

**Context study of the history and political economy of the
Palestinian Territories**

IOB

March 2015

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Acronyms

AIDA	Association of International Development Associations
AMA	Agreement on Movement and Access
ANERA	American Near East Refugee Aid
APIC	Arab Palestinian Investment Company
ARIJ	Applied Research Institute Jerusalem
BC	Before Christ
BDS	Boycott, Divestment and Sanctions (Movement)
CE	Christian Era
CEPR	Council for European-Palestinian Relations
CSO	Civil Society Organization
ECHO	European Commission Humanitarian Aid Department
EU	European Union
EWASH	Emergency Water, Sanitation and Health (Working Group)
DFLP	Democratic Front for the Liberation of Palestine
FAO	Food and Agricultural Organization
GDP	Gross Domestic Product
GNP	Gross National Product
GS	Gaza Strip
HEA	Household Economy Assessment
ICC	International Criminal Court
ICT	Information & Communication Technology
IHL	International Humanitarian Law
INGO	International Non-Governmental Organization
ID	Identity (Card)
IMF	International Monetary Fund
IOB	Policy and Operations Evaluation Department of the Netherlands Ministry of Foreign Affairs
IVG	Implementation and Verification Group (Geneva Accords)
LAW	Palestinian Law Centre
MAS	Palestine Economic Policy Research Institute
MCM	Million Cubic Meter
MF	Multinational Force (Geneva Accords)
MoA	Ministry of Agriculture
MoC	Ministry of Culture
MoE	Ministry of Education
MoPAD	Ministry of Planning and Development
MoPIC	Ministry of Planning and International Cooperation
NDC	NGO Development Centre
NGO	Non-Governmental Organization
NRO	Netherlands Representative Office in the Palestinian Territories
OCHA	UN Office for the Coordination of Humanitarian Assistance
OPT	Occupied Palestinian Territories
OQR	Office of the Quartet Representative
PA	Palestinian Authority
PADICO	Palestine Development and Investment Company
PARC	Palestinian Agricultural Relief Committees
PCBS	Palestine Central Bureau of Statistics
PCWG	Protection Cluster Working Group
PCHR	Palestinian Centre for Human Rights
PDI	Palestine Democratic Initiative
PFLP	People's Front for the Liberation of Palestine
PFM	Public Finance Management
PLO	Palestine Liberation Organization
PLC	Palestine Legislative Council (related to PA)
PMRC	Palestinian Medical Relief Committees
PNC	Palestine National Council (related to PLO)

PNGO	Palestinian NGO Network
POOC	Palestinian Olive Oil Council
PPP	Palestine People Party
PSF	Palestinian Security Force
SMEs	Small and Medium Enterprises
TOC	Theory of Change
TOR	Terms of References
UAWC	Union of Agricultural Work Committees
UMWC	Union of Medical Work Committees
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Work Agency
USA	United States of America
USAID	United States Agency for International Development
WB	West Bank
WBGS	West Bank & Gaza Strip
WFP	World Food Programme
WHO	World Health Organization

Chapter 1. Introduction

1.1 Scope of the study

1.1.1 Introduction

This context study will serve as an input for the evaluation of the Dutch Development Cooperation Programme in the Palestinian Territories between 2008 and mid-2014. This report provides an overview of the historical and political events that have led to the coming into being of the Palestinian Territories¹, as well as of the political economy and socio-economic and institutional context in which these Territories are evolving.

The country programme evaluation itself will be carried out in 2015. This comprehensive effect evaluation of the overall Netherlands programme in Palestine is the first one after the one that was carried out in 1999 and responds to a request of the House of Representatives of November 11th, 2013.² The Government of the Netherlands has been giving development aid to the Palestinian Territories as part of the broader Middle East policy since 1993, while the Palestinian Territories are among the larger recipients of Dutch development aid.

1.1.2 Background

According to the Terms of Reference for the evaluation:

“In 2002 American President Bush initiated the ‘Road Map to Peace’ to resolve the conflict between Israel and the Palestinians. This road was to lead to a two-state solution: a secure Israel and a peaceful and democratic Palestine. The initiative was supported by the United Nations (UN), the European Union (EU) and Russia (together with the United States forming the ‘Quartet on the Middle East’). The Netherlands also supported the initiative. To this date, the two-state solution is a key element in Dutch policy concerning the Middle East Peace Process. Development cooperation with the Palestinians is considered as one of the tools that may contribute to the achievement of this goal”.

“For the purpose of the evaluation, it is important to position the development cooperation programme of the Netherlands in its wider socio-economic and political context (‘political economy’) because this context influences and largely explains the outcomes of development cooperation. A context study is also important to gain insight into the views of different parties on possible solutions for the conflict in this region that have been considered. This information is required to better understand the ToC³ and the higher level goals of the Netherlands Representative Office (NRO) in the Palestinian Territories. In addition we need information about the root causes of the absence of a functioning state and a viable economy in the Palestinian Territories that have led to the formulation of the development projects of the NRO in different sectors.”

1.2 Approach and limitations

1.2.1 Approach to the context study

This context study focuses on a description of the history, the political economy and the socio-economic and institutional situation in the Palestinian Territories, and the various initiatives pursued to resolve the Palestinian-Israeli conflict. The contents of this report reflects the key issues of inquiry outlined in the provisional Table of Contents that formed part of the Terms of Reference for this

¹ The term used by the Netherlands Ministry of Foreign Affairs to refer to areas occupied by Israel in 1967: the Gaza Strip, the West Bank and East Jerusalem. The territorial integrity of these territories is recognized by the Netherlands Government and the international community.

² House of Representatives 2013-2014, 33 750V, no. 55: Decree on the budget of the Ministry of Foreign Affairs for 2014. Report on a consultation. Settled on 24 January 2014.

³ According to the above ToR: A ToC goes beyond a description of a policy theory; in a ToC attention is paid to the socio-economic, political and cultural context in which the policies are implemented, to the actors involved and to the influence context and actors exercise on the programme and the strategy. In the ToC assumptions about the intervention mechanisms that will lead to achievement of strategic goals and about the relation between the interventions and the context in which they take place are made explicit.

context study. In order to arrive at a well-documented and balanced product, and given the complexity and sensitivity, it was proposed and agreed to allocate slightly more time for the study to approximate a more balanced opinion than would be possible with one consultant. For this it was agreed that the context study - undertaken by the author of this report – would be supported by two researchers (with each limited time inputs), be based on a review of relevant documents and publications and on interviews with key resource persons. Moreover, in-depth commentary on a first draft from three independent peer reviewers from different fields of expertise was included to further ensure the quality of the report. Publications reviewed examine the origin of the Palestinian Territories, the conflict between Israel and Palestine and related political, economic, social and other developments (see reference list). More recent developments (since the Oslo accords 1993) are described in greater detail, with a focus on their relevance for understanding the context of Dutch development cooperation.

Additional information, opinions and perspectives were collected through interviews with knowledgeable persons of research institutes, universities, governmental and non-governmental institutions, private sector, donor organizations and other relevant institutions in the West Bank and the Gaza Strip. A list of key resource persons interviewed is available and can be provided on request, considering required confidentiality. These interviews were undertaken in different stages of the study to allow insights, analyses and feed-back from the interviewees to strengthen and enrich the report. Where most of the interviews in the West Bank (10) were conducted in the second part of December 2014 and early January 2015, the interviews in Gaza (7) took place in the first week of February 2015.

The drafting of the report for this context study was done in three phases. A first provisional draft of the report was prepared by the author with contributions from the two co-researchers by January 11th. After considerable restructuring, with inputs from the co-researchers, this still provisional draft was submitted (mid-January 2015) to IOB for initial information and simultaneously to the three peer-reviewers. Restructuring text away from the proposed Table of Contents (TOR) was considered necessary to allow for more coherent presentation of contents and to avoid overlap and redundancy, while covering the key issues of inquiry formulated in the ToR. On the basis of valuable and pertinent peer-review inputs (received by the end of January) a more elaborate second draft was prepared by the author (17/02), edited and commented upon by the main co-researcher (18/02) and subsequently finalized by the author. As agreed with IOB this final draft is submitted 22 February 2015 to IOB. A final report submitted end of March 2015 has taken into account comments made by IOB.

1.2.2 Limitations to this context study

Time given and need for comprehensiveness

The consultant/author of this report has discussed the ToR for this context study with IOB and drawn attention to the highly complex and sensitive political and institutional environment of the Palestinian Territories in which development cooperation is undertaken. He observed that an in-depth study with all the necessary detail and nuance would require much more time than given. The wealth of research and other documents on the situation in Palestine alone is massive and - within the given period - choices had to be made among the key resources available. The study has attempted to focus on top-line coverage of the key issues of most relevance to the planned evaluation of Dutch development aid to the Palestinian Territories. This attempt to limit has not worked out entirely. The abundance of documents and wealth of information and nuance has made it impossible to keep the report simple and tight, and restricted to 30 pages. The complexity and the “everything relates to everything” has made it difficult to present this context in a smaller report, as this would entail the risk of ending-up in general statements that would subsequently demand for substantiation or remain too superficial. On the other hand shortening the actual report of around 70 pages would have required much more time to ensure that the key issues would still be adequately covered in a comprehensive way. Moreover, the highly valuable and pertinent contributions from co-researchers and peer-reviewers, while adding importantly to comprehensiveness and best coverage of the subjects dealt with in this report, have also added to the information made available. The author acknowledges that where the majority of the information is referenced, it has not been possible, given the time span for this study, to do this in

much more detail by cross-checking systematically available documentation and literature. This would have required substantially more time. Also, in specific sections, especially in the last two Chapters, the author has relied on his own knowledge and insights. Where in these instances further document research would have substantiated content, this has not been possible due to severe time constraints and the considerable time needed to ensure logic and structure of argument throughout the report. Nevertheless, in the view of the author, the combined references provide adequate coverage of opinion and nuance to substantiate the content of this report.

Domains not or little covered

It would have been providing further insights in the complexity of the situation in Palestine, to also provide more information and possibly analysis on differences in opinion among civil society in Israel. Similarly, and especially in view of the turbulent events in the region, information and possibly analysis, of what is happening in neighboring countries would have added to the content and understanding of this report. Both important issues are not or only slightly touched at. In both cases it has been decided by the author not to touch in more detail these two important domains, for reasons of too contracted time to do so. Moreover, for the regional dimension, this would have been also rather hazardous as informed documentation is still scarce and, while events develop, understanding of the very complex and often contradictory political and military alliances among different parties remains for many rather in-transparent. Another domain that has not been covered to the same extent as those in this report is the situation of the Palestinian refugees in the Diaspora. Although important, time has not allowed to do this in more detail than presented here, also as the focus of this study is primarily on the Palestinian Territories as they exist today.

1.2.3 Structure of the report and acknowledgements

The report on this context study is build-up in four main chapters. Chapter 2 provides an overview of **history of Palestine** preceding the Oslo Accords of 1993-1995, with a focus on the period between 1948 and “Oslo”. The Chapter ends with an account of what the Oslo Accords entail, as a basis for understanding the following chapters that cover the post-Oslo period. While writing the report it became increasingly clear that these Accords provide an important “articulation” between what happened before and after “Oslo” in the Palestinian Territories and for the Palestinian people in general. Although not always easy, information on “before Oslo” is dealt as much as possible with in Chapter 2. Chapters 3 and 4 deal with the **post-Oslo political economy** of the Palestinian Territories in two distinct ways: Chapter 3 attempts to provide a picture of the realities on the ground, the **key features**, while Chapter 4 deals with the **key actors** that have played a role in the political economy of that period. Also here an effort is made to keep this distinction clear throughout the two chapters, although not always easy neither. Chapter 5 closes the context study with a short overview of the roles of key actors involved in the many attempts to resolve the Israel-Palestine conflict.

The author wishes here to thank co-researchers, peer-reviewers and the many people interviewed for their invaluable and pertinent contributions to the write-up of this report. This report would not have been possible without their inputs. It is important however to underscore that it is only this author that is responsible for the content of this report.

Chapter 2. History

2.1 Historic Palestine, the *Nakba* and the resulting Diaspora of Palestinian refugees

2.1.1 Historic Palestine (before 1947)

Commonly, in the region, historic Palestine is considered the area between the Mediterranean (in the west), Lebanon (in the north), the Jordan Rift Valley from Mount Hermon in the Golan to Aqaba (in the east) and the Sinai (in the south, according to the Ottoman/Egyptian boundary), as well as an extension to the East in what is now the north-western part of Jordan. In the time of the Egyptian Pharaohs it was known as the Land of Kanaan (3000 – 1200 BC). In the centre of the “Old World” it has seen, as in many other parts of Europe and Asia, the influx of other people, who for the most

integrated and became assimilated with the Semitic Canaanites. The most known are the Philistines or the Sea People who, thought to have come from Crete, conquered Canaan in 1200 BC and gave their name to the land and the people (ARIJ, Atlas of Palestine, 2002). They were followed by the Israelites, nomadic tribes coming from the south-east, mainly from the Arab peninsula (1000 – 700 BC) and the Phoenicians, who came south from the Mediterranean coasts of what now is Syria and Lebanon (925 -700 BC) and settled mainly in the coastal areas (Fletcher, 2012; ARIJ Atlas of Palestine, 2002). Besides other kingdoms in Palestine, the Israelite tribes established small short-lived kingdoms in what is now the Galilee and the West Bank. From 700 BC onwards the Palestinian/Cana'an people including the Phoenician and Israelite tribes were ruled by successive external powers during the Assyrian, Babylonian, Persian, Macedonian (Alexander the Great) and Roman Empires (ARIJ, 2002) and after the split from the western Roman Empire, in the early centuries of the first millennium, by the Christian Byzantium Empire.

In the Roman era, Jesus Christ was born, his life and crucifixion giving birth to Christianity. After the advent of Islam in the Arabic Peninsula in 610 CE what is known as Palestine became part of the Islamic world until our actual modern times. From 636 CE it was known as the Canaan Kingdom until the crusaders period from 1099 to 1291 (Shoshan, 2010). With key sacred sites for the Jewish, Muslim and Christian faiths, Palestine's designation as the "Holy Land" is more than fitting, and reflects the sense of ownership people of these three faiths have for Palestine in general and Jerusalem in particular. The Crusaders were defeated by Salah Al Din Al Ayubi in 1189 and from 1253 onwards Palestine was ruled first by the Mamaluks and from 1516 until World War I it was part of the Ottoman Empire.

Five hundred years of Ottoman rule have been critical to the development and character of modern Palestine. Already in the 19th century and notably after the introduction of the Ottoman land and institutional reforms (Tanzimat) important social, economic and political transformation processes took place that provide important background to the roots of the actual Palestinian-Israeli conflict (Scholch, 2006). The processes of modernization and integration into the world economic system started under Ottoman rule, in the critical period between 1850 and 1880, before the first wave of Jewish immigration. In the same period, nineteenth century European interests in the "Holy Land" led to British, French, Prussian and Russian presence in Palestine and further economic development in the agricultural and industrial sectors (Scholch, 2006).

At the end of the World War I in 1917/18 when the Ottoman Empire was divided among western powers, Palestine came under British Mandate Rule (ARIJ, Atlas of Palestine, 2002). By then, Palestine was one of the more densely populated areas in the Levant. The role of the British under the League of Nations during this period set the stage for the conflict that continues to this day. On the one hand, the mandate was supposed to lead to Palestinians eventual self-rule and independence, while at the same time through the Balfour Declaration in 1917 the British Government made a completely contradictory commitment to the Zionist movement, affirming British Government support for a Jewish homeland in Palestine stating it "would do all what is in its capacity to facilitate the realization of this objective, while recognizing the civil and religious rights of the non-Jewish communities in Palestine" (Pappe, 2006). Because of these contradictions Palestine witnessed during the mandate period the rise of two contending national movements for the same territory; one indigenous Palestinian and the other led by European Jewry intent on creating a Jewish homeland in Palestine.

In 1936, the Palestinian or 'Arab Revolt' against British Rule resulted in the decimating of an important part of Palestinian local leadership. During World War II, Jewish immigration from Europe to Israel increased, as one of the disastrous effects of the macabre and ethnic cleansing of the Jewish people by the Nazi regime in Europe. On November 29, 1947 the UN General Assembly adopted by a minimal majority Resolution 181, recommending the partition of Historic Palestine in two States, according to boundaries illustrated in Figure 2 (ARIJ, 2002, Pappe, 2006, Shoshan, 2010), after numerous other proposals made already since 1937 (Shoshan, 2010) on how to divide historic Palestine between a Jewish and an Arab entity. The contradictory British promises and policies mentioned above, allowing Jewish emigration, and the growth and development of Zionist institutions of government in Palestine have led to significant demographic and political changes

under the British Mandate in favor of the Zionist movement (Khalidi, 2006; Wikipedia). The Jewish population grew in effect from approx 10% to 32% of the population over that period (Khalidi, 2006; Wikipedia)⁴. While the British Government had encouraged the development of Zionist institutions, it had systematically undermined the development of Palestinian self-governance institutions. By 1948 only 7% of the land of Palestine under the British Mandate was Jewish owned, yet the UN partition plan allocated 53% of the land to a Jewish state and only 47% to a Palestinian State for its indigenous Palestinian population. The Palestinian movement (such as it was) rejected the partition, while the Zionist movement accepted it (Khalidi, 2006; Wikipedia).

