 60 children's programmes that would expose Israelis and Palestinians to each other's culture and language; to develop mutual respect among Israeli Jewish, Israeli Arab and Palestinian children; and to transfer the creative and production expertise for such programmes to Palestinian academics, script writers, animators and producers. The executing agencies were the Children's Television Workshop, New York, the Israel Educational Television, and the Palestinian Institute for Modern Media.

Implementation and results

The programmes were produced in a studio in Tel Aviv, causing permit and travel problems for Palestinian producers. In April 1998 the programmes were broadcast three times a week, over a 20-week period, by a network of six stations: the Al-Quds Educational Television. Television broadcasting in Israel started in the summer of 1998. The Palestinian Institute for Modern Media benefited from the transfer of technical expertise.

8.3 Evaluation

Policy relevance

The Palestinian Authority has had to deal with many challenges since its inception in 1994. Many public sector service providers have had to be incorporated in a Palestinian public service system, ministries had to be founded, and the Legislative Council had to deal with various inherited legal systems in the territories. These challenges came in a period when donor aid was stepped-up and when political problems resulted in extensive closures of the territories, causing economic damage. In this context, institution-building projects have been very relevant. In particular, budget support to the Palestinian

Authority and to the Palestinian Police Force, and subsequent training, were of utmost importance as, under the circumstances, both would have had great difficulty in surviving without external support. In the same vein, the support to local governments and the Ministry of Agriculture has been relevant as these institutions had to find their way amongst established pre-Palestinian Authority institutions including NGOs and UN organisations. Inevitably, institutional growing pains have led to complaints by citizens. The ombudsman function of the Palestinian Independent Commission for Citizens' Rights is therefore relevant to good governance. It is the only institution of its kind in the Arab world.

The question of human rights in the Palestinian territories is multi-faceted. The territories are still largely controlled by Israeli Forces, except for the so-called 'A' areas that are under full Palestinian control. Here, an inexperienced Palestinian Police Force took over the control of public order, although 'A' areas can be sealed off by the Israeli Forces whenever they deem this necessary. Moreover, there are Arabs living in Israel, and Israeli living in settlements in the territories. The human rights issue therefore concerns abuses by both Israeli and Palestinian authorities, committed in Israel as well as in the territories. The broad range of NGOs supported by the Netherlands is therefore relevant to the various aspects of the human rights problem, and the even-handed approach stimulates the necessary dialogue between Israeli and Palestinians. The people-to-people project was also relevant in this respect.

Before 1993, human-rights NGOs were supported not only by donors but also by wealthy Palestinians. In 1994 the latter became closely related to the Palestinian Authority and their support dried up. Several NGOs were consequently silenced, rendering Dutch support particularly relevant.

The projects are fully in line with general development policies of the Netherlands and with Dutch Middle East policies that stress the need for good governance and the monitoring of human rights.

Effectiveness

The Holst Fund has been evaluated by others, including Brynen (1996), and found to be very effective in its support of the PA's recurrent costs and in the creation of short-term

employment (3 million workdays). Its flexibility made it possible for the donor community to react quickly to the detrimental effects of closures for the Palestinian Authority, particularly large-scale unemployment. Projects implemented with financial support of the Fund provided breathing space to the Authority, allowing it to establish a fairly effective revenue system. The World Bank and various other donors to the Fund have therefore proposed its closure at the end of 1999.

The commanders of the Palestinian Police Force and UNSCO have described the support and training projects as practical and useful for their purposes. The training has resulted in fundamentally different strategies by which to deal with public order maintenance. A specialised Public Order Force has been established, resulting in fewer policemen requiring training. The specialised forces still suffer from a shortage of equipment, as many shields have been broken by stones or Molotov cocktails. Another problem remains the regulatory constraint that moving police staff from one 'A' area to another through a 'B' area requires Israeli permission, which takes at least 24 hours to obtain.

The activities of the Association of Palestinian Local Authorities have laid a solid foundation on which its 300 members can coordinate their activities on the basis of good representation of the various geographic areas. Good relations have been established between the Ministry of Local Governments and the Association of Netherlands Municipalities.

Support to the Ministry of Agriculture was less effective as institutional conditions were hardly conducive to the project activities. A change of staff in the Ministry provided new opportunities for the project to achieve its objectives, for which purpose it has been extended to end-99.