2.1.2 The establishment of the State of Israel and the *Nakba* (1947-1949)

As is made evident in the research of numerous Israeli archive materials, the Zionist movement has been planning over a number of years the events that took place between 1947 and 1949 and that have led to the exodus of an important part of the Palestinian population from what is known as historic Palestine (Pappe, 2006). These plans were finalized in a meeting of the “*Haveadah Hamyeazet*” (the Consultative Committee of the Israeli leadership) on 10 March 1948 under the leadership of Ben Gurion and other high ranking personalities. The final plan became known as the Plan Dalith (Pappe, 2006). On May 15th 1948 the State of Israel was established by the Zionist leadership. The main purpose of the Dalith Plan and other Israeli military campaigns was the conquest of as much territory as possible, the destruction of rural and urban Palestine and the expulsion of its Arab inhabitants before the end of the Mandate (Pappe, 2006). Plan Dalith was implemented in the months following the March 10th meeting by the Israeli military forces and resulted in the emptying of the urban centres (Haifa, Jaffa), the smaller towns and the rural villages in the part conceded to the new State of Israel. As documented 800,000 people, more than half of the Arab population of Palestine (Pappe, 2006), were expelled from their houses, villages and cities; 531 villages were destroyed (see Fig. 1 below); and 11 urban areas were emptied of their population (Pappe, 2006; ARIJ, 2002, Shoshan, 2010).

⁴ According to ARIJ, 2002 (page 16) the Jewish population in (historic) Palestine was 11.1% in 1922, 33.0% in 1947, 63.9% in 1967 and 54.3% in 1998

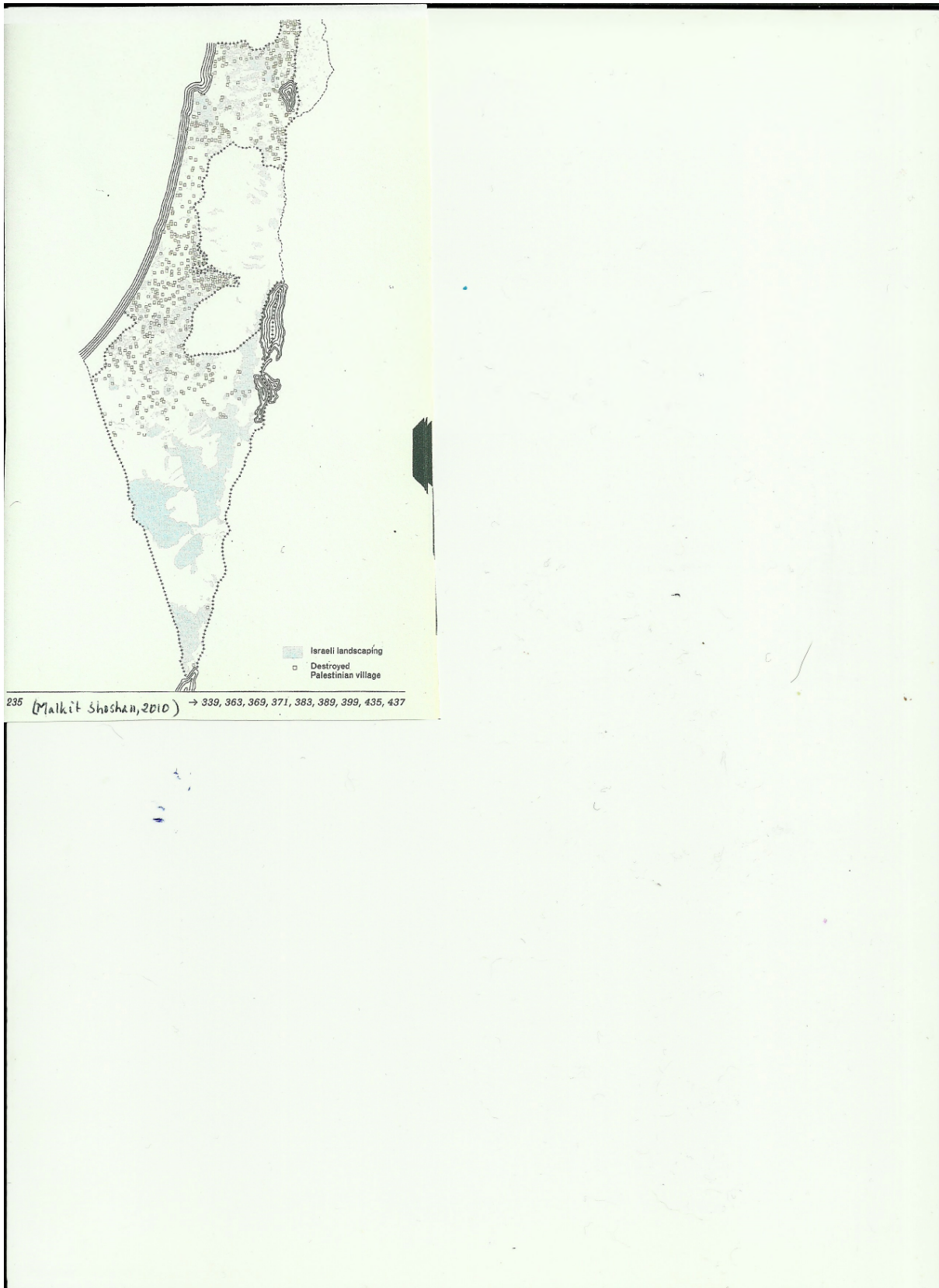


Fig.1. Palestinian villages destroyed between 1947 and 1949 (Shoshan, 2010)

The Israeli militia (Haganah, Stern, Irgun) however, did not limit their actions to the lands that would become Israel but extended them to the lands that could be retained by the Palestinian people according to the UN Partition Plan (see Figure 2), on the military orders of Ben Gurion. These orders were accompanied by a detailed description of methods to be used: massive intimidation, blockades and looting of villages and residential areas in towns and cities, setting on fire of houses and buildings, belongings, commercial goods, expulsion, demolition and mines planted in the ruins of homes and villages to avoid people coming back, and if resistance was met, killings on the spot, while local leaders were deported and assassinated (Pappe, 2006).

This systematically planned operation provoked an ill—attempted response of the surrounding internally divided Arab nations. The strong Jordan Army, the Arab Legion, feared by Israel, did barely interfere, except around the Muslim holy places of East Jerusalem (Pappe, 2006), as the King of Jordan had agreed not to intervene in exchange of rule over the West Bank. Before an ill-armed Arab force entered the country, 250,000 Palestinian people had already been expelled by violence (Pappe, 2006). The process of ‘mass forced population transfer’⁵ or ‘ethnic cleansing’ (Gassner, 2014) was accompanied by massacres and atrocities by Israeli soldiers as have been described in detail by Ilan Pappé (2006)⁶, Benny Morris (1987), Michael Palumbo (1987), Walid Khalidi (1992) and others. In the process the annihilation of local Palestinian leadership during the Arab Revolt of 1937 was completed, except for the leadership living in the West Bank (as protected by the agreements with the King of Jordan) (Pappe, 2006).

The work of Israeli “new historians” (among them Pappé and Morris) has carefully and systematically shown that the historical evidence confirms the Palestinian narrative of the events of and following 1948 – and that the dominant Zionist narrative of them is at best – systematically inaccurate. The forced population transfer of 1948 is a historical event that Palestinians still seek recognition of and redress for. The loss of 78% of their territory in 1948 (with West Bank and Gaza constituting 22% of mandatory Palestine) profoundly shapes Palestinians understanding of what a “just” two state-solution should be – i.e. that Israel occupies 78% of original Palestine (instead of the 53 % foreseen in the UN 1947 Partition Plan), and thus has no right to claim even further territory from the meagre 22% of territory that Palestinians have been left with.

The decline of Palestinian land, known as historic Palestine, is maybe easiest described and depicted by the following 2 maps in Fig. 2.

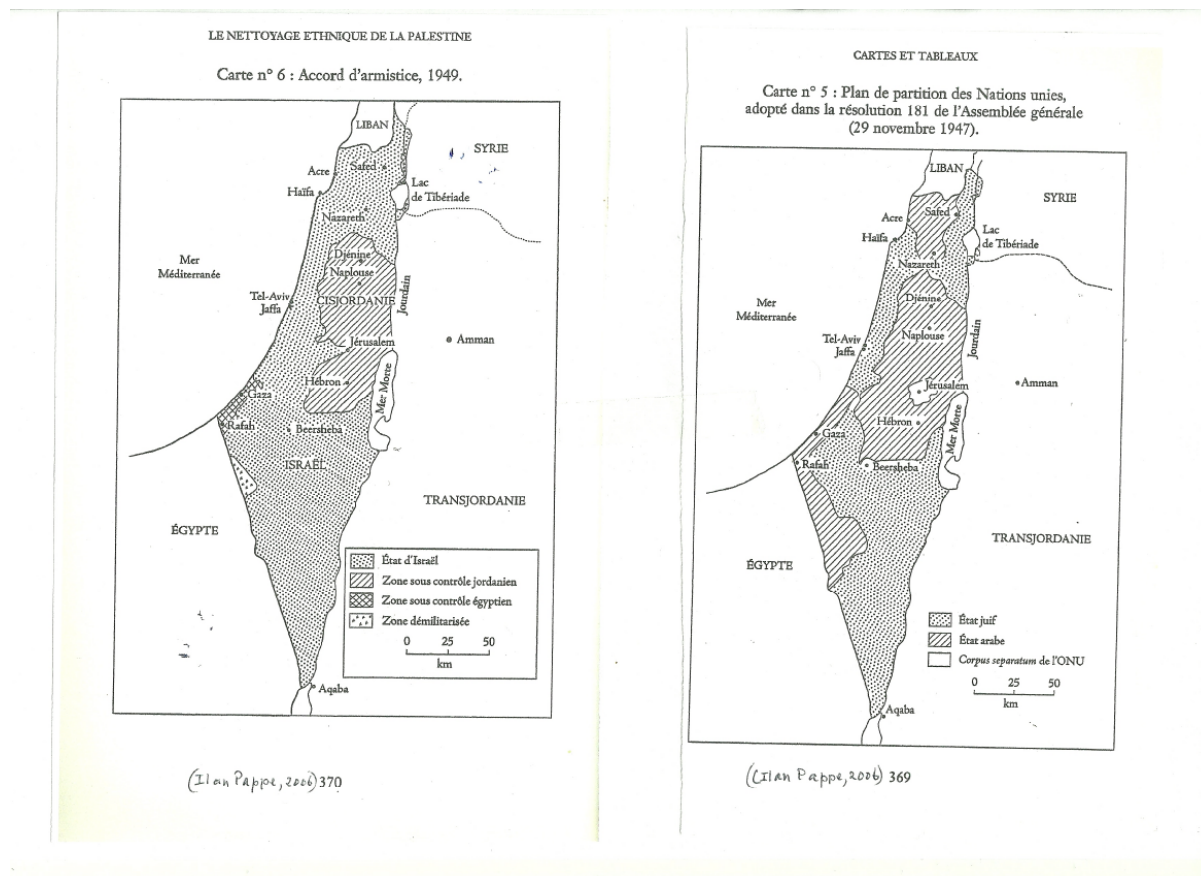
Figure 2. Maps of historic Palestine in 1947 and 1949

Map 1. The Partition Plan adopted by the UN General assembly in resolution 181 in 1947 (ARIJ, 2002; Pappé, 2006 – Carte No 5)

Map 2. Plan with actual reality following the Ceasefire Accord of 1949, roughly depicting the area of Israel that has resulted after the Israeli conquests with a new demarcation line that is known as the “Green Line” (ARIJ, 2002; Pappé, 2006 – Carte No 6)

⁵ Population transfer is defined as “the systemic, coercive, and deliberate ... movement of population into or out of an area with the effect or purpose of altering the demographic composition of a territory, particularly when that ideology or policy asserts the dominance of a certain group over another” Al Khawashneh and Hatano, 1993).

⁶ The term “ethnic cleansing” was coined by Ilan Pappé (2006) to describe the process of minimizing the Palestinian population; this book is based almost entirely on Israeli archive material.



2.1.3 The aftermath of the *Nakba* and the resulting Palestinian Diaspora (1949 to 1967)

The resulting catastrophe and exodus of the more than 800,000 people in 1947-49 (Pappé, 2006) from historic Palestine, the *Nakba* in Palestinian memory, led to the establishment of the refugee camps in Gaza, the West Bank, Jordan, Lebanon and Syria, which remain in existence to this day. As a result of the *Nakba*, two-thirds of the entire Palestinian people today are displaced people (about 6.7 million), of which a majority are refugees (having fled across an international border) (Gassner, 2014). This is profoundly important for understanding contemporary Palestinian politics and identity, especially since more than 65 years later no durable solutions have been found for an overwhelming majority, of which a large part remain stateless.

After 1948, Palestinians, once one people in one territory, became fragmented and severed from each other across different geo-political spaces and found themselves under differing rulers and systems of governance. Most of the land west, south and north of the West Bank was occupied by Israel with a minority of Palestinians, allowed to remain in Israel, now under an Israeli military government. Of the remaining parts of pre-1948 Palestine the West Bank (full of refugees) was annexed by Jordan with Palestinians granted Jordanian citizenship. The Gaza Strip under Egypt's Administration was overrun with twice as many refugees as its original population, people here however being stateless. While in Syria, Palestinian refugees were granted citizenship in Lebanon they became stateless. After the shock of the *Nakba*, the first 20 years after 1949 were of relative silence with the Palestinian people trying to start a new life in different places. In spite of this fragmentation, and although much of the attention for the Palestinian issue today focuses on what happens in the Gaza Strip and the West Bank, the Palestinian refugees are a substantial component of the Palestinian people (more than 50%) and are still considered by Palestinians and the international community as an integral part of any future solution of the Israeli-Palestinian conflict, including their right to return to their homes and lands.

In 1949 the UN Security Council signed Resolution 194 on the right to return of these refugees, while the UNRWA was established to provide humanitarian aid to these communities in the refugee camps, who have still no prospect of return to their homes and lands and are often secondary

citizens in Jordan, Syria and especially Lebanon. Now, after 65 years, UNRWA is still providing humanitarian services to the people in these refugee camps, who form now less than 20% of the refugee population – Gassner, 2014).

In the West Bank refugees and those already inhabiting the area lived under a rather repressive Jordanian rule, the latter apprehensive of the Arab Nationalist calls of Gamal Abd El Nasr, the then President of Egypt.

2.2 Growing Palestinian resistance under Israeli Military Occupation (1967- 1993)

2.2.1 The 1967 war and the creation of the Occupied Palestinian Territories

In 1967, Israel launched a second war against its Arab neighbors and occupied the entire Sinai, while towards the end of the war it attacked Syria and conquered the Golan Heights. The war had major implications for the West Bank and the Gaza Strip (the remaining 22% of historic Palestine) that were occupied by the Israeli Army, with East Jerusalem de-facto annexed shortly after that. At the same time the Israeli territorial gains served to create strategic space notably securing its eastern borders. It also served to control the important aquifers under the West Bank and in the Golan, one of the principles underlying the occupation (Messerschmid, 2014). The expulsion of another major group of Palestinians from their lands, villages and towns as a result of the 1967 war caused a second wave of refugees that is estimated to be now 955,000 people (Gassner, 2014). The occupation of the Gaza Strip and the West Bank and the annexation of East Jerusalem by Israel is considered illegal by the international community, but prepared the way for the successive settlements here of Jewish colonists.

The West Bank, East Jerusalem and the Gaza Strip came under Israel's tight military regime with direct control of all aspects of Palestinian life through an Israeli Civil Administration with responsibility for health, education and social welfare. The Israeli occupation policies in this (pre-Oslo) period can be shortly characterized as follows (interviews; Neve, 2008; Hammami, 2008):

- a) **economic** – subordinated integration into Israeli economy with strong limits on Palestinian independent economic development; integration of Palestinian labor force into Israel's economy; control of banking, insurance, taxation, markets and trade – the West Bank and Gaza Strip became major markets for Israeli goods though not reverse (Taghdisi-Rad, 2014). The Israeli policy was summed up by the official stance that, "there will be no development in the oPt initiated by the Israeli Government, and no permits will be given for expanding agriculture or industry, which may compete with the State of Israel' (Abed, 1988). The resulting process in both the West bank and Gaza was coined as a process of de-development (Roy, 1994)
- b) **control over land** - to enable settlement (through various legal guises), while limiting ability of Palestinians to build, plan and control territory
- c) **control over water resources** – most of the deep groundwater resources became inaccessible for the Palestinian population as this access required permits that were rarely given
- d) **suppressing resistance** – and thwarting the rise of Palestinian nationalism through intimidation, imprisonment and deportation (even symbols such as flags and Palestinian songs and poems were cause for arrest)
- e) **demographic control** – through census and population registry, border control and the power to decide who can reside or not in the Occupied Territories.

2.2.2 The rise of the PLO

Over the years and already before the 1967 war a Palestinian resistance movement developed. In 1964, the Arab League, with Palestinian lobbying and strong support of Jamal Abdel Nasser, the President of Egypt, established the Palestinian Liberation Organization (the PLO). At the same time political awareness and a Palestinian national identity developed and enhanced the creation of independent Palestinian institutions, including political, military and popular organizations such as trade and student unions and women organizations (Lisa Taraki, 1990). In the years after, the PLO

developed as a unified political movement of the different political factions, despite the fragmented geo-political spaces they were living under. After 1967, the popular resistance movement managed to mobilize large sections of the refugees in Jordan and Lebanon, while in the West Bank, in contrast to Gaza, there was not yet a military resistance movement (Taraki, 1990). In 1964, Fatah was also established, and, as the strongest and biggest political faction it took over the leadership of the PLO in 1969.

The PLO emerging in the Palestinian Diaspora was always vulnerable to the vagaries of host Arab states, but gained in strength launching resistance attacks on Israel from Jordan and making headlines with terrorist attacks, among others at the Olympic Games in Munchen (1972). It operated almost as a state within a state in Jordan and was finally expelled from Jordan in September 1970 after violent skirmishes with the Jordanian Army (the events are remembered among Palestinians as “Black September”).

In October 1973, Israel launched its war against Egypt and Syria and was practically defeated by the Egyptian Army. Even if this was diplomatically presented otherwise, the Egyptian Army was on the brink of entering Israel (Ahdaf Soueif, 1992). As a result the Sinai, including its important natural gas resources, conquered by Israel in 1967 was handed back to Egypt during the three years following the Peace Treaty concluded between Egypt and Israel in 1979. For the Palestinian people the war in 1973 was highly important in strengthening their determination and resilience as a people in face of the Israeli Occupation of the West Bank and Gaza. This together with the expulsion from Jordan led to higher urgency and awareness to defend the Palestinian identity and has helped to get the PLO endorsement for the creation of a broad Palestinian national front in the WBGs to give strength to the political efforts of the PLO outside and inside the territories. Since then the PLO started to give more importance to the political and popular mobilization inside the Palestinian Territories (Taraki, 1990).

After being pushed out from Jordan, the PLO found a new resistance base in the refugee camps near Beirut in Lebanon. As in Jordan, the PLO became a highly visible force in Lebanon, complicating the complex political/community balances in the country. Arguing that the PLO presence there posed a threat, Israel invaded Lebanon in 1982. The Israeli Army, at the gates of Beirut, left and allowed the massacres in the Palestinian Refugee Camps of Sabra and Shatila to Lebanese right-wing factions supported by Israel. The Palestinian Resistance fighters and the PLO leadership were forced to leave Lebanon and took exile in Tunisia, Algeria, Iraq and Yemen, with the PLO leadership finding a new basis in Tunis (Wafa News Agency, 2012). Israel had occupied the southern parts of Lebanon and would remain there until it pulled out in 2000 (Shoshan, 2010)⁷.

In 1983/84 Jordan started to distance itself from the people in the West Bank; by 1985 only Palestinians living in Jordan could keep their Jordanian citizenship; those in the West Bank were excluded from such citizenship, although they could and can still have a Jordan travel document but without the Jordan citizenship number could not be anymore a Jordan citizen. Already in 1974, in Algiers, a decision was made by the Arab League to recognize the PLO as the sole legitimate representative of the Palestinian people in and outside the occupied territories. The decision of 1974 was further confirmed by the Arab League in an Arab Summit meeting in Cairo in 1987. Following this decision, King Hussein of Jordan decided in 1988 that Jordan would formally disengage from and renounce its claims on the West Bank, and recognizing those of the PLO, and in essence the right of the Palestinian people to their land. With more than 70% of the Jordanian population originally Palestinian, not taking this decision would have created a troublesome dual authority in Jordan. King Hussein decided to cut off the West Bank from his country Jordan to create clarity on citizenship and responsibility in Jordan.

2.2.3 Increasing grassroots resistance in the Israeli-occupied territories

It was in the 1980s that political activism further developed and became widespread, and arguably greater than it is today, organized primarily in movements and parties (nationalist, leftist, Islamist)

⁷ To note that the Israeli occupation of Southern Lebanon was the major trigger for the establishment of Hezbollah in Lebanon, now considered by Israel as one of its major threats.

(Taraki, 1990). These movements and parties were part of the PLO's socio-economic strategies both in the refugee camps outside Palestine and in the occupied territories in order to directly challenge the imposed divisions of the Palestinian people (Shweiki, 2014). Strategies were designed to build a liberation movement and enhance the capacity of the people for self-sufficiency, in the refugee camps in Lebanon and Syria as well as in the West Bank and Gaza Strip (Shweiki, 2014).

Confronted with highly restrictive policies of the occupation, local resistance developed under local leadership (i.e. leadership within the Occupied Palestinian Territories). This local resistance got in open popular confrontation with the Israeli military Occupation in 1987 as a popular Uprising or, as known in Palestine, the First Intifada of 1987-1993. It was the first general expression of revolt against the Israeli military occupation, non-violent and grass-root based guided by local leaders in the occupied territories. They got organized in the "*Lajnet Al Tawjeeh Al Watani*" or Unified National Leadership made up of local members of the different PLO factions. People now look back to it as a home-grown popular solidarity movement that would last for five years. Many governments in Israel, the western countries and also the neighboring Arab countries looked with concern to what was happening in the West Bank and Gaza, concerned that a strong popular Palestinian movement and revolt might threaten the position of Israel as well as the delicate social and demographic balances in the Arab countries with important Palestinian refugee communities. As a result the First Intifada received little support from the surrounding Arab states.

In 1991 the Madrid Peace Conference took place with delegations from Jordan, Syria, Lebanon and Israel. Although it cannot be said that the organization of the Madrid Talks in 1991 was a direct result of the intifada, this intifada created a new urge to come to agreements in the region, where Israel was only recognized as a State by Egypt. While the Madrid Talks focused on bilateral issues, multilateral talks (the Moscow Multilateral Talks of 1992) started in parallel on regional issues (arms control, security, water, refugees, the environment and economic development) (Bouillon, 2004). In the Madrid talks, Palestine was not formally represented; the PLO, on Israeli insistence, was purposefully excluded. Palestinians were accepted as part of the Jordanian delegation, most of these Palestinian being members of the Unified National Leadership, from the West Bank and Gaza, and leaders in the First Intifada. Eventually, direct talks took place between this Palestinian delegation and the Israeli one. However, these talks were aborted by the secret negotiations in Oslo between Israel and the PLO leadership in exile in Tunisia.

As discussed above the whole period from before 1967 and between 1967 and 1993 has been turbulent, shaken by war and other military events. A summary is given in the table below, mentioning also the major military events in the period after 1993.

Table 1. Military operations between 1947 and today

- 1947-49 – the Israeli conquest of Historic Palestine
- 1956 - the Suez Canal War
- 1967 – the Annexation War (commonly known as the Six Day War)
- 1970 - Palestinian resistance from Jordan and the September War between the Jordan Army and the Palestinian Resistance (commonly known as Black September)
- 1973 –the October War of Israeli with Egypt and Syria
- 1982 - 1st Lebanon war
- 1987-1993 – Israeli military clamp-down on the 1st Intifada
- 2000-2004 – Israeli military clamp-down on the 2nd Intifada
- 2006 - 2nd Lebanon war
- 2008/2009 – “Operation Cast Lead” - 1st Major Israeli Assault on Gaza after Israel’s unilateral disengagement in 2005
- 2012 – “Operation Pillar of Defense” - 2nd Major Israeli Assault on Gaza
- 2014 – “Operation Protective Edge” - 3rd Major Israeli Assault on Gaza

2.3 The OSLO Accords and beyond

2.3.1 The Oslo Accords (1993-1995)

The secret negotiations in Oslo in 1993 resulted in several agreements that together are commonly called the Oslo Accords: the Declaration of Principles signed on 13 September 1993, the Protocol on Economic Relations (the Paris Protocol) signed on 29 April 1994, the Gaza-Jericho Agreement (or Cairo Agreement) of 4 May 1994, and the Interim Agreement on the West Bank and the Gaza Strip, commonly known as the Oslo II Accords or Taba Agreement, signed in Taba on 28 September 1995 (Wikipedia, accessed on 04.02.2015). The Taba (Oslo II) Agreement superseded the Cairo Agreement, while the Paris Protocol was incorporated into the Taba Agreement. Box 1 provides a short summary of the Declaration of Principles as agreed to in 1993.

Box 1. Essentials of the Declaration of Principles (Oslo I) (Knesset, 1993)

Oslo I declared the aim of the (Oslo) negotiations and set forth the framework for the interim period by which a final status comprehensive peace agreement between Israel and Palestine was to be concluded, based on the UN Security Council Resolutions 242 and 338. It is important to note that the time frame to come to final status agreements was declared to be 5 years; hence a final agreement was to be achieved in 1999. The Declaration of Principles foresaw the transfer of authority to an elected Palestinian Council (Article III) in the areas of education, culture, health, social welfare, direct taxation and tourism (Article VI). A number of protocols on economic cooperation and development form part of the Oslo I Accords (Annexes III and IV). The territorial integrity of the West Bank and Gaza is acknowledged (Article IV) and arrangements were to be made for the safe passage for persons and transportation between the Gaza Strip and Jericho (Annex II).

It also foresaw negotiations on an Interim Agreement (known later as the Taba Agreement or Oslo II) that would deal a.o. with the dissolution of the Israeli Civil Administration (a unit in the Defense Ministry of Israel) and the redeployment of the Israeli Army upon the inauguration of the “Council” (the Palestinian Legislative Council) to be elected by the Palestinian people living in the West Bank and the Gaza Strip (Article VII). Permanent Status Negotiations were to start as soon as possible and cover remaining issues, including Jerusalem, refugees, settlements, security arrangements, borders and relations with other neighbors (Article V). As mentioned in the Agreed Minutes to the Declaration of Principles, it was understood that the withdrawal of the military government (from the West Bank and Gaza) would not prevent Israel from exercising the powers and responsibilities not transferred to the Council (Article VII) and

that Israel would continue to be responsible for external security, and for internal security and public order of settlements and Israelis (i.e. within the West Bank and the Gaza Strip) (Annex II).

The Paris Protocol dealt specifically with the economic relations between Israel and the Palestinian Authority, such as trade, labor relations, money/currency, banking and taxation issues (Bouillon, 2004). The Paris Protocols in effect consolidated the practices followed by the Israeli Military Occupation before Oslo and would strengthen the one-sided integration of the Palestinian economy into the Israeli one (Wikipedia/Oslo Accords) as will be described in Chapter 3.

The Taba Interim Agreement (Oslo II) of 300 pages, concluded two years later in 1995, elaborated with much more detail on what was summarily agreed to in the Declaration of Principles of Oslo I. It deals in Chapter 1 with the elected Palestinian Council (Palestinian Interim Self-Government Authority); in Chapter 2 with Redeployment and security arrangements (including the division of the West Bank in Areas A, B and C); in Chapter 3 with Legal affairs (including a reference to the respect of internationally accepted norms and principles of human rights and the rule of law); in Chapter 4 with Cooperation (including the earlier Paris Protocol); and in Chapter 5 with Miscellaneous Provisions (amongst others with the safe passage between Gaza and the West Bank). The Interim Agreement envisioned the establishment of a Palestinian interim self government (The Council) that would replace a temporary Palestinian Authority agreed to in The Cairo Agreement of 1994. While the Taba Interim Agreement acknowledged the PLO's recognition of the State of Israel, the PLO was recognized by Israel as the representative of the Palestinian people.

While the establishment of a Palestinian State was the vision understood by Palestinians and third parties supporting the process (interviews), both the Oslo I and II Agreements do not mention in any formal terms the establishment of an independent Palestinian State. As mentioned the Oslo II Interim Agreement only focused on the formation of the mentioned "Palestinian Interim Self-Government Authority" (Chapter 1) and related modalities for its functioning and relations with Israel. It remained silent about its fate after the interim period. The Oslo II Interim Agreement provided the "Palestinian Interim Self-Government Authority" in Area A and B the limited power and responsibilities as mentioned in Article VI of the Declaration of Principles. The final status agreements were to be based on the UN Security Council Resolutions 242 and 338. However, these two resolutions only ask for the withdrawal of Israeli troops from occupied territories and acknowledgement of secure and recognized boundaries for every state in the region without asking for a Palestinian state (as was decided in the UN Resolution 181 of 1947 on the Palestine Partition Plan). In the vision of most parties the Oslo Accords were an Agreement for an Interim period of five years that would pave the way for a final agreement resolving the Israel-Palestine conflict in 1999. The Israeli Ministry of Foreign Affairs described the Aims of the Interim Agreement as follows (Wikipedia/Oslo Accords and Wikipedia/Oslo II Accord):

The Israeli Aims of the Interim Agreement

"The main object of the Interim Agreement is to broaden Palestinian self-government in the West Bank by means of an elected self-governing authority to allow the Palestinians to conduct their own internal affairs, reduce points of friction between Israelis and Palestinians, and open a new era of cooperation and co-existence based on common interests, dignity and mutual respect. At the same time it protects Israel's vital interests, and in particular its security interests, both with regard to external security as well as the personal security of its citizens in the West Bank" (Israeli Ministry of Foreign Affairs, September 1995).

Framework for a final settlement

In October 1995 back channel talks took place between Yossi Beilin, then Minister of Justice, and Abu Mazen, the "number two" in the PLO. These talks prepared a "Framework for the conclusion of a final status agreement between Israel and the PLO", the so-called Beilin-Abu Mazen Understandings of October 31st, 1995 (Beilin, 2004). They had to present the document to Arafat and Rabin before signing. The highlights of this framework are shortly summarized. It recognized the two

states of Palestine and Israel with each a part of Jerusalem as their capitals, discussed the gradual withdrawal of the Israeli Army from Gaza and the West Bank in three stages before May 2000 behind agreed borders⁸, while it was stated that there would be no exclusive civilian residential areas for Israelis in the State of Palestine (Israeli remaining in the State of Palestine would be subject to Palestinian rule of law). Jerusalem would remain an open city with free and unimpeded access to all people, while a Joint Higher Municipality Council would be formed by representatives of the different Jewish and Palestinian boroughs. Qalandia airport would be accessible to both parties. Articulate points were developed to resolve the Palestinian refugee situation (Beilin, 2004). The shared water resources are discussed in an Annex (Beilin, 2004 – Appendix 1).

The Beilin-Eitan Agreement (1997)

Five days after the above Framework was finalized, Rabin was assassinated (Beilin, 2004). In the years around the formulation of the Oslo II Accords a bitter controversy developed between Likud and Labor on “giving up parts of the homeland” and that had the risk to develop in a civil war in Israel (Beilin, 2004). This resulted in discussions between Likud and Labor which were concluded by the “*Beilin-Eitan Agreement*” of January 1997 (Beilin, 2004). The Agreement was based on three principles: (i) continued dialogue with the Palestinians to achieve a permanent agreement with them, permitting the establishment of a Palestinian entity; (ii) the ability to prevent every attack or risk of an attack on its territorial integrity and the safety of its citizens; (iii) no agreement signed by the Israeli government can include a commitment to uproot Jewish settlements west of the Jordan River nor will any agreement compromise the rights of residents to keep their Israeli citizenship and their ties as individuals and as a community with the State of Israel. Moreover, among other points, there will be no return to the 1967 borders, the Jordan Valley will be a security zone and Israeli armed forces posted along the Jordan River, while Jerusalem will be a single unified city within sovereign Israel, while the right of the State of Israel to prevent the entry of Palestinian refugees into its sovereign territory will be recognized; Israel will continue its policy of family reunification on the basis of existing criteria (Beilin, 2004 – Appendix 2). In the wake of this document becoming public people both in Israel and Palestine had quite different opinions on the extent that the Beilin-Eitan Agreement seemed to close further the window open for a final status agreement that would be acceptable to the Palestinians or that it was largely in line with the Beilin-Abu Mazen Framework for a final settlement (Beilin, 2004). Beilin himself conceded that the Labor-Likud agreement “was not counter to the draft Abu Mazen-Beilin paper for a permanent agreement on any point”, while Abu Mazen welcomed it as a good step forward as it demonstrated that finally matters as Jerusalem, the refugees, settlements and borders could be discussed within Israel” (Beilin, 2004).

When reading well the “*Draft Final Status Agreement*” and the “*Beilin-Eitan Agreement*”, both being annexed to Beilin (2004), there are important and critical differences between the two agreements, notably on Jerusalem, settlements and Israeli citizenship in the Palestinian Territories, Israeli military presence in the Territories and refugees. Where the positive reaction of Beilin is quite surprising in view of these critical differences, the reaction of Abu Mazen reflects possibly the Palestinian Leadership belief that Israel in the end would be serious in committing to the commitments it seemed to be making. What was important for Abu Mazen (Beilin, 2004) that for the first time the Palestinian issue was seriously debated in Israeli politics and this was taken as a sign that there was still hope. In hindsight, the principles and other critical preconditions for peace and a two-state solution laid down in the Beilin-Eitan Agreement are close to the actual positions of a majority of Israeli political parties on the subject (Le Monde du 19 Mars 2015).

2.3.2 Post-Oslo in short (1995-2015)

In practice the Oslo Interim Accords consolidated an increasingly tight grip of Israel over the Occupied Territories in a more formal document that would provide the basis for an even more stringent control over the Palestinian people and their land. How this “matrix of control” and containment has worked out is described in the following two Chapters. The main changes due to the Oslo Accords, as they would develop and become clear in the following 20 years, are summarized below (interviews; Neve, 2008; Hammami, 2008):

⁸ In (Beilin, 2004), the Annex relevant for defining these borders and the related maps are not available.

- a) **Different forms of control:** further fragmentation of Palestinian community by cementing separation of GS, WB and communities within WB, most notably East Jerusalem and Area C (that de-facto are considered by Israel as annexed)
- b) **Limited governing responsibilities:** while allowing Palestinian leadership and nationalism to develop, within however extremely constrained geo-political parameters, it provided only a limited degree of “self-rule” by handing over responsibility (and related cost) for population welfare to a PA and the International Community.
- c) **Consolidated control over land and water resources:** massively stepping-up up settlement expansion, continued strategic control over water resources
- d) **Economic containment:** while an earlier pattern of use of Palestinians in WBGS as cheap labor pool was broken with now no or very limited access of Palestinian workers to Israel, at the same time border, land and other internal controls (checkpoints and the separation wall) were expanded and consolidated to constrain a viable/independent Palestinian economy (as will be shown in the following Chapters)
- e) **Demographic control:** Continuation if not more severe application of restrictive policies with regard to residency/entry to the Territories/border control, etc.

Where c), d) and e) were an expansion and consolidation of the long-term policy of fragmentation and control over resources and people before Oslo, a) and b) signaled a major change in Israel’s approach towards the Palestinian Territories.