The effectiveness of the Palestinian Independent Commission for Citizens' Rights appears from the increasing number of cases it has to handle, the quality response it gets from the various authorities and the expressed need to continue its human rights training. Moreover, the Commission has been asked to lend a hand to the Palestinian Legislative Council which suffers from lack of staff and from political appointments.

The human rights organisations financially supported by the Netherlands have generally been effective in attaining their major objectives, thus helping to lay the foundations for an improved human rights situation. Hamoked is increasingly successful locating

detainees and has gained the trust of the Palestinians, for whom it is difficult to deal with Israeli authorities in 'B' and 'C' areas. The Association for Civil Rights in Israel scaled-down its operations after successfully defending the rights of Palestinians in the territories in the period up to 1996. The Palestinian Human Rights Monitoring Group seems to be effective in attracting media attention for human rights abuses by Palestinian Authorities, but its activities are looked upon by Palestinians as undermining their community. The Palestinian Human Rights Information Centre and the Society of St. Yves have collapsed as a result of over-ambitious objectives.

The Sesame Street television programmes have recently been evaluated by an independent research institute. The findings confirm very high ratings, also from those who are sceptical with regard to the peace process. Extensive press coverage has underscored the uniqueness of the programmes and their producers have received several awards.

Efficiency

The efficiency of budget support to the Holst Fund to the Palestinian Police Force has been high, as quick disbursements guaranteed the continuation of vital institutions in difficult times. Training for the Police Force has also been efficient as overseas training in the Netherlands was followed-up by a train-the-trainers programme in Gaza. Support to local governments was provided as programme support, in view of the many external problems that erupted during implementation. Realisation of the first project phase took twice the allotted time but with half the allocated resources. Support to the Ministry of Agriculture was far from efficient in view of the delays incurred. The Independent Commission has used the funds well, but dependence on donor funding has prevented it from any substantial staff development (training, courses, etc.).

The efficiency of human rights projects has been relatively good for HamoKed and the Association for Civil Rights, considering their respective project costs. The two organisations that collapsed were far from efficient. In 1998, the Netherlands Ministry of Foreign Affairs stopped funding the Society of St. Yves. The Palestinian Human Rights Information Centre collapsed after the establishment of the Palestinian Authority in 1994. The efficiency of the conference on '50 Years of Human Rights Violations' and of ongoing support to the Palestinian Human Rights Monitoring Group cannot be established. A general observation is that requests for funds have been slowly

processed in the Netherlands, particularly when Dutch co-financing organisations were involved.

In view of the success of the Sesame Street productions the funds can be considered well spent, even though costs have been high due to the Israelis refusing to come to Ramallah and Palestinians regularly encountering problems in getting permits to travel to Tel Aviv.

Sustainability

Budget support to the Palestinian Authority through the Holst Fund has sustained the former's activities by enabling to gain its footing in the early years. Emergency funding in later years has cushioned the blows dealt by frequent and extended closures. The Fund's activities can now be phased-out, indicating a more sustainable revenue situation today. It may be assumed that the large-scale funding of labour-intensive activities in a period of unprecedented unemployment contributed to the prevention of social unrest.

Support to the Palestinian Police Force is sustainable in that its general approach to riot control has been improved. The ability to contain riots is significant as it makes it possible for the Palestinian Authority to deal with disturbances without outside intervention. There is a continued need for training and equipment, both of which are at present in short supply. This may eventually jeopardise the long-term sustainability of results.

The Association of Palestinian Local Authorities (APLA) is in principle financially and institutionally sustainable. Membership contributions are to be collected starting in 1999, which should sustain APLA in the years to come. In return, members will receive services: e.g. APLA will negotiate the financial obligations of the Palestinian Authority towards local authorities, as well as a legal memorandum concerning the arbitrary arrest and interrogation of local officials. The quality of these services will determine the members' willingness to pay the contributions. The present chances for sustainability may be reduced if the ratified Law on Local Authorities, comprising free and fair elections of municipal and council members, is not enforced.

The sustainability of the Palestinian Independent Commission of Citizens' Rights at present depends largely on donor funding, and thus functions more or less as an NGO. Eventually the Commission is to get its core funding from the State Budget.

Of the five human-rights NGOs covered by this evaluation, two have fully or virtually ended their activities as they lost the confidence of funding agencies. A third, an Israeli NGO, has sensibly scaled-down its activities in Palestinian territories to avoid overlap with Palestinian NGOs. The remaining two: the Israeli HamoKed and the Palestinian Human Rights Monitoring Group, are functioning well but their sustainability obviously depends on external funding.