Indeed, Gaza and the West Bank became definitively separated, with no or very little physical contact possible between the two parts. The West Bank was divided in three parts, with 62% (and 5.8% of the population) under military and civil control of the Israeli Military Authorities (Area C), limited civil control by the new Palestinian Authority in the build-up areas of rural owns (Area B; 20 % with 41% of the population), and civil and pro-forma security control in the cities by the Palestinian Authorities (Area A; 18% with 53% of the population)⁹. With any construction in or access to Area C strictly prohibited and controlled by the Israeli Military, in fact two-third of the West Bank is considered by Israel as annexed land. Gaza had only a border with Egypt, surrounded by Israel. The West Bank, surrounded by Israel, had only access to Jordan, but through a tight security system of one border crossing, most of the Jordan Valley being under strict Israeli military control. Import taxes on goods to enter Palestine were levied by Israel, while, contradicting the Oslo provisions, it maintains control over population registry. Thus, with its continued control of borders, Israel ensures it is able to control who enters and can remain in the country (ID Cards for Palestinians living in Gaza, the West Bank, and East Jerusalem under strict and separate control by the Israeli Ministry of Interior). As a result, Israel would maintain economically the Palestinian Territories as a client-state subject to asymmetric containment (Khan, 2004).

The successive steps of increasing control of Israel over Palestinian land meant that the area of historic Palestine (30,570 km²) was reduced to 6,725 km² for the area according the Green Line demarcations of 1967 (22 % of what once was considered Palestine) and 2,720 km² if Area C, the Buffer Zone in Gaza, East Jerusalem and land west of the Separation Barrier is taken off. In the latter case less than 10% of former historic Palestine is still accessible to the Palestinian people (adapted from ARIJ, 2002)¹⁰.

Chapter 3. Political economy of the Palestinian Territories – Key features (1995-2014)

3.1 Israel’s policy of containment: key features of the “matrix of control”

The Israeli military occupation of the West Bank and Gaza Strip has and remains the single most powerful determinant of the political economy of the Palestinian Territories. Since its occupation of

⁹ % info for Areas and respective population according to Note of EU Heads of Mission “Area C and Palestinian Statebuilding”, at http://thecepr.org/images/stories/pdf/areafinal_reportjuly2011.pdf. In: Turner, 2014.

¹⁰ Figures provided are based on data for Area A, B and C (as cited by Turner (2014)), with the Buffer Zone area of the Gaza Strip calculated as 63 km² (17% of the whole Strip of 365 km²); and the area of East Jerusalem and areas west of the Separation Barrier together roughly estimated at 100 km².

the West Bank and Gaza Strip in 1967, Israel has persistently pursued a policy of “containment”¹¹ of the Palestinian population both geographically and developmentally; maintaining tight control over Palestinian access to and utilization of critical resources, particularly land and water, as a means of pursuing both its political and economic goals. The resulting process of “de-development” has been well-documented.¹²

More than twenty years after the Oslo Accords, notwithstanding the increased physical separation of the Palestinian Territories from Israel, Israel's continued control of the Palestinian Territories' external borders and its long-standing subjugation of the Palestinian economy to its own interests ensure that the Palestinian economy and all other aspects of life remain almost exclusively dependent on Israel. Indeed, most sources argue that post-Oslo this dependence has been firmly entrenched, not only by a sophisticated and near-comprehensive “matrix of control” (Keating, Lowe and LeMore 2005: 35) over the movement and activity of the Palestinian population, while facilitating the near doubling of the Israeli settlement population in the same period, but also through the mal-intentioned application of economic policies set forth in the peace accords, particularly the Paris Protocol.

3.1.1 Movement and access restrictions

Absence of Palestinian control over movement across external borders

Israel continues to maintain physical or de facto control over all of the Palestinian Territories' land borders, coastline, airspace and electromagnetic spectrum¹³ The destruction of the Gaza sea and airports (see Box 1) and continued blocking of their reconstruction since then has rendered the Palestinian Territories “a de facto land-locked territory” (UNCTAD nd “Inadequate Physical Infrastructures”); participation in international trade can thus be conducted only via Egypt, Jordan and Israel and remains subject to highly restrictive, costly and volatile regulation of the movement of people and goods by Israel through the Palestinian Territories' main commercial crossing points. Participation in the international workforce is similarly restricted.

Box 2. Destruction of sea and airports

The Gaza sea port, development of which was supported by European and Dutch assistance, was destroyed by the Israeli military within three months of the start of construction; the site was bombed in both 2000 and 2001 and the port was never completed.

Officially opened in 1998, Israeli military forces also shut the Gaza International Airport near Rafah in 2000. In 2001, Israeli forces demolished the runway of the internationally-funded \$60 million airport; Israel has bombed it several times since then, the last time in 2014. Other buildings and basic public infrastructure most notably the electricity plants have been repeatedly destroyed by Israeli military attacks in the years since.

<http://unctad.org/en/pages/gds/Assistance%20to%20the%20Palestinian%20People/Inadequate-physical-infrastructures.aspx>

¹¹ The term “containment “ has been used at least as far back as 2002 by Israeli journalist Amira Hass in her article “Israel's Closure Policy: an Ineffective Strategy of Containment and Repression” in *Journal of Palestine Studies* Vol. 31, No. 3 (Spring 2002), University of California Press, pp. 5-20. <http://www.jstor.org/stable/10.1525/jps.2002.31.3.5>. The concept of “asymmetric containment” as deployed by Israel in the Palestinian Territories is further developed in Khan (2004).

Some critics further argue that, particularly in the case of Gaza, containment is ultimately a system of warehousing “surplus humanity.” Writes Jeff Halper (2008): “What has evolved before our eyes, something we should have seen but lacked a reference for, is a system of warehousing, a static situation emptied of all political content. “What Israel has constructed,” argues Naomi Klein in her powerful new book, *The Shock Doctrine*, “is a system,...a network of open holding pens for millions of people who have been categorized as surplus humanity....Palestinians are not the only people in the world who have been so categorized....This discarding of 25 to 60 percent of the population has been the hallmark of the Chicago School [of Economics] crusade....In South Africa, Russia and New Orleans the rich build walls around themselves. Israel has taken this disposal process a step further: it has built walls around the dangerous poor”(p. 442).

¹² See, for example, Roy, Sara. “A Case of Economic De-Development,” *Journal of Palestine Studies*, vol. 17:1, Autumn 1987, pp. 56-88. <http://www.palestine-studies.org/files/pdf/jps/1069.pdf>

¹³ Under the terms of its unilateral withdrawal from Gaza in 2005, Israel maintained controls Gaza's borders, coastline and airspace, as stipulated in Israel's 2004 Disengagement Plan from the Gaza Strip. (Absence of national sovereignty <http://unctad.org/en/Pages/GDS/Assistance%20to%20the%20Palestinian%20People/Absence-of-national-sovereignty.aspx>)

Recognition of critical importance of movement of people and goods across borders for economic development is widespread, but international efforts to address these restrictions have brought meager, temporary and piecemeal results at best. Attempts at broader policy shifts to enhance movement and access have failed to date.¹⁴ In 2005, for example, Israel and the Palestinian Authority signed the Agreement on Movement and Access (AMA) to facilitate the flow of Palestinian labor and goods between Gaza and Egypt and Gaza and West Bank. However, the agreement has never been fully implemented (UNCTAD “Development challenges”). Meanwhile, the blockade on Gaza has entered its eighth year (*see Box 5, page 43*). As consistently mentioned in several World Bank Reports over the last years Israeli access restrictions are considered as the major impediment to Palestinian economic growth and development (World Bank, 2009, 2014).

Absence of Palestinian control over internal movement and access to natural resources

Within the Palestinian Territories, movement and access is also severely restricted. From 1972 until 1991, a general system of exit permits was in place whereby residents of the territories were able to freely enter Israel and East Jerusalem, and could pass between Gaza and the West Bank. In 1991, this came to an end and a new Israeli permit system was introduced restricting Palestinians freedom of movement, and marking the beginning of a policy of closure. Over two decades after the signing of Oslo, Palestinians civil jurisdiction remains limited to the Gaza Strip and less than 40% of the West Bank. Israel has completely closed off over 60 % of West Bank land, primarily in Area C, to Palestinians (PCWG, 2010: 5) (*see Box 4, page 42*). In Gaza, Israel enforces a "buffer zone" (a military access restricted area), which has cut off Palestinian access to up to 17% of the Strip (35% of Gaza's agricultural land) (OCHA and WFP, 2010; Save the Children 2009) and 70-85% of the offshore fishing limit agreed in the Oslo Accords (Oxfam, 2014: 6) (*see Box 5, page 43*). The water resources in the Palestinian mountains, sufficient for sustainable use in the long-term, are under strict Israeli control with more than 80% of exploited water going to Israel (Ma'an, 2014; Amnesty International, 2009).

At the same time, the commitment to the territorial integrity and contiguity of the Palestinian Territories expressed in the Oslo Accords has been all but forgotten; the opening of the safe passage connecting the Strip with the West Bank in line with the Protocol Concerning Passage between the West Bank and the Gaza Strip, signed in October 1999, was suspended within a year without ever being fully implemented (PCHR, 1999). In the West Bank, PA-controlled areas remain a mosaic of small, non-contiguous and densely populated enclaves with movement between them impeded by Israeli checkpoints and barriers.

¹⁴ For details on limitations in easing of movement restrictions, see for example, report by OCHA, Sep 2012.

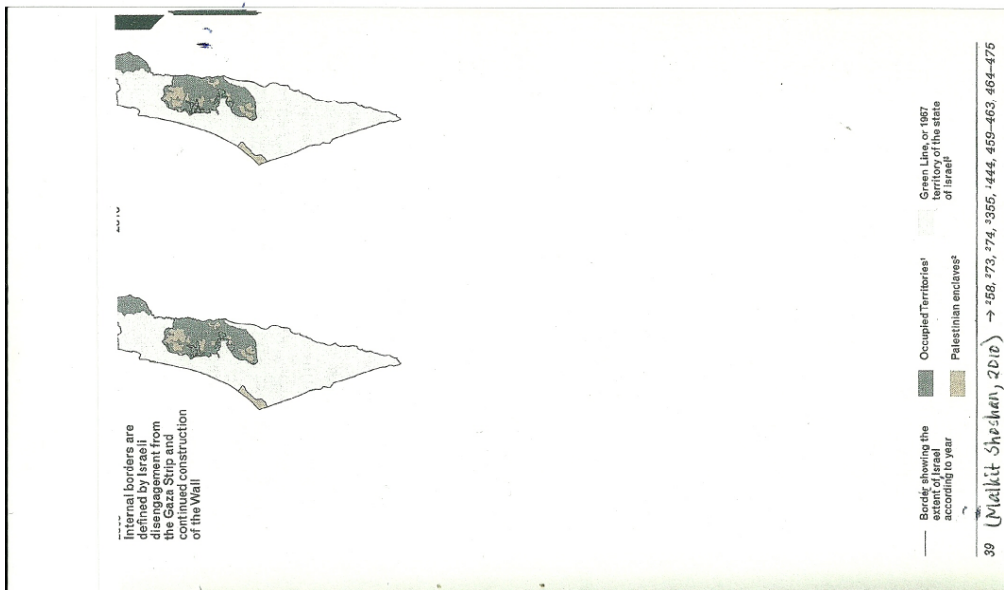
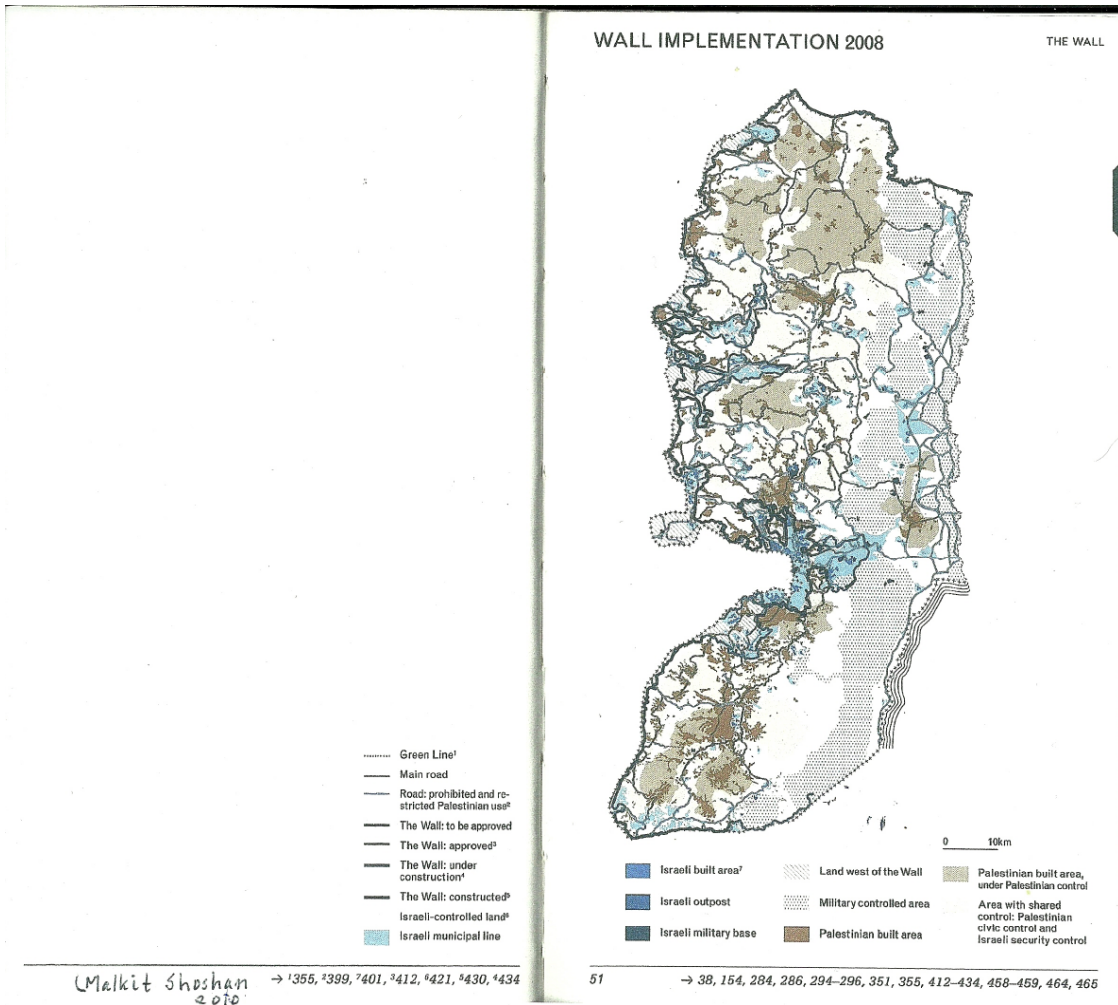


Fig. 3. The Separation Wall and Area A and B “enclaves” in the West Bank

Indeed, since the Oslo Accords and the establishment of the PA, Israel has consolidated a comprehensive system of physical barriers and permits cementing the separation, isolation and fragmentation of the Palestinian population, while continuing to preserve overall control of the Palestinian Territories and draw on its resources to serve the ever-expanding Israeli settler population. The construction of the Separation Wall, beginning in 2002, and the associated regime of movement restrictions, as well as Israel's unilateral disengagement in 2005 from and further isolation of the Gaza Strip have led to unprecedented levels of separation not only between the Palestinian Territories and Israel but also between the Gaza Strip, East Jerusalem and the remainder

of the West Bank. Population centers within the West Bank have also been increasingly fragmented and divided from one another as a longstanding policy of “containment” has becoming increasingly visible, vigorous and damaging.

In June 2012, a comprehensive survey done by OCHA documented over 540 Israeli-controlled checkpoints, barriers and gates restricting the movement of Palestinian civilians (OCHA Sep 2012: 32). These were in addition to roughly 350 kilometers of the Separation Wall, 73 agricultural gates, 112 physical obstacles in the Israeli-controlled area of Hebron City (H2) and over 400 “flying” ad-hoc checkpoints which are deployed on average every month (OCHA Sep 2012: 32). Meanwhile, as noted above, Israel’s near complete blockade on the Gaza Strip, imposed in 2007 continues to block the flow of people and goods between Gaza and the West Bank, as well as between Israel and Jordan.¹⁵

3.1.2 Israeli settlement expansion

Movement and access restrictions are intimately connected to the continued expansion of Israeli settlements and the network of access roads serving them. As a special report by OCHA (2012: 2) notes most of the movement restrictions imposed on Palestinians “are related, in one way or another, to the Israeli settlements established in contravention of international law. This includes restrictions aimed at protecting the settlements, securing areas for their expansion, and improving the connectivity between settlements and with Israel itself (OCHA Sep 2012: 2).” Within the complex matrix through which the Palestinian population is “contained” by the Separation Wall, separate road systems, a pervasive permit system and a highly restrictive planning regime, the confiscation of land, expropriation of water and other natural resources, the destruction of homes, basic infrastructure, agricultural land and economic enterprises, and forced displacement all remain a persistent reality for Palestinians. These same actions ensure that Israeli settlement population expands and thrives.

While Israel's settlements in the Gaza Strip were dismantled in August 2005, Israeli settlements in the West Bank continue to expand despite Israeli commitments under the Road Map and at Annapolis (2007). In the two decades following Oslo, the Israeli settler population in the West Bank nearly doubled, from some 260,000 settlers in 1993 (B’Tselem, 2010: 10) to over 520,000 across the West Bank, including 200,000 in East Jerusalem by the end of 2012 (OCHA, Dec 2012). According to a 2014 World Bank report, settlement areas grew by 35% between 2000 and 2011 alone in the West Bank (Applied Research Institute data base as qtd in Niksic, Nasser Eddin and Cali, 2014: 13) with the actual territory controlled by settlement enterprises extending to 68% of Area C and more than 42% of the land in the West Bank; one-fifth of the land occupied by settlements is built on private Palestinian land (B’tselem 2012 as qtd in Oxfam, 2013: 1).

An unlawful, discriminatory and debilitating planning regime

Settlement expansion in the West Bank is facilitated by an Israeli planning regime which controls all access to natural resources and allocation and use of land.¹⁶ The process, in clear contravention of international law, excludes Palestinian participation in the decision making process, severely limits Palestinian development, facilitates the destruction of Palestinian homes and infrastructure and has led to a continued process of forced displacement. The Israeli planning institutions, policies and practices which make up this regime are “in character and in effect settlement promoting mechanisms” (Diakonia Sep 2013: 17). The regime has ensured that 70% of the land, designated for Israeli settlements or closed military areas, is off limits to Palestinian construction and an additional 29% is heavily restricted; less than 1% of Area C has been marked for Palestinian development and most of this area is already built-up (OCHA, Jan 2013: 1). Some 94% of all Palestinian permit applications have been denied in recent years (AIDA as qtd in Diakonia, Sep 2013: 11); over 27,000 Palestinian homes, water and livelihood infrastructure and other structures have been destroyed

¹⁵ Imports from Israel allowed to Gaza amounted to less than half of pre-closure levels (e.g. 78,810 tons/month of construction materials as compared with 174,212 tons/month pre-closure). The Israeli-Palestinian ceasefire agreement after the 2012 war on Gaza was violated by Israel, in not respecting the limitation of the “No-Go” zone to 100 meter from the border fence. As reported in OCHA (2010¹⁵) a No-Go Zone of 500 meter and an additional High Risk Zone of 500 to 1000 meter was in place within which it is not possible to be at the risk of life, while no agriculture can be undertaken here, the lands of this restricted area counting to 17 % of the Gaza Strip and 35 % of all its agricultural lands. The initial easing of the fishing zone from 3 to 6 miles after the 2012 hostilities was brought back to the prior 3 miles. Palestinian fishermen were shot at by the Israeli Navy in 95 incidents, double the number of the previous 6 months. The closures prohibit access to 70% of Gaza’s maritime area as recognized under international law (Human Right Watch, 2014).

¹⁶ See Diakonia, Sep 2013 for full discussion.

since 1967, usually on the pretext that building permits have not been secured (<http://www.icahd.org/the-facts>). Demolition of homes and other property in turn lead to the forced displacement of entire families. Israel also maintains control over 80% of Palestinian water resources; in the West Bank, 0.52 million Israeli settlers use roughly six times the amount of water used by 2.6 million Palestinians (EWASH/Al Haq, 2011: 7). The planning regime has likewise interfered with the delivery of humanitarian and development actors in Jerusalem and Area C, which have been increasingly active in recent years in attempting to respond to the humanitarian crisis created and perpetuated by the same regime (see Box 3, page 30 and Box 4, page 40 for details).

3.1.3 An asymmetric trade regime and circumscribed economic space

Historically, Palestinian trade has relied predominantly on port facilities at the Mediterranean coast and on the bridge crossings to Jordan at the eastern border. A de facto customs union trade arrangement between Israel and the Palestinian Territories in operation since 1967 was institutionalized by the Oslo Accords and the Paris Protocol on Economic Relations (1994) in particular. While in theory a customs union creates mutual benefits for states party to it, the customs union between Israel and the Palestinian Territories served to entrench the deeply asymmetric status quo.¹⁷ The Paris Protocol not only formalized the asymmetric trade arrangement between the two economies but significantly circumscribed both the policymaking space and economic tools with which the PA is able to respond to the already formidable economic challenges of prolonged military occupation. Indeed, UNCTAD notes: “In a sense, the economic policy space available to the Palestinian Authority is practically reduced to a one-sided fiscal policy (expenditure allocation), which is far less than that enjoyed by regional or municipal governments in many countries” (UNCTAD nd “Limited Economic Policy Space”).

Twenty years on, the fundamental assumptions framing the Protocol – which was an interim agreement designed for the five-year transitional period envisioned for the full implementation of the Oslo Accords – remain unmet; the Protocol stressed the geographic contiguity of the West Bank and Gaza Strip as one unit, thus assuming freedom of movement within the Palestinian Territories, as well as free Palestinian access to Israeli port facilities and border crossings into neighboring countries. This has subjected Palestinian traders not only to Israel’s general willingness – unpredictable at best -- to regulate movement of goods but also with the prohibitive transaction costs incurred by Israel’s security measures and restrictive customs and overland transport procedures at border crossings (UNCTAD nd “Development Challenges”). As such, the system, both because of basic flaws in its framework and Israel’s lack of commitment to applying the terms of the Protocol and the Oslo Accords more broadly, has, rather than promoting sustainable Palestinian development, been fundamental to the continued deterioration of the Palestinian economy for over two decades; it has deepened Palestinian dependence on Israeli imports while feeding industrial stagnation, the decline of other productive sectors, particularly agriculture, and contributing to increasing trade deficits and a weak export base (Elkhafif, Misyef and Elagraa, 2014). For the Gaza Strip, Israel has, particularly since 2007, effectively renounced even the limited benefits for the Palestinian population that were available under the Paris Protocol.

Indeed, Israel’s control over taxation and customs under this trade regime has been found to facilitate fiscal leakage at a rate of 17% of the PA’s total tax revenue (Elkhafif, Misyef and Elagraa, 2014: 39). In short, while the Paris Protocol was touted as a means of providing immediate stimulus to the Palestinian economy, facilitating openness to the rest of the world and introducing “at least some aspects of an independent trade policy”, it has largely led to the reverse (UNCTAD as qtd in Bouillon, 2004: 92).

¹⁷ Through the early 1990s this regime maintained the oPt “as a reservoir of cheap labor and Israel as a production and export powerhouse” (United Nations Conference on Trade and Development (UNCTAD) noted in a 1988 report in Ahmad 1). Commercial and economic links were weakened within the oPt and between the oPt and the rest of the world, while economic dependence on Israel for trade and an outlet for excess labor was consolidated (<http://unctad.org/en/pages/gds/Assistance%20to%20the%20Palestinian%20People/Economy-and-statistics.aspx>). More recent Israeli-imposed movement restrictions have significantly reduced Israel’s earlier dependence on Palestinians from the oPt for cheap labour while at the same time further undermining the possibility for Palestinian local development, through blocking both internal movement and access and blocking the sale of Palestinian products in Israel and Palestinian export abroad. At the same time, the oPt continues to be a major market for Israeli products.

Moreover, according to some observers, the Protocol not only served to hinder Palestinian trade and increase Palestinian dependence on Israeli imports and the Israeli market, but also fostered a monopolization of trade in the hands of political-economic elites on the Palestinian side, marginalizing ordinary Palestinians and small- to-medium enterprises, which constitute over 90% of Palestinian enterprises in the Palestinian Territories (Bank of Palestine, Jan 2015: 24). This in turn has pushed up consumer prices and contributed to increasing economic disparities within Palestinian communities in the Palestinian Territories (UNCTAD in Bouillon, 2004: 92). Moreover, in the search of the PA to make it less dependent of external funding taxes have been increased considerably. VAT and other taxes in Palestine, as decided by the PA are the same as in Israel; while Israeli GNP per capita stands now at \$32,000, in the West Bank this is not more than \$2,093 and in Gaza \$1,074 (UNCTAD, 2011), denoting a much higher living standard in Israel. It raises questions on the rational for the PA fiscal policy, if not for contributing to the financing of the high employment rate in the PA's civil service and security apparatus.

More broadly, analysts argue that while this customs union may appear to be simply a trade arrangement, this arrangement “was and remains key to Israel’s containment of the Palestinian Territories, a strategy in which Israel refuses to accept Palestinian sovereignty or to recognize their human rights in other final status arrangements, such as a single bi-national state”(Ahmad 2014: 1). In this analysis, the union reflects a political rather than economic strategy, designed to “perennially” contain the Palestinian population both geographically and developmentally by continued postponement of defining national borders, an arrangement that “will persist so long as Israel’s interest in maintaining what could be termed ‘strategically absent’ borders persists (Ahmad, 2014: 4).”

It may hence be argued that “in light of the generally poor performance of the Palestinian economy, it is unreasonable for the Government to remain subject to an interim agreement signed 18 years ago, the framework of which is inadequate and distorted” (sic) (UNCTAD Fiscal Leakage 12)¹⁸.

3.1.4 Violence and the destruction of life and property

Violence at the hands of the Israeli military and armed Israeli settlers is also a defining and pervasive feature of the occupation, and in essence part of its matrix of control over the Palestinian Territories. It constitutes a regular and serious threat to life, liberty and security for Palestinians across the oPt and is regularly pursued with impunity (neither Israeli nor international instruments effectively holding perpetrators accountable). In the post-Oslo era, Israel's use of indiscriminate and disproportionate force against Palestinians escalated to levels unprecedented since 1967.. Wide scale damage to infrastructure, land and property have been sustained from successive Israeli military campaigns, most notably devastating in Gaza: Operation Protective Edge (Summer 2014), Operation Pillar of Defense (Fall 2012) and Operation Cast Lead (December 2008/January 2009). During Operation Protective Edge alone, 2,205 Palestinians were killed, including at least 1,483 civilians, of whom 521 are children and 283 are women; over 11,000 were injured. Over 500,000 Palestinians were displaced at the height of the hostilities and over 100,000 were still displaced in October 2014. Approximately 18,000 housing units destroyed or severely damaged (OCHA “Gaza Crisis”). The Gaza Power Plant was damaged by an Israeli airstrike causing regular power outages of up to 18 hours a day and 450,000 people (20-30% of all households) were unable to access municipal water due to damage and/or low water pressure. Hospitals, clinics, schools, businesses and workshops were damaged and destroyed. As of October 2014, 108,000 Palestinians remained homeless (OCHA, 27 Aug 2014). The international community has appealed for over \$550 million to respond to the humanitarian crisis in the aftermath of this latest military campaign on the Gaza Strip (OCHA, Aug 2014). In between these massive operations, Israeli military incursions into the Gaza Strip continue on a regular basis and frequently involve leveling operations and the destruction of agricultural land, fish hatcheries and other economic infrastructure, particular in the buffer zone.

¹⁸ This system, which has endured for two decades, has not allowed the Palestinian economy to achieve tangible or sustainable development; it has actually prevented such development. This is mainly due to Israel's lack of commitment in applying the terms of the Protocol, as well as the shortcomings of some provisions relating to trade, taxation and monetary policies (UNCTAD, 2014, 42).

Incidents of damage and destruction of property, including houses, orchards, crops, livestock and water and sanitation infrastructure by the Israeli army and settlers are also common place in the West Bank, particularly in areas close to settlements, areas confiscated for construction of settlements, road networks and the Wall and in the seam zone. This was particularly the case during Israel's military campaign in 2000-2004 during the Second Intifada, but is over the last years increasing at an alarming pace.

It is not surprising that in view of this violence it has triggered counter violence from Palestinian individuals and groups. Palestine has attracted much negative attention by the wave of suicide bombings in Israeli territory before and during the second Intifada, for the most part involving young people who have seen before their eyes their uncles, brothers and fathers being killed by the Israeli Army without process. For a time these suicide actions were not discouraged by the different resistance factions (until roughly 2005). Where suicide actions targeting civilians can never and in no way be justified, *"violence is triggered and ends up to become for some the only recourse of resistance when there is no ways left to express oneself differently, when the sense of injustice is so strong that everything explodes"* (Desquesnes, 2015) as is mentioned in other circumstances and for other people. Important counter violence resides also in the firing of rockets into Israel by all the factions based in the Gaza Strip. They are reported as targeting civilians. However, according an Israeli military intelligence website¹⁹, most of these rockets are targeting strategic and military objects.

3.2 Key features of the socio-economic landscape

3.2.1 Demographic developments

Today, according to recent data of the PCBS (2014), there are 12.1 million Palestinians worldwide, of whom 4.62 million live in the State of Palestine (1.79 million in Gaza and 2.83 million in the West Bank), 1.46 million in Israel, 5.34 million in Arab countries and 0.68 million in other countries abroad. According to Gassner (2009), 4,671,811 of the Palestinian people in 2008 are UNRWA registered Refugees of which 1,373,732 (29.4%) are registered in UNRWA Refugee camps in Jordan, Syria, Lebanon, the West Bank and the Gaza Strip.

In 2014 there are 6.08 million Palestinian people living in historic Palestine (Gaza, West Bank and Israel) next to 6.10 million Jews (PBCS, 2014). The annual growth rate of 2.9% in the Palestinian Territories, with 58% of the population under 25 years of age,²⁰ places huge demands on services, particularly health and education, and evermore jobs are required for a continually expanding labor force. The environmental and developmental ramifications of population growth in both the West Bank and the Gaza strip are significant, especially given the constricted space in which the expanding population is able to live and secure its livelihood, further exacerbated by the non-access to Area C in the West Bank and the Buffer Zone in Gaza.

In the Gaza Strip, population density has more than doubled since 1993, when population density was 1,870 people/km². Today, the more than 1.7 million people in Gaza still live on 365 km² of land at a population density of 4,657 ppl/km². That is nearly 14 times as densely populated as Israel, where in 2011 there were 359 people/km² (Oxfam, 2013)²¹. In the West Bank population is around 1,100 people/km² (according to data presented in this report)

3.2.2 Economic activity and potential

The majority (90-95%) of the Palestinian private sector consists of small and medium sized enterprises (SMEs). As seen in earlier sections, they have, for a very important part, been marginalized in the political economic processes strongly influenced by the Israeli containment strategies. A small part of the business sector is dominated by a small number of large companies, who, however, with the support of the PA, have played an important role in limiting the

¹⁹ www.debka.com (see for details Chapter 6)

²⁰ Footnote 6 in Portland Trust 1

²¹ In comparison, population density in The Netherlands is around 475 ppl/km²

deterioration in employment possibilities due to the physical and economic constraints imposed by Israel.

In the years since Oslo, Israel's GNP has boomed, while Palestine's has stagnated. Since 1993, the Israeli GNP per capita has risen from around \$13,800 to over \$32,000 today. At the same time, the West Bank GNP per capita has gone from roughly \$2,000 in the early 1990s to \$2,093 today, while Gaza's has decreased from \$1,230 to \$1,074. If productivity had continued to increase at pre-Oslo levels, real GNP per capita in the Palestinian Territories would be an estimated 88 percent higher (UNCTAD, 2011). Trade flows generate 85% of the Palestinian Territories' GDP, with imports of goods and services representing over 80% of trade flows and only 20% representing exports; 90% of Palestinian trade is with Israel. Agriculture remains an important sector, accounting for 25% of exports and roughly 15% of the workforce but only 8.2% of the GDP in 2008 (Passia, 2009; UNCTAD, 2011).

The restrictions in movements and closures meant a decrease in trade; imports were reduced with 25% and exports by 50% between 1992 and 1995, while private investment declined by about 60% (Bouillon, 2004). Matters were further aggravated by the tight grip of Israeli permits and tax regulations. Palestinian enterprises paid 35-40% more taxes than Israeli counterparts while permits for investments plans were rarely given, only in case that these, according to the military authorities, would not conflict with the interests of Israeli producers. While the PA has absorbed part of this unemployed labor, the Second Intifada that started in 2000 with its resulting curfews and closures, made everything even worse. The Palestinian economy stagnated further and led to further unemployment and poverty. Where it is stated that the 2nd Intifada was not only a reaction to the occupation practices of the Israeli Authorities and its army, but also stemming from a high degree of frustration with the PA itself and its completely ineffective strategies to come to an independent state on the 22 % remaining land of historic Palestine, the negative economic impact of the Israeli closures and restrictions during the 2nd Intifada further undermined the rule and credibility of the PA (Bouillon, 2004).

While, the Palestinian economy grew from 2006 to 2011, averaging 8.2 % annually (PCBS, 2012; in The Portland Trust, 2014); this is largely a result of financial aid and budget support of the PA by external donors, enabling a rapid expansion of the public sector. In the long-term this is unsustainable and not viable from an economic point of view. The large work force in the public sector resulted in a wage bill of 17% of GDP, much higher than in Egypt (8%) or Jordan (5%) (IMF, 2013; in The Portland Trust, 2014). At the same time such high rates of public employment exposes the economy to external shocks as demonstrated in the years following 2006 when external funding reduced due to the global financial crisis. Indeed, in 2012, GDP growth fell to 5.9 %, the lowest level since 2008, with nominal GDP reaching USD 10.3 billion (Portland Trust, 2014). Indeed many recent studies and proposals stress the need to increase employment in the private sector as a more sustainable strategy for the long-term (The Portland Trust, 2014, Office of the Quartet Representative (OQR), 2014; World Bank, 2014; UNCTAD, 2014). Both the Portland Trust Report (2014) and the OQR Initiative for the Palestine Economy (2014) identify different economic sectors in the Palestinian Territories that could contribute to employment and economic growth. The seven sectors identified by the OQR and the five by the Portland Trust importantly overlap. The Table below provides a key characteristic of the 7 sectors identified by the OQR Report.

Table 2. Key sectors in the Palestinian economy with potential for growth (OQR, 2014)

Sector	Real GDP in 2013 - in \$ M	Employment in 2013 –in '000 jobs	Sector selected by Portland Trust
Energy and water	157 (1.5%)	25 (2.9%)	Yes
Tourism	271 (2.6%)	15 (1.7%)	Yes
Light Manufacturing	453 (4.3%)	46 (5.2%)	
ICT	637 (6.1%)	10 (1.1%)	Yes
Agriculture	735 (7.0%)	122 (13.9%)	Yes
Construction and building materials	2,310 (22.1%)	143 (16.3%)	Yes
Public and social sector	3,863 (37.0%)	193 (22.0%)	

Others	2,105	(19.3%)	323	(36.8%)
TOTAL	10,441	(100 %)	877	(100%)

GDP figures used are real 2013 GDP in 2012 constant prices. Real 2013 GDP was forecasted based on IMF projections of 5% real growth between 2012 and 2013. Other sectors include retail and services, transport and logistics. Agriculture includes livestock and agri-processing. Building materials includes processing of stone and marble (OQR, 2014)

The five sectors identified by the Portland Trust (2014) were selected among 20 sectors assessed for their capacity to maximize immediate and long-term opportunities as well as positive externalities. It is recognized that there are also among other sectors, and notably in manufacturing, important opportunities for initiatives to drive growth. The 7 sectors selected in the OQR report (2014) were prioritized on the basis of (i) being private sector oriented, (ii) having high potential for growth, (iii) being labor intensive industries, and (iv) being key enablers for the economy. In the actions it proposes the OQR report seems to target more concretely also the SME business sector, notably in the ICT, Tourism, Manufacturing and Agriculture sectors, while the Portland Trust recommendations seem inclined to continue business as before with a small number of big enterprises.