The production of the Sesame Street series or other children's programmes is sustainable as the technical, creative and production expertise is now available in the Palestinian Community; several children's programmes have meanwhile been produced and broadcast.

8.4 Sectoral issues

Lack of information and communication on donor aid to NGOs may have impeded the complementarity of human rights projects. In addition to the Netherlands, Canada, Denmark, Norway, Sweden and Switzerland have also supported human rights organisations.

Relations between the Palestinian Authority and the NGOs were strained during the evaluation period. A legal framework regulating NGO activities, under preparation since 1995, has not yet been enacted. The NGOs want to avoid being kept under control; on the other hand, the Palestinian Ministries want to be informed about NGO activities. MOPIC wants to play a coordinating role between Palestinian Ministries and donor-supported NGOs in order to avoid duplication of project activities. Dutch assistance to NGOs ought to be notified to MOPIC once the legal status of Palestinian NGOs has been regulated to the satisfaction of both parties.

The effectiveness of governance projects at 'National' level in a conflict society is difficult to evaluate. Since the projects also form part of political policy, it is necessary to appraise and assess their activities on the basis of other evaluation methods than traditional development criteria alone. It seems that, rather than use political pressure to stop the violation of human rights and to maintain a complex legal system, donors have preferred to give development support to human rights organisations.

The donor-supported human rights NGOs are not yet fully rooted in the Palestinian community, for which ‘civil society’ is a new concept. Although these NGOs cannot claim to represent the Palestinian people at the grassroots level, they have been effective in obtaining conceptual changes from the authorities and in improving the dialogue between the Palestinian Authority and the community on sensitive matters. On the other hand, the Palestinian human rights NGOs have paid relatively little attention to gender aspects in their work programmes.

8.5 Summary conclusion

Governance in the Palestinian territories bears the marks of a population and government without any democratic tradition. The President exerts a large degree of absolute power because there is no separation between the legislative, judicial and executive branches. This provides scope for opportunistic decisions regarding institution building, appointments and dismissals, but also for arbitrary arrests and convictions as several law systems are maintained simultaneously. Yet, Palestinian governance is also marked by a deliberate effort to apply modern democratic principles. The ombudsman function of the Palestinian Independent Commission for Citizens’ Rights is unique in the Arab world, and the various human-rights NGOs, including those that are Israel-based, can do their work relatively unimpeded, although many restrictions still apply. Importantly, a Palestinian institution, the General Control Office, has published a report giving numerous examples of ambiguous procedures and mismanagement and a few cases of abuse of authority by officials of the Palestinian Authority.

Budget support to the Holst Fund and to the Palestinian Police Force has formed part of joint donor efforts to help to establish Palestinian institutions in a period that was particularly troubled by political, economic and financial setbacks. The bridging function of the support has been effective as the Palestinian Authority managed, within a very short time span, to establish various institutions which now run systems and services for a population of 2.9 million.

Support to the police and to local governments has been a particular feature of the Dutch programme. Both institutions are of paramount importance to a functioning civil society and the support has helped the Palestinian Police Force and the Association of Palestinian Local Authorities to become firmly established. Both maintain links with similar organisations in the Netherlands, which exposes them to the functioning and institu-

tional setting of Dutch civil society institutions.

The sustainability of the various aid results will depend strongly on future developments in the territories with regard to the Rule of Law, the Constitutional Framework and democratisation. Support by the donor community seems to have exposed the Palestinians to principles of transparency, accountability and democratic processes, the adoption of which will take time, given the lack of experience by both Authority and population.

ANNEX 1 THE POLICY AND OPERATIONS EVALUATION DEPARTMENT (IOB)

The Policy and Operations Evaluation Department, in Dutch the *Inspectie Ontwikkelings-samenwerking en Beleidsevaluatie (IOB)*, is responsible for conducting evaluations of Dutch foreign policy.

IOB is part of the Ministry of Foreign Affairs. It is an independent unit which reports directly either to the Minister of Foreign Affairs or the Minister for Development Cooperation. The Minister concerned submits IOB reports to Parliament, where they are discussed by the Permanent Committee on Foreign Affairs with respect to follow up actions.

IOB was established in 1977 with a mandate that was restricted to the evaluation of aid programmes. Following the reassessment of Dutch foreign policy in 1996, IOB's mandate was broadened to include other fields of foreign policy.