It is interesting to note that there is a gradual shift in emphasis between the four mentioned reports (Portland, World Bank, OQR, and UNCTAD; and in that order) in taking more to less for granted the actual situation of the asymmetric containment of Palestine in the Israeli client-state strategy. Where the Portland Trust clearly propose to work within the box of these constraints as a given with little space for change, the OQR report indicates that important measures have also to be taken by Israel, while the World Bank report indicates that it is difficult to make recommendations without a final status agreement. The UNCTAD 2014 report clearly states that improvement of the Palestinian economy is impossible without major changes in Israeli containment measures. Where efforts to upgrade the Palestinian business sector are important, even under the actual situation of Israeli constraints, all reports indicate that potential for economic growth in Palestine could be much higher if the many economic restrictions and imbalanced trade arrangements are lifted by Israel. Recognizing that the necessary actions that were assumed to be taken by Israel are not coming forth in a near future, the OQR is tuning down its economic proposals given priority to the facilitation of trade arrangements (interviews).

3.2.3 Unemployment and food security

According to UNCTAD data of 2009, industry generates 14% of the GDP and employs 12.3% of the workforce, while nearly 23% of the workforce is employed in the public sector (including public administration and security forces), generating 13.5% of the GDP; the IMF estimates that the PA's wage bill alone is equivalent to over 27% of the GDP. Over 21% of the GDP is now generated in the service sectors and employment in industry and construction continues to decrease while that in services rises (Passia, 2009). Another study by the Portland Trust (2013) on prospects for private sector development in the Palestinian Territories mentions that one million new jobs will be needed to bring unemployment figures down to 10% by 2030.). Unemployment and food insecurity in the Palestinian Territories are closely related. Most of high food insecurity is not due to lack of availability of food in the market but to inaccessibility to food because people have no cash and income to pay for it (Browne et al (HEA), 2013). This was also the case in Gaza, at least until summer 2013 when most of the imports from Egypt through the tunnels came to a halt. Food insecurity in Gaza has probably further increased since then. Unemployment due to the low economic performance limits cash income especially in the poorer families. Moreover, as seen in the section above, average income has barely increased since 1994, while the cost of living and of consumption certainly has.

In Gaza both unemployment and food insecurity are higher due to the ongoing blockade of the Strip by Israel and now also Egypt. As mentioned by Oxfam (2013) "Unemployment rates in Gaza have soared from less than 10 percent in the early 1990s to over 32 percent in 2013". Following the halt of the illegal tunnel trade since mid-2013, unemployment has increased dramatically reaching up to 46.9% in June 2014 (PCBS 2014). Only 11 percent of women in Gaza are employed, the lowest rate for female employment in the region. Nearly 50 percent of youth are unemployed and job prospects are severely curtailed by severe restrictions on movement out of Gaza for work (Oxfam, 2013).

According to the annual food security survey of PCBS, FAO, UNRWA and WFP (June 2014) food insecurity rates in 2013 were 33% for the Palestinian Territories as a whole and 57% and 19% for the Gaza Strip and West Bank respectively. While food insecurity appears slightly higher for refugees in the West Bank (20%), in the Gaza Strip this is the reverse (54% for refugees compared to 64 % for non-refugees) which is possibly attributed to the compact assistance from UNWRA and other UN Agencies. These surveys are conducted since 2009 and average country-wide data fluctuate between 27% in 2011 and 36% in 2009. Methods used by PCBS and others however are under increasing debate and are now 2014/2015 under revision²².

3.2.4 Water resources and sanitation

Since 1967, Israel is effectively in control of all aquifers which are in the Palestinian land. Israeli settlements in the Palestinian Territories are strategically constructed around this vital resource. Indeed 80 percent of Palestinian water resources are controlled by Israel and the 520,000 Israeli settlers use approximately six times the amount of water that the 2.6 million Palestinians in the West Bank use. Most West Bank settlements are located close to water resources, which Palestinians are restricted from accessing (Oxfam International, 2013; EWASH/Al Haq, 2011; Amnesty International, 2009). "Makarot (the Israeli Water Company) managed to connect all settlements to water networks, while Israeli government subsidies lowered the price of water consumption to all settlers (Ma'an Development Centre, 2014).

This situation is in place since 1967 when Israel issued military orders to seize control over water and land resources in the Palestinian Territories (Amnesty International, 2009). In fact, the PA's control over "water" under the Oslo Accords is limited to managing the supply, maintaining and repairing the inherited neglected infrastructure, and paying the Israeli for half of the water used by the Palestinian households which Israel extracts from the shared aquifers and sells back to the Palestinians (Amnesty International, 2009).

Controlling all Palestinian aquifer water (a shared resource according to international law) Makarot uses at least 80 % for their own purposes and sells back the remaining 20 to 15% to the Palestinian Water Authority which channels it through the different Water Undertakings to the population. Palestinians end up paying a higher individual cost for water compared to Israeli settlers (Ma'an Development Centre, 2014). "Water shortages, and poor sanitation services in the Palestinian Territories, affect all sectors of the Palestinian population, especially the poorest and most vulnerable communities" (Amnesty International, 2009). According to a USAID overview report (2014) "between five and ten percent of Palestinian households remain unconnected to the water networks, creating a large dependency on water purchased from tanker trucks, which is less sanitary and can cost up to 400 percent more than piped water". In Area C, about 72% of its residents (estimated to be 297,000 according to a 2014 OCHA survey) are not connected to water networks (Ma'an Development Centre, 2014).

The situation of the wastewater is even graver. "Less than half of the Palestinian population of the West Bank is connected to a sewage network. Only 25-35 percent of wastewater created by Palestinians in the West Bank is collected, and less than three percent of the collected wastewater is treated. As a result, raw sewage continues to flow into dry riverbeds, contaminating underground aquifers and potentially spreading diseases" (USAID report Nov 2014). Let alone that sewage from settlements draining down into Palestinian fields is destroying olives, and any other agricultural lands particularly in areas around Jerusalem, Bethlehem and Salfeet. According Amnesty International (2009) Israel has a high share of responsibility here.

In Gaza, the sole source of sweet water available is the southern end of the Coastal Aquifer that stretches north along the Mediterranean coast. Due to the east-west direction of the ground water flow water extracted in Gaza does not diminish available water yield in Israel east of Gaza. However water extraction in Israel affects the supply of water available to be extracted in Gaza. The yearly

²² A more detailed study (Browne et al, 2013) estimates that until summer 2013 and the almost complete closure of the tunnels, households in Gaza were able from their own resources to assure the minimum food/energy intake as compared with common international recommended allowance that relates to food security minimum levels. The discrepancy between these conclusions may stem from the difference in modes and level of analysis.

sustainable yield in Gaza from this aquifer is some 55 MCM and is about two times less than required (Amnesty International, 2009). Surface water that could have been available from Wadi Gaza, that finds its origin in the Hebron Mountains, is closed off by a dam in Israel east of Gaza. With no other source of water available to them, Palestinians have resorted to over-extraction of the aquifer by as much as 80-100 MCM/year. This has resulted in marked progressive deterioration in the quality of the water supply, already contaminated by decades of sewage infiltration into the aquifer. Now some 90-95% of Gaza's water is polluted and unfit for human consumption ((Amnesty International, 2009). The situation is further worsened by seawater infiltration due to the lowering levels of the aquifer (this author). There are plans made for desalinization plants to contribute overcoming the severe water scarcities that will over time increase.

3.2.5 Infrastructure and housing

Basic Infrastructure: electricity, telecommunications and roads

Restrictions on development have also seriously undermined basic infrastructure and the development of energy supplies, fundamental to any economic development. Decades of restricted development and poor maintenance under the Israeli occupation have meant that the Palestinian Authority assumed responsibility for markedly underdeveloped basic physical infrastructures. The PA's comprehensive programme to rehabilitate physical infrastructures and social services has been constrained, again by primarily external factors including restrictions on planning, movement and access and repeated destruction of infrastructure by the Israeli military and settlers. Underdeveloped infrastructure for transportation, communication, water and sanitation and energy supply all serve to perpetuate "poor and deteriorating productive activities and public services (World Bank 2014)." Israel's control over about 60% of the Palestinian land in the West Bank (Area C), and restriction on access and mobility, are not only a major impediment to any economic development, but also restrict local government structures of the PA, municipalities and village councils, to render services to population in their rural and urban areas.

Except in Area A, Israeli permissions are needed for almost every single project to construct roads, electricity structures, wastewater treatment units, water wells, cisterns or other access facilities to water resources (World Bank, 2014). Where in Area B in principle same rules as in Area A would apply this in practice is mostly not the case, as infrastructure extensions require access through Israeli controlled Area C. Water and electricity supplies are directly linked with Israeli networks: the Makarot Water Company and the Central Israeli Electricity Co, respectively. Supply to Palestinians is directly dependent of decision-making in Israel on capacity and distribution, and hence linked to politics. Palestinian electricity networks operate in poor conditions and services from Israel are often interrupted (World Bank, 2014). Gaza is a clear example where power cuts as collective punishment has been a systematic trend of Israel's imposed blockade on the Gaza Strip since 2006. Gaza firms are increasingly constrained by a lack of a reliable supply of electricity. Access to electricity has emerged as one of the top constraints to business in Gaza. Although availability of reliable power supply has, over the years, continued to be a strategic constraint on medium-long term development in the Palestinian territories, the power crisis in Gaza is now an immediate binding constraint on current business operations. In the West Bank, water supply rather than electricity emerges as the greater infrastructure constraint. By comparison, firms in the West Bank experience more frequent and longer water shortages, an average of nearly four per month, than those in Gaza (World Bank, 2014).

Although an improvement was recorded in the telecommunication services in the West Bank, where a second provider could start operating since 2009 (Al-Watanniya), "the continued restrictions on bandwidth by Israel for telecommunications, as well as restrictions on telecommunications infrastructure in Area C, has affected service delivery, costs and provision of 3G and 4G services" (World Bank, 2014 - 58).

Land confiscation has been also well used by Israel to construct "apartheid roads" freely used by Israelis, and restricted for Palestinians. (Ma'an Development Centre, 2008). The Humanitarian impact of land confiscation for road construction is immense on Palestinians. The PA has no power to prevent these de facto confiscations mostly in Area C, while any land construction by the PA (or international actors) in Area C requires permits and coordination from Israel. Because of the intricate mosaic of Areas A, B and C, it is almost impossible to avoid Area C for electricity and road

networks, unless making enormous detours. Of course this increases cost of investment and maintenance and further decreases developmental potential.

There are prospects for gas and oil, resp. in Gaza's offshore and in Ramallah Governorate (interviews), but too little information has become available at this stage to further elaborate on this

Housing

Traditionally Palestinian extended families, particularly in rural communities, have always sought to be housed together in the same building or at least same neighborhood. Therefore, construction of a house in Palestine has always been a special event marked by collective ceremonies or celebration. Paying special attention to laying strong foundations can be considered symbolic to this importance. However, since the Israeli occupation in 1967, family structures and the social tissues have been shaken and many families have become divided by Israeli spatial planning policies. In effect, the Israeli planning system means that Palestinians can only build within Area A and within municipal B Areas. Demolition of housing and other firm building structures is a constant experience of Palestinians in areas where Israel is in direct control of zoning (East Jerusalem and Area C - see *Box 3 below and Box 4, page 42*).

Israel's control of Area C limits the ability of Palestinian communities to expand beyond the constricted zoning that was given them at the beginning of Oslo (i.e. main towns and villages in Area A and B are stuck/ imprisoned in the same boundaries that were given to them 20 years ago despite the rise in population). Among other things this leads to dense urban building, the demolition of historic centers in favor of high rises to house the growing population, the inability to zone for urban green areas/public infrastructure/congestion, as well as limited differentiation between industrial and residential areas. This in turn is leading to very unhealthy urban and community environments. In fact only one major new urban scheme outside of Area A has had Israeli approval (Rawabi, north-west of Bir Zeit) due to intense international diplomatic and big business interventions to allow it to happen.

This situation is further aggravated by the systematic policy of fragmentation and dispossession described in section 3.1. Checkpoints, closures and isolation of whole rural communities compelled younger family members or young couples to seek housing in major cities closer to their universities, or work locations. This forced intra-immigration, particularly to Ramallah, being the hub for employment, coupled with Israel's total control of more than 60% of Palestinian land – Area C - has led to congestion in major cities pressuring the underdeveloped old infrastructure with the increasing number of housing and residents. Pressure is further increased by the influx of people who have been evicted from Jerusalem. While an important part have left the country altogether (or are even evicted from the country), another part has moved to Ramallah and other major cities in the West Bank.

Where urban areas of Ramallah until 2007, counted with a total population of about 143,170, it is around 175,540 in 2014 (PCBS²³). This is coupled with an unprecedented increase of land prices. Land in Areas A and B cost up to 150% more than comparable land in Area C (Oxfam, 2014). In Ramallah these discrepancies are even higher with land in the centre of the city valued at 8,000 USD/m². In view of this Ramallah is considered to be one of the top 10 most expensive places in the world. Pressure on housing takes another form where Palestinians are now obliged to purchase cement and sand from Israel at high costs. The developments described above have led in the big cities to a construction boom, monopolized by big companies. Most of the construction is high-rise buildings on limited pieces of land allowed for construction in areas A and B. According to a 2013 housing survey by the PCBS²⁴, about 53.7% of Palestinian families are living in apartments.

Box 3. Residency rights and access to housing in East Jerusalem

Housing and residency rights

East Jerusalem, once the focus of Palestinian political, commercial, religious and cultural life, is increasingly being cut off from the rest of the Palestinian Territories. Over 55,000 Palestinian residents of East Jerusalem are separated from the city centre and find it difficult to access services to which they are entitled and for which

²³ PCBS survey of Ramallah & El-Bireh governorate population 2007-2014

²⁴ PCBS (Housing survey 7/10/2013)

they pay taxes (OCHA, 2012; in Oxfam 2013). Palestinian residents of East Jerusalem struggle to continue living in their own homes. It is estimated that the Israeli municipality of Jerusalem demolished over 1,600 Palestinian structures, residential, public, and commercial—since 1993²⁵. More than 86,500 people are potentially at risk of having their homes demolished (OCHA, 2012; in Oxfam 2013). According to B'Tselem (in Oxfam, 2013) the Gol has unilaterally revoked the residency rights of more than 11,200 Palestinian residents in East Jerusalem, without having any recourse. Only several hundred Palestinians have ever had their permanent residency status restored once it has been revoked (B'Tselem, 2013; in Oxfam 2013). An estimated 293,000 Palestinians still maintain their residency in East Jerusalem today (OCHA, 2012; in Oxfam 2013). This is despite the issue of Jerusalem being left for final-status negotiations in the Oslo Peace Process.

Rami Nasrallah (2014) describes in “planning the divide” how **the new Jerusalem Masterplan for 2020** is designed to reduce Palestinian presence in East Jerusalem. Jerusalem as an ethno-nationally contested city mirrors the wider Palestinian-Israeli conflict. The Master Plan builds on the policies put in place since 1967 by the Israeli authorities to establish a Jewish majority in East Jerusalem and create Israeli territorial domination in Greater Jerusalem, while fragmenting Palestinian space and restricting Palestinian migration into the city from the West Bank. The Master Plan 2020 actively seeks to restrict Palestinian urban participation, development and rights to the city, well in line with the insights developed by Sara Roy’s paradigm of de-development (1994) as related to the Israeli policies in Gaza (Nasrallah, 2014). With as a starting point that Jerusalem (within the municipal boundaries as defined by Israel) is one urban unit under Israeli sovereignty, the technical codification of the Master Plan ensures that density in Palestinian areas is restricted and no public land is allocated for Palestinian economic and residential development or for public facilities. In short, by ‘building’ ‘facts on the ground’ the Master Plan attempts to influence final status discussions on the status and future of Jerusalem and to prevent that East Jerusalem could serve as the capital and a metropolitan area for a future Palestinian State.

3.2.6 Health services, education and culture

Health services

The health care system in Palestine is run by four key operators: the Palestinian Ministry of Health, multiple private sector providers, NGOs and UNRWA. In Palestine, in 2012, there were 79 hospitals, out of which 25 were government hospitals, and 54 were non-governmental, in addition to 750 private primary health care centers and clinics. There are 8,810 registered doctors; that are 2.2 for every 1000 persons in the West Bank and 2.3 for every 1000 in Gaza (PCBS, 6th April 2014). In the first decade of Oslo, for example, despite a significant increase in primary health care clinics (often private), primary health care services decreased by 31% during this same period, due to an expanding population. Besides those employed by the PA and by UNRWA, most people in Palestine have no medical insurance unless they pay for it themselves at a private insurance company.