From 1977 to the mid-1980s, IOB's emphasis was on individual project evaluations, the status of which was then confidential. Since the mid-1980s, emphasis has shifted to comprehensive thematic studies, focusing on policies and modalities of implementation and covering sectors, themes or programmes. External independent experts participate in the various phases of the research, under responsibility of IOB. Increasingly, institutions or experts in recipient countries are invited to participate in the fieldwork. A reference group consisting of independent experts and Ministry staff is appointed for each study to advise on the methodology and approach of the evaluation.

The final reports, based on various field and desk studies, are written by IOB's own staff and published under its responsibility. Examples of recent thematic studies include: Evaluation and Monitoring, Inter-institutional Cooperation in Higher Education, Humanitarian Aid to Somalia, Environment and Development Cooperation, Fertiliser Aid, the programme of the SNV development agency in Nepal and Benin, Women and Development in Kenya and in Burkina Faso, the Matra programme of assistance to

Central and Eastern Europe, and Co-financing between the Netherlands and the World Bank.

In 1994 studies were published on the Netherlands' country programmes in India, Mali and Tanzania. In 1998, similar studies followed on programmes in Bangladesh, Bolivia and Egypt. The latter studies also gave attention to non-aid bilateral relations between those countries and the Netherlands, in accordance with IOB's new mandate.

IOB also participates in multi-donor evaluations. Examples of this include the evaluation of: Rural small-scale industrial enterprises (UNDP, ILO, UNIDO), the World Food Programme, the European Union Food Aid Programme, Emergency Assistance to Rwanda, European Union Aid: ACP, MED, ALA Programmes and Humanitarian Aid, and the United Nations Capital Development Fund (UNCDF).

ANNEX 2 ORGANISATION OF THE STUDY

1 Background

The first IOB country studies concerned bilateral cooperation programmes with India, Tanzania and Mali, with particular attention for the organisation and management of Dutch development assistance. These country studies, published in 1994, provided insight into the effectiveness of various aid forms and of combinations of them. They also promoted policy discussion, focusing on organisational and management issues.

A second series of country studies, covering Bangladesh, Bolivia and Egypt, was published in 1998. The countries in question were more closely involved in the conduct of the study as compared to the earlier series. This second series also gave attention to non-aid bilateral relations between the countries concerned and the Netherlands.

The present country study evaluates the bilateral development cooperation between the Netherlands and the Palestinian territories in the period 1994–98, coinciding with activities emanating from the Oslo Agreement. Dutch aid activities in that transitional period were designed to support the fragile peace process. Short-term activities in various sectors, through various channels, underlined the transitional character of the aid relationship. Before the Oslo peace agreement of 1993, aid to the Palestinian territories had been channelled through NGOs and UN organisations; since then, Dutch aid has increasingly been channelled directly to the Palestinian Authority.

2 Approach

2.1 Study preparations

The first step in the preparation of this study was to create a comprehensive data base on aid activities in the evaluation period. A desk study was undertaken to take stock of the relevant policy documents, project files, progress reports and evaluations. All aid activities in the evaluation period were scrutinised with respect to project objectives, project amount and project duration. This work was carried out by Mr Hans de Voogd, who also provided research assistance during the fieldwork.

In January-February 1999 an orientation mission to the Palestinian territories was under-

taken by the IOB coordination team, comprising Messrs F.A. Makken, IOB Inspector, and P.S.J. Wijmenga of the Netherlands Economic Institute. During this mission, sectors and aid activities for evaluation were selected. In addition, major socio-economic constraints and development issues for the Palestinian territories were identified. The purpose of the evaluation study was explained to the Netherlands Representative Office to the Palestinian Authority, to the Palestinian Ministry of Planning & International Cooperation, and to a number of Palestinian Consultants.

Based on the desk study and on the findings of the orientation mission, five sectors comprising 75 projects were selected for evaluation. For the fieldwork, condensed files of selected projects were prepared containing a complete overview of project activities, the most relevant correspondence, available evaluation reports, reviews and policy papers. Overall terms of reference for the study were finalised in March 1999, after which five Terms of Reference were formulated for field studies by consultants in the selected sectors.

A background paper on the history of the Palestinian problem and the political context to Dutch Middle East and Development Policy was prepared by Mr P.W.H. Aarts of the University of Amsterdam (Department of Political Science/International Relations, Faculty of Social and Behavioral Sciences). This paper is incorporated in Chapters 2 and 3.