Access to health services

In Palestine, permits to access different places in Palestine, and notably for Jerusalem, are needed even when people need medical treatment. Permits are needed for referred cases from Gaza and the West Bank patients to reach hospitals outside their regions of residency. Access to health facilities is a main human rights issue that should not be denied to anyone. The Palestinian Ministry of Health, UNRWA and private sector providers, refer patients to other places if their medical treatment is unavailable in the West Bank or Gaza hospitals. They are referred to Israel, Egypt and Jordan. According to a full report issued by the WHO (2013) “Of the 61 635 patients referred by the Ministry of Health in 2013, 57.41% of West Bank patients and 69.47% of Gaza patients required an Israeli-issued permit to access adequate health care. Movement into annexed East Jerusalem for Palestinians with Gaza or West Bank IDs has become more tightly restricted in recent years following the completion of the separation wall around Jerusalem”. The same WHO report stated that “the humanitarian and donor community is obliged under International Humanitarian Law (IHL) to promote and monitor that the occupying power is fulfilling its responsibilities for the welfare of the occupied population”. Delays by the Israelis in approving permits is the main reason for too late treatment and often leads to un-necessary deaths of patients with treatable medical conditions. There are no clear criteria for obtaining or refusing a permit (WHO, 2013). Mostly Israel does not give written reasons behind denial to access, although sometimes “security reasons” are used as the justification. On check-points, ambulances experience delays although permits have been obtained for the patients and their companions. To avoid such unpredictable delays, Red Crescent, as one of

²⁵ “House demolitions in East Jerusalem”, Research Report by Dr Meir Margalit, Yet to be published. In: Oxfam 2013

the main providers of medical services and transportation, organizes back-to-back transfer of patients from West Bank to Jerusalem. This process may take up to a minimum of 10 minutes or more in the open air, depending on security checks by the Israeli soldiers. West Bank ID holder medical personnel working in East Jerusalem hospitals (estimated by two thirds of staff in the 6 hospitals) need also permits to work in Jerusalem that have to be renewed every 6 months; approval or refusal are unpredictable. The same report of WHO (2013) lists a summary of the special issues hindering health access for referral cases. Finally the report calls on the humanitarian community to call on Israel to cancel this permit system altogether allowing 24/7 access through Eretz and to Jerusalem.

Primary and secondary education

In the primary and secondary educational system in Palestine, the main education service providers are the PA, UNRWA and the private sector. There are about 700 non-governmental schools in Palestine run by UNRWA and private schools, many of the latter are “church-based”. According to the MoE (2013), there were 1,138,965 students in the academic year 2012-2013, and 36,763 teachers, who are spread in 1,181 schools in both West Bank and Gaza. Although there has been an increase in school construction between 2001-2005: 329 new schools were built (MoE Strategic plan 2014-2019), “overcrowding” is still a major problem in urban schools according to a baseline study done on behalf of the Ministry of Education in 2012²⁶. The same study confirms that “most school buildings are relatively small” while “overcrowding negatively affects the level of education and learning”. In Gaza this is even more so as many schools are still used as shelter post after the destruction of summer 2014. In the National Development Plan, 2014-2016 (MoPAD, 2014), an impressive 45.6% of development expenditure of the Social Development Sector is earmarked for Education, mainly for infrastructure.

Nevertheless, enrollment levels in all stages of the education system are high for both sexes – especially when compared to the region. The net enrollment rate in the basic stage was 99% for both sexes and in secondary schooling 82% for males and a higher 87% for females in 2010 (compared to secondary levels across the region in the same period: in Jordan ; 80% males and 83% females; Lebanon 71% males and 79% females; Egypt 66% males and 64% females) (UNICEF, 2012). Enrollment rates are lowest at the pre-education levels given that pre-school in the oPt is private and generally costly.

Although the curricula inherited from Jordan (West Bank) and Egypt (Gaza) have gone through major reforms between 2000 and 2006, including extending compulsory education from 9 to 10 years, the problem of rote learning still exists in many schools²⁷. As experienced by many, even in the many private schools, there are still concerns about the still conventional education curricula. This applies to government, UNRWA and private schools alike; they lack creative and innovative learning since the curriculum imposed by the PA is still very dependent on memorizing of information without any real interaction by the students (this author). Government school infrastructure is totally basic, lacking computer labs, libraries, extra-curricular activities, while many among them and especially in Gaza are forced to run two school cycles in one day for lack of infrastructure). Both UNRWA and private schools are obliged to follow the same governmental curriculum in addition to their own developed academic programs which may include extra languages or subjects like science and history taught in English. Some private schools have some more students’ oriented activities and more extra-curricular activities. In general, all three school systems are bound by the conventional teaching methods and provide scarce teaching aid.

Where education in Palestine stands out rather positively as compared with other countries in the region, an important exception needs to be made for Area C and East Jerusalem, where there is systematic educational deprivation due to the Israeli Occupation measures²⁸. (

Higher education

²⁶ Baseline Study for the Preparation of the Education Development Strategic Plan 2014-2019 (final draft 2012)

²⁷ See: UNICEF report http://www.unicef.org/opt/palestinian_sitan-final.pdf.

²⁸ For a more detailed description of problems in East Jerusalem see ACRI report at <http://www.acri.org.il/en/wp-content/uploads/2013/09/ei-edu-report-2013.pdf>; for Area C see UNICEF at http://www.unicef.org/media/media_59706.html.

In the domain of higher education, all seven universities are independently functioning as private or NGOs registered under the Ministry of Higher Education which also has responsibility for accreditation. This independence gives Universities the liberty to establish its own programs and cooperation relations. All universities offer B.A. diploma's and many have MA programs in different disciplines. With the exception of the Islamic University in Gaza, universities are secular in their internal and external environment. Rates of enrollment in higher education are also high and outflank those across the region with net enrollment in tertiary education in 2010 among 18-24 year olds, at 26%.; moreover female enrollment in tertiary education over the past decade has been consistently slightly higher than that of males.

Universities are chronically under-funded and there is no systematic government policy on funding. Low tuition fees only cover only 60 to 70% of the costs of education but do make it accessible to the general population. Donor funding to higher education is patchy and intermittent and based on the initiative of particular universities or programs. Arab funding is usually limited to university infrastructure although there are many initiatives to cover tuition costs of students as well.

Since the 70s and 80s, Palestinian universities have always been a hub for provoking dialogues, and protests over national political issues, by the students who represent the different political factions. The overall political and economic conditions in Palestine were strongly expressed by the students who were always at the forefront of demonstrations, political awareness and public protests campaigns.

Culture and performing arts

Another important window of expression which has been present in Palestine for more than 60 years is the cultural sector. After 1967, the main actors in this sector have been independent individuals and NGOs some of which were established over 30 years. The late 70s and 80s witnessed the establishment of many of these organizations which aimed for serving the national struggle through arts and culture. Often active members were arrested by the Israelis, venues like theatres were closed and property confiscated. After Oslo, an increase in number of cultural organizations was recorded. Cultural activists and artists in Palestine have managed finding creative means to combat injustice and occupation and to raise the voice of Palestinians through the world. Although the Ministry of Culture puts forward ambitious strategic plans for the sector, budgets which were allocated for it within the national development 2011-2013 were less than 1%. This has increased to 1% of the total expenditure of social development sector (MoPAD, 2014).

Although there are no accurate statistics on culture and arts organizations, it is estimated that there are 683 operating cultural centers according to the PCBS²⁹. These include performing arts, visual arts, crafts, theatres, museums and sports centers. More attention started to be given to quality and a greater openness to worlds' contemporary cultural forms while safeguarding the Palestinian cultural identity and transmit this Palestinian identity to the world. No direct funding to cultural Palestinian NGOs comes from the MoC, MoE, or any other Ministry. However, many of these Palestinian NGOs have been cooperating and coordinating with ministries at various levels. Like other Palestinian NGOs, the cultural organizations have opted to complement, or fill-in the gap where PA ministries are unable to reach. Although many of the cultural and artistic expressions are found in Ramallah, and Bethlehem, and reflect a middle and higher income segment of the population, many of the performing arts organizations in particular have extensive outreach programs to rural areas and refugee camps in all governorates. Although these Palestinian NGOs are also dependent on external donations, they are using these resources rather efficiently to operate and organize programs that often attract thousands of people with special focus on children and youth. Advocating positive social change, pluralism and democratic ethos through their programs and promotion, many in visual arts, music and dance, have been able to place Palestine on worlds' cultural map and have received international attention from public, media and artists. In spite of very limited external funding they have been able to preserve their identity (this author).

²⁹ PCBS 2013 General statistics for Culture

3.3 Key features of the political and institutional landscape

3.3.1 Representative structures

The Palestinian National Council (PNC)

The main representative bodies at play in political life in the Palestinian Territories reflect the overarching condition of the Palestinian people as a people forcibly divided: some living in the Palestinian Territories (West Bank and Gaza), some in Israel, Jordan, Lebanon and Syria and still others scattered over many other countries in the world. The Palestinian National Council (PNC) is the governing body (parliament) of the Palestinian Liberation Organization (PLO) established in 1964. The PNC represents the Palestinian people in its entirety, irrespective where people - who lived before in so-called historic Palestine - are living today; the PNC hence represents, through the different political factions member of the PLO, also Palestinians living in the Diaspora. It is hence formally the PLO that leads the negotiations with Israel on interim and final status issues. The role of the PNC is actually rather marginalized, as discussed below, but there are increasing calls within the Palestinian community to revive its role, mandate and responsibility as the representative body of all Palestinians (interviews). This call is strengthened in the light of the increasing impasse between the PA in the West Bank and Hamas in Gaza.

The Palestinian Legislative Council (PLC)

The representative body of the people living in the Palestinian Territories is the Palestinian Legislative Council (comparable to a national parliament) that was established in the wake of the Oslo Accords (see section 2.3). The PLC has 132 members and is in principle elected every 4 years by the Palestinian people living within the Palestinian Territories who can vote for political parties, independents or lists of parties with/without independents. The first PLC elections took place on 20 January 1996. The January 2006 elections were six years late and were the second since the establishment of the PA. For these last elections a women's quota was instituted. Some of the parties in the PLC, as Hamas, are not members of the PLO and hence are not represented in the PNC. Hamas won a majority in the elections in 2006. There is no clear date for the next PLC elections to take place.

The PA was established by the PLO as a subsidiary and temporary organization in 1994 as part of the Cairo Agreement and to be replaced by a Palestinian Council, awaiting its elections. As foreseen in the Oslo Accords, after its election this Council would organize the functions to be implemented by the Palestinian Interim Self-Government (see section 2.3.1). Instead the initial PA established in 1994 continued to be and the PLC was elected only in 1996.

In theory, the Prime Minister with his/her Cabinet of Ministers, the Executive Body of the PA, is bound by the PLC for major decision making on policy and strategy for affairs that relate to the Palestinian Territories. In 2005 a separate Prime Minister Office was created.

From an institutional point of view the PA institutions have no electoral legal basis today, as the Presidential term has expired in 2010 or 2011 (the date is contested; Brown, 2008), while also the PLC's term is expired and no new elections have been held since 2006. On this basis decisions of the actual PA institutions could be questioned, apart from the increasing lack of credibility among major parts of the Palestinian population.

Other bodies representing sections of society

- Political movements and factions, such as Fatah, Hamas, PFLP, DFLP, PPP, PDI³⁰. Surveys show that only a minority of Palestinians are member of any political movement/ faction)
- Municipal and village councils (which play an important and practical role given the frozen nature of the PLC)
- Professional unions (doctors, teachers, engineers etc...) have been a civil society backbone
- Student councils

³⁰ PFLP: People's Front for the Liberation of Palestine; DFLP: Democratic Front for the Liberation of Palestine; PPP: Palestine People Party; PDI: Palestine Democratic Initiative

The roles and interest of these different key actors in Palestine will be further discussed in Chapter 4.

3.3.2 Legislation and legal systems

Legislation in the Palestine Territories reflects its colonial history. As mentioned in the World Bank Report (2009) on building a Palestinian State in two years, a fully integrated Palestinian legal system has yet to emerge. Aside from the laws passed since the establishment of the PA in 1994 – which govern both the West Bank and Gaza – historically the two areas have had different laws, each reflecting various periods in history of changing rules. Thus, legal layers established over the years include Ottoman laws; British Mandate laws and emergency regulations; Sharia (for family and personal status law); Jordanian laws in the West Bank and Egyptian administrative orders and court decision influence in Gaza. Previous laws and regulations continue to have force and effect until amended or explicitly repealed by the PA.

All this is furthermore superseded and overridden by Israeli civil and military orders where considered necessary by the Israeli Occupation. As with the limited geography and scope of control it covers, the Palestinian legal system is very circumscribed by Israel macro- and micro-control. In day-to-day life, across the West Bank, the Gaza Strip and East Jerusalem Palestinians are subject to the dual legal systems of Israel and the PA. Israeli law defines who can enter the Palestinian territories and who can stay and reside there – or who can cross between West Bank, Gaza and East Jerusalem, in this way accentuating the fragmentation of the Palestinian Territories. Israeli military law defines which Palestinians can get medical treatment outside their immediate area of residence, may be killed or imprisoned for political (or security offenses). The Palestinian legal system is thus overlain by the much more powerful Israeli legal system that can control the most fundamental aspects of Palestinian's lives. For instance, the PA law cannot decide on basic citizenship; this remains undefined in the PA basic law which is kind of a constitution. PA laws related to citizenship, residency and family reunion are subject to Israeli approval. The PA laws also do not apply in East Jerusalem or Area C (this poses a problem of those wanted for criminal and other activities who simply can escape to Area C, where PA security forces are not allowed to be). In many other areas the PA can legislate, but has no control over territory, resources, borders etc. In practice, most of the PA laws exist only on paper. A simple story to explain – with a PA licensed car, a private citizen can be subject to fees and fines by the PA in area A and B – then drive outside the town limits and be subject to fines and fees by Israeli police in area C. Or, a person married to a Palestinian, who applies for a Palestinian ID Card for family reunion reasons to be able to reside in the Palestinian Territories, will not get this, as this needs to be approved by the Israeli Ministry of Interior.

Some legal system areas are more developed, such as PA laws that revolve around investment and aspects that have to do with the development of the private sector. This is for an important part due to donor insistence and assistance and the PA's own priorities, in view of its striving to a viable economic state. Another important area of PA law is around civil law issues, but family law for both Muslims and Christians (heritage, marriage, etc) is under ecclesiastical courts similar as in the rest of the Middle East. There have been a number of positive reforms to Muslim family law (with much lobbying by women's movement) but these laws are still very gender biased. In addition at various times the PA has instituted "emergency" (or revolutionary law), particularly to enable punishment of collaborators with Israel.

3.3.3 Public Finance Management

In 2013, an assessment of the PA Public Finance Management systems was conducted by a group of major donors led by the World Bank and with participation of the EU, UNDP and ADETEF/France in collaboration with the PA Ministry of Finance (World Bank 2013). The assessment referred, in part, to an earlier review undertaken in 2007. According to this assessment report the PA has faced significant challenges in pursuing improvements to PFM. Following the 2006 election and the separation between the West Bank and Gaza, a fiscal crisis ensued and several PFM procedures and practices stopped operating. PFM reforms recommenced with the formation of a Caretaker Government in 2007. However, significant progress was achieved by the PA in indicators related to comprehensiveness and transparency, control and audit, and some indicators related to accounting and reporting (World Bank, 2013). According to the report systemic weaknesses in budget

preparation, budget execution, and accounting/reporting were also revealed, such as issues related to budget credibility and predictability, policy-based and multiyear budgeting. On the other hand, there is higher comprehensiveness and transparency of the budget, while tax administration and procurement procedures have improved. Recording of debt and consolidation of cash balances shows a mixed, but overall positive evolution. The internal control and audit systems have been developed significantly within a short period of time, but have not been able to curb the recent disruptions in budget execution. The prospect of continued fiscal stress affecting the PFM reform agenda is still high. The PFM reforms achieved so far have the potential to generate further noticeable progress if addressed in a less fragmented way. A renovated PFM reform approach could leverage the strengths of the current PFM system (World Bank, 2013). Where corruption in the PA institutions was a significant issue during the Arafat period, a major commitment was made in the Abu Mazen and Fayyad era to overhaul the PA finances and make them more transparent).

However, PFM reforms are and have been largely undermined in the absence of a functioning PLC, and consequent lack of accountability, that could have provided (or not) their political endorsement (interviews). The consolidation of power within the executive branch, mainly the Office of the President, has had further negative effects on the governance and accountability of the PFM system. There is indeed growing public dissent to the PA's fiscal and other economic policies. Moreover, several of the good practices introduced at the height of PFMR (such as the publication of monthly expenditure accounts, and budget reports) have stopped (interviews).

3.3.4 Human Rights

Violations of human rights in the Palestinian Territory occur on a daily basis. Systematic violations of human rights perpetrated by the Israeli military occupation include the many already touched on above that characterize and arise from Israel's policies of containment and range from illegal confiscations of property, demolition orders, destruction of olive orchards, arbitrary imprisonment (also of children), detainment of political prisoners without any due process, abject prison conditions, political assassinations, unrestricted settler violence, and restrictions on basic rights to freedom of expression, education, health, mobility, etc.³¹ At the most fundamental level, the absence of a durable solution for Palestinian refugees since 1948 and the Israeli military occupation of the West Bank and Gaza Strip since 1967 have produced a prolonged crisis of acute proportions and pose ongoing and significant challenges to protecting and promoting the rights of Palestinians in accordance with international law.

Particularly over the past two decades, the Palestinian Territories, and especially the Gaza Strip, have experienced a steadily deteriorating humanitarian situation and the severe erosion of livelihood and survival strategies at both household and community levels. Israel's policy of maintaining Gaza just above the level of major crisis through the ongoing blockade has deliberately kept 1.79 million people continuously on the brink of a massive humanitarian crisis.³² The sustained and protracted crisis has been interspersed with severe peaks in emergency conditions, chiefly as a result of the periodic and repeated large-scale Israeli military operations and the ensuing, extensive damage to basic infrastructure, housing, and the delivery of essential services as well as the killing of thousands of Palestinian civilians and injuring of tens of thousands more. In this context, dependence on assistance such as food aid and cash-for-work has risen dramatically, as noted elsewhere in this report.

According to the Fourth Geneva Convention, Israel as the occupying power, has the duty to ensure to the fullest extent possible the provision of basic necessities including food, medical supplies, and other articles; the maintenance of public health and hygiene; and, if and when the protected population is not adequately supplied, the facilitation of relief. Israel also has obligations under international refugee law because of its responsibility for the Palestinian refugees (Badil, 2009). Moreover, within the context of the long-term duration of the occupation, Israel has obligations to

³¹ Numerous Israeli and Palestinian Human Rights organizations have issued reports on these daily violations of human rights of all kinds. See, for example, reports by the Palestinian Center for Human Rights, Al-Mezan and Al-Haq. The report of Human Rights Watch (2014) provides a very recent update.