2.2 *Field studies*

International and local consultants with relevant experience were selected for the five field studies. A local consulting firm in Ramallah, Massar, provided logistical and secretarial support during the fieldwork.

Condensed project files were made available to the consultant teams. Specific Terms of Reference for the field studies in five sectors contained detailed evaluation questions, a list of key informants and main sources of data, as well as a common frame for the reporting of evaluation results. The study teams were fielded simultaneously in mid-March 1999. A two-day workshop was held in Ramallah on 31 March and 1 April 1999, at which the preliminary findings of the consultant teams were discussed with those responsible for the evaluated projects.

Transport

The study on transport projects in the Palestinian territories funded by the Netherlands Government was conducted by Messrs Gustaaf de Monie and Huib Kneepkens of Policy Research Corporation NV, Antwerp, and Dr Faisal Awadallah of Birzeit University. The draft findings of their fieldwork were discussed in Ramallah on 31 March 1999. The finalised transport mission report was used in the writing of Chapter 4.

Private Sector Development

The evaluation of Dutch support to private sector development in the Palestinian territories was carried out by Mr Paul Wijmenga of the Netherlands Economic Institute and Mr Mazen Asa'd and Ms Shereen Shaheen of Massar. The preliminary findings of this team were discussed in Ramallah on 1 April 1999. The mission's report has been used in Chapter 5.

Social Services

The evaluation of development cooperation in the social services sector between the Netherlands and the Palestinian Authority was executed by Mr Piet Lanser of the Netherlands Economic Institute, Mr Samir Barghouti of the Arab Centre for Agricultural Development (water & sanitation and rural development), and Ms Shereen Shaheen of Massar (education). The draft evaluation results of this team were discussed in Ramallah on 31 March 1999. The mission report on social services has been used in Chapter 6.

Environment

The evaluation of environmental projects in the Palestinian territories funded by the Netherlands was conducted by Messrs Huib Kneepkens of Policy Research Corporation, Antwerp, and David J. Scarpa of Bethlehem University. The preliminary findings of their fieldwork were discussed in Ramallah on 1 April 1999. The final version of their report has been used in Chapter 7.

Governance

Dutch support to governance in the Palestinian territories has been evaluated by Mr Walter Stolz, Consultant. Mr Said A. Zeedani, a local consultant, participated in early phases of the fieldwork. The preliminary findings were discussed in Ramallah on 31 March 1999 in the presence of representatives of the Palestinian Independent Commission for Citizens' Rights. The field mission report is used in Chapter 8.

Consultants' reports and the subsequent draft chapters of the IOB report were submitted for comment to the various stakeholders in the Palestinian territories, the Dutch Representation, the regional and various technical departments in the Ministry of Foreign Affairs, as well as to a group of external experts.

2.3 Palestinian-Netherlands (IOB) Evaluation Seminar

After finalisation of the report by the IOB evaluation team, the Palestinian Authority was provided with an opportunity to react. For this purpose, a seminar was held in Ramallah on 21 June 1999, under auspices of the Palestinian Ministry of Planning and International Cooperation. The meeting was presided over by Dr Mohammed Nasr, Dean of Bir Zeit University, while Mr Mazen Asa'd, Senior Associate with Massar Associates, was secretary to the meeting. Representatives of IOB and of the Netherlands Representative Office were present as observers. The minutes of this meeting and a list of participants are included in this report.

3 Coordination

The study has been coordinated by Mr F.A. Makken of the Policy and Operations Evaluation Department of the Ministry of Foreign Affairs, and Mr P.S.J. Wijmenga of the Netherlands Economic Institute. As is customary, IOB appointed an advisory group to advise on the methodology and approach of the study, and to comment on the findings of fieldstudies as well as on drafts of the final report. The membership of that advisory group was as follows:

External:

Prof. Dr E.W. Hommes	University of Twente
Mr H.H. Leerentveld	Consultant
Mr H. Derksen	Consultative Bureau of the Dutch Co-Financing Agencies (GOM)
Dr J.J.G. Jansen	University of Leiden

Internal:

Ms H.I. von Metzsch	Director IOB
Dr T.J. Segaar	Inspector IOB
Mr T.J. Kliet	Inspector IOB
Mr G.S. de Jong	Middle East Division
Ms N. Trooster	Representative Office Ramallah

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