³² See, for example: Oxfam International, 27 Aug 2014; OCHA, Aug 2010; Amnesty International, "Israel Gaza Blockade Must Be Lifted," 17 June 2010, AI Index: PRE01/202/2010. <http://www.amnesty.org/en/for-media/press-releases/israel-gaza-blockade-must-be-completely-lifted-2010-06-17>

the occupied population under international human rights law. To protect the civilian population, the Geneva Conventions also establish the principles of proportionate and discriminate use of force in armed conflict by all parties.³³

Since the Oslo Accords, and in the absence of adequate action by Israel to meet its obligations, international donors and agencies have stepped in to meet these responsibilities; multilateral and bilateral donors and NGOs are providing large scale assistance to Palestinians in the Palestinian Territories. These actions relieve the Israeli national budget and arguably go some way to mitigate the most urgent and severe effects of the humanitarian crisis. However, the provision of humanitarian assistance by international agencies is at best a temporary measure intended to alleviate immediate suffering; it neither substitutes for a comprehensive political solution, nor relieves the occupying power from its responsibilities toward the occupied population. Moreover, as noted above, the ability of humanitarian agencies to work continues to be hindered by Israeli-imposed restrictions on access and movement. Furthermore, large scale investments in infrastructure development and rehabilitation have been lost as a result of repeated Israeli military operations and intentional demolitions.

As observed in one interview for this context study the situation in Palestine can be summarily described as one of:

- (i) “the dehumanizing prison of Gaza created by a strategic and institutionalized blockade in place since now 7 years;
- (ii) the unprecedented ethnic cleansing and Judaisation of Jerusalem; and
- (iii) the creation of a new brand of Apartheid in the West Bank”.

Important questions are raised to what extent and for how long this absence of respect for the Rule of Law by Israel can endure; or in other words for how long Israel is allowed to act, as if placed above the law, with the impunity provided by the USA and the EU countries (almost all interviews). It is important to note that the Oslo Accords do not make mention of Rule of Law, Human Rights and other essential human values. It is also observed in interviews that the countries for which Rule of Law and Human Rights are cornerstones of their democratic and liberal statues provide Israel the impunity to violate the Rule of Law and Human Rights of the Palestinians. A critical question is raised in interviews to what extent and for how long the governments of western democracies are willing to hold to account Israel for these violations. It is seen by countries in other regions of the world as a moral test case for the “West” of being consequent with its own values.

Internally, rights violations have been aggravated by the Fatah-Hamas divide. Both parties employ intimidation, detention and torture in the internal Palestinian conflict. Both the West Bank and Gaza Strip have also witnessed a narrowing of space for political participation and the exercise of civil rights as authorities in both areas attempt to control and limit activities of, civil society organizations, the press and voices of opposition more generally.³⁴

3.3.5 Security

Security in daily life

In the general discourse around the Israel-Palestine conflict the term “security” is used in the sense of “security of Israel”; NOT security for Palestinians” (interviews). In effect agreements, accords, political statements of the PA, Israel and the international community and different related measures only refer to the security of Israel. However, life of Palestinians in the Palestinian Territories is becoming increasingly insecure due to the impunity of Israel for the illegal displacement of civilians in Jerusalem and elsewhere, the illegal confiscation of land, the terror actions of the more aggressive part of the settlers living in well protected colonies amidst Palestinians, the impunity of the military in violent repression of peaceful demonstrations, etc., without mentioning a permanent sense of insecurity in daily life of the Palestinian population in the West Bank. Of course this insecurity is brought to unacceptable levels in the Gaza Strip, where

³³ For a basic overview of Israel’s obligations under international law, see, for example: European Coordination of Committees and Associations for Palestine, 29 Jan 2014, <http://www.eccpalestine.org/israels-obligations-as-an-occupying-power-under-international-law-its-violations-and-implications-for-eu-policy/>.

³⁴ See various reports by Palestinian human rights organizations including the Palestinian Independent Commission for Human Rights, the Palestinian Human Rights Center, Al-Mizan, and Al-Haq.

people from one day to another are exposed to military aggression in “normal times” (assassinations, incursions, inaccessibility of the area along the border with risk of being killed) and have no protection whatsoever in times of the now three wars launched on a civil population in less than 10 years. The general discourse outside Palestine is that Israeli action is in retaliation of terrorist acts of the military factions in the Gaza Strip. However, in most of the cases close observers agree that if there is a military resistance action undertaken by Gaza factions, this has in many cases been provoked by an Israeli military action; the latter being subsequently ignored in the media discourse (this author).

Notwithstanding the Israeli occupation and the violations and security issues described above, daily life in the Palestinian cities and rural villages is relatively safe from ordinary crime (in fact life from that point of view is much safer than in many other countries in the world). However, according to data of 2013, incidents of ordinary criminality as robbery, burglary, or violent aggression within the Palestinian community criminality is actually at the increase (Ma’an News Agency, 2014). Nevertheless, Israel’s military and security apparatus remains the biggest threat to the 4.5 million Palestinians living under Israel’s 47-year occupation in the West Bank, Gaza and East Jerusalem, and for instance have arrested a cumulative total of about 800,000 Palestinians since the 1967 war (Amrov and Tartir, 2014).

Palestinian security services

Israeli/Palestinian security cooperation was a foundation stone of the Oslo Accords. Israel allowed the formation of the PA security forces that would essentially work to put down ‘violence’ to Israel; the international donors were to pay and train. Thus the creation of the PA security forces was always linked to the security needs of Israel rather than the Palestinians (Beilin, 2004). It is claimed also that Israel imposed 700 Palestinian collaborators to be inserted in the PA security forces (Raialyoum Electronic Magazine, 2014). The Palestinian Security forces were to be understood by the Palestinian population to exist for its defense. During the second intifada some Palestinian security forces (in 2002) confronted the Israeli Army using their light weapons and Israel responded by largely destroying the Palestinian Authority’s security infrastructure. Under the 2003 road map, however, the Palestinian Authority agreed to make “visible efforts” to arrest individuals and groups “conducting and planning violent attacks on Israelis anywhere.” Since then, Palestinian Authority security forces have responded to Israeli and international donor demands for what was termed security sector reform, led by the Office of the United States Security Coordinator. The World Bank 2009 Report (A Palestinian State in two years) states that since the beginning of 2009 the security conditions in the West Bank have improved importantly, reflecting the redeployment of PA forces in major West Bank cities. This has helped reduce crime and inspired greater public confidence in the PA and its ability to create an investment climate conducive to private investment. Where this statement is contested by general public opinion³⁵, the strengthening of Palestinian security forces has also led them to act in increasingly repressive ways toward the population at large (Amrov and Tartir, 2014).

The Palestinian security apparatus is now more and more perceived by the people in Palestine to first of all ensure Israeli security. Much of this is done in collaboration with Israel. These policies backfire. Palestinian forces lose the trust of local communities when they are seen as enforcing the illegal occupation and the losses of land and rights that go along with it. A poll of Palestinian residents of the West Bank and the Gaza Strip by the Doha-based Arab Centre for Research and Policy Studies earlier this year showed that 80 % of respondents opposed continued security coordination with Israel (Amrov and Tartir, 2014). The poll seems to confirm what was predicted in 2009 by an unnamed senior US officer who states that until the Israelis change their thinking, “Israel will continue to undermine the credibility of the more professional Palestinian security forces we’re trying to create, by making it seem that they are only doing the bidding of Israel and the settlers” (Kitfield 2009; cited in World Bank, 2009). The job of the PA security forces in the West Bank of arresting people from other factions (notably of Hamas) undertaking armed attacks on Israeli targets

³⁵ Crime and lawlessness was dramatically reduced from where it stood at the height of the chaos produced by Israeli destruction of PA institutions during the Second Intifada, and more specifically during the sustained and systemic destruction of PA institutions and facilities in 2002 (interviews).

(acts perceived by the population as national resistance to the occupation) leads to them being perceived by the population as Israel's policeman. International donors should be concerned about the violations of rights and the political fallout since they for a large part pay the bill (in 2013 alone, \$70 million of USA funding and a good part of \$406 million in EU economic aid and support for security forces). The PA's security service makes up the government's largest department, at about 45 percent of its work force, and consumes 27 % of the annual budget. More worrying still, security officials are being suggested to head municipalities and governorates (Amrov and Tartir, 2014). As it works out today it seems that support to the PA security services perpetuates the Israeli occupation, fails to meet the needs of Palestinian civilians and violates the very human rights norm they claim to uphold. Palestinians under Israeli occupation need a police force to maintain internal law and order, but one that is accountable to the people themselves, not to Israel or the donor community (Amrov and Tartir, 2014). The general public view on the security forces contrasts however with the view on the civil police, who are looked upon more positively by the population but are extremely underfunded in comparison (this author and interviews).

3.4 Costs of the Israeli occupation

The cost of the Israeli Occupation of the Palestinian Territories for both Palestine and Israel is almost beyond measuring, and even if it would be it will be impossible to measure the cost of destroyed life, of the destroyed social fabric, of broken family relations, of loss of identity and citizenship. This context study has no mandate and scope to even approach a measure of the overall cost to society of the destruction caused. It would be however important to engage in an overall economic assessment of cost imposed of almost 50 years of occupation both on Israeli and Palestinian society, at least for reasons of third party accountability of the external funding spent on this conflict. The following can only give some of an illustration of what these cost would encompass.

3.4.1 Immeasurable cost of destruction of social fabric

The combined costs to the Palestinian society and its economy resulting from the containment and "matrix of control" measures imposed by the Israeli Government on the Palestinian Territories, its people living here and on the Palestinian people living in the Diaspora are enormous. The cost of lost opportunities in both social and economic terms of people still living in the refugee camps across the region is high. Restricting such a cost assessment to the Palestinian Territories only would already be a challenge to do. Every aspect of Palestinian life is affected on a daily as well as long-term cumulative basis: from access to livelihoods (whether agricultural lands, trade and commercial activity or places of employment) and basic services including education, health and water supplies, to family and social networks, to cultural activity and places of worship. Collectively, the Palestinian community has suffered social and political as well as from geographic fragmentation and increased isolation from the rest of the world. To note only one of the many facets of how this is negatively impacting the social fabric of the Palestinian community is that Palestinian families separated by many of the restrictive measures mentioned earlier require approval by the Gol to be together. Family reunification applications have only been processed since 2000 on an ad-hoc 'political gesture' basis. A family reunification request can take over 10 years to process and a Palestinian who marries a non-resident this month will only be able to live with his/her spouse in the Palestinian territories in a decade, if then (Carmi et al, 1999). A 2005 survey estimated that more than 640,000 Palestinian residents of Gaza and the West Bank are affected as they have a parent, sibling, child, or spouse who is unregistered on the Israeli population registry (Human Right Watch, February 2012). As mentioned in Box 3, over 55,000 Palestinian residents of East Jerusalem are separated from the city centre and cut off from the rest of the Palestinian Territories (OCHA, 2012; in Oxfam 2013). The direct and indirect costs, at the individual, family and community level, associated with the physical separation of families, like the cost of lives lost, of long-term imprisonment and torture of political detainees, of lost livelihoods, of all the extra time needed to go to work or to visit relatives and the many other aspects of the occupation described above, are immeasurable.

3.4.2 Measurable costs of missed development opportunities

An in-depth economic assessment of cost related to lost economic opportunities of destroyed assets of the physical constraints imposed on economic life (which is beyond the scope of this study) would

reveal the enormity of the opportunity cost of funding spent on a political agenda that still has not delivered a two-state solution for the Palestinian and Israeli people.

The social and economic cost inflicted by the Separation Wall, other physical barriers to freedom of movement, the permit systems, a highly restrictive planning system which together work to control every aspect of Palestinian life, on the one hand, and Israeli settlement activities on the other, are enormous. Across the board, economists and development experts agree that such costs are untenable and that sustainable economic development for the Palestinian Territories is not possible under the current regime. Whether examining development in the agricultural, construction, information and technology, resource extraction, industry and manufacturing, trade or energy sectors or the development of basic infrastructure and energy supplies needed to support them, studies examining prospects for Palestinian economic development consistently cite the Israeli occupation and its restrictive policies as the critical obstacle to substantive progress toward a viable and sustainable Palestinian economy. The impossibility to develop these sectors carries a high opportunity cost and forms an important barrier to human development in the Palestinian Territories. As an illustration, a number of examples of such opportunity costs are given in the three boxes below for Area C, the Gaza Strip and the Palestinian economy more in general.

Box 4: Cost of lost economic development opportunities in Area C

It is this area (> 60% of the West Bank) that is under complete Israeli military and civil control, with a complete ban on any construction from water wells to more substantial buildings. Given the relatively rich endowment of natural resources in Area C and the fact that it is geographically contiguous (unlike the fragmented enclaves of Areas A and B), restrictions on access to this 61% of the West Bank come at an enormous cost to Palestinian development. A 2014 study by the World Bank projects the total potential value added from a lifting of Israel's restrictions on Palestinian access to, and activity and production in Area C would amount to some US\$ 3.4 billion (35% of Palestinian GDP in 2011 (Niksic, Nasser Eddin and Cali, 2014: 5). In addition to examining the direct costs of restrictions based on potential development of seven sectors which the report argues would generate at least US\$ 2.2 billion yearly in value-added terms, the study estimates indirect costs:

"The quality and cost of infrastructure are impacted considerably by the restrictions present in Area C. All Palestinian industries are to some extent dependent on the quality of transportation, electricity, water, and telecommunications infrastructure. Transportation infrastructure is particularly problematic as Palestinian use of roads in Area C is highly restricted, and travel times can be inordinate; the Palestinian Authority has also been unable to develop roads, airports, or railways in or through Area C. Restrictions in Area C have impeded the development of "soft" institutional infrastructure such as banking services, which are hamstrung by the inability to open and service branches, and the inability in practice to use land in Area C as collateral. Insecurity and the difficulty of policing Area C also deter investors. These impediments create significant uncertainty and reduce the expected returns on potential investments (Niksic, Nasser Eddin and Cali, 2014: 5)".

The report further argues that even with no improvements in tax collection efficiency, "tapping this potential output could dramatically improve the PA's fiscal position" by some US\$ 800 million, potentially cutting the fiscal deficit by half and reducing dependence on donor support for recurrent budget costs and thus significantly boost investor confidence (Niksic, Nasser Eddin and Cali, 2014: 5). The report concludes that the "impact on Palestinian livelihoods would be impressive," with a 35% increase in employment contributing to a significant reduction in poverty rates (Niksic, Nasser Eddin and Cali, 2014: 6). Such developments would, however, require a lifting of Israeli restrictions on Palestinian movement in Area C and access to resources there, particularly land, including the Dead Sea, water supplies, and minerals and stone, as well as full access to 2G and 3G frequencies. Moreover, exploratory surveys have demonstrated that there are oil reserves in the Ramallah Governorate. How this will further complicate all the issues discussed in this paper is still unknown (interviews).

Box 5: Cost related to the Blockade of the Gaza Strip

The most blatant and destructive instrument of the closure regime, the blockade has continued despite devastating humanitarian consequences and widespread international condemnation. The now seven-year-old blockade had crippled economic activity and sent poverty rates soaring. The blockade has been particularly devastating, given the preceding decade of consolidated movement and access restrictions which have served as de facto sanctions on economic activity across the Palestinian Territories since at least 2000. Unemployment rates at 10% in the early 1990s now stand at over 32%, with youth unemployment rates standing at nearly 50% and prospects for work severely curtailed by movement restrictions (Oxfam 2013). The Israeli military's expansion of the Buffer Zone (the No-GO and High Risk Access Restricted Areas), in the Gaza Strip since late 2008 has further exacerbated the economic crisis in Gaza, directly affecting the livelihood of an estimated 12 % of the Gaza population (178,000 people) (OCHA and WHO, 2010: 1). Thirty-five percent of Gaza's agricultural land cannot be accessed safely and is largely uncultivated, at an opportunity cost of an estimated \$50.2 million

annually for the impossibility to raise fruit trees and other valuable crops, as a result of Israel's regular use of live fire to control these access restricted areas inside Gaza and around the perimeter of Israel (OCHA and WHO, 2010; OCHA, Jul 2013).³⁶ The Gaza fishing industry, once a primary industry for the Strip, has been decimated by Israeli restrictions on fishing zones. In the fishing sector, the potential fishing catch lost as a result of access restrictions is estimated at approximately 7,000 metric tons, with a related income loss of some USD 26.5 million over a period of five years. (OCHA and WFP, Aug 2010: 5-6). It has brought the number of fishers receiving international aid at 95% in 2013 (OCHA, Jul 2013).

Gas reserves found off-shore within Palestinian International waters (interviews) risk to further complicate the final status negotiations. In addition, destroying the maintenance and upgrading of waste water and electricity infrastructure combined with continued access restrictions have negatively undermined service provision (including water and sanitation, health and education) to the Gaza population as a whole.³⁷

The effects of the blockade were seriously aggravated in July 2013, when the new Egyptian military regime closed the Rafah exit almost completely and destroyed more than 80% of the tunnels between Gaza and Egypt. Civilians entering Egypt by the Rafah crossing fell from a 20,000 average/month earlier in 2013 to 6,281 in July 2013 (Gisha as qtd in Human Right Watch, 2014).

Where these costs are most direct for the Palestine economy, more indirectly they translate to all other sectors. The poor performance of the economy is one of the main causes for high unemployment levels. The PA increasing employment to levels not seen in other countries in the public sector presents another important opportunity cost, as it is at the expense of labor needed for economic development, for quality contributions to the health and education sectors, and of investments in infrastructure, necessary for economic development (the cost of maintaining high levels of employment by the PA limit the possibilities of highly needed investments in productive and critical service sectors). The high cost necessary for maintaining the security sector (on the demand of Israel) present another important economic opportunity cost. In short the overall cost of the Israeli "matrix of control" on Palestine and the pursuance of a two-state solution political agenda is extremely high for Palestine. If not addressed this bears the risk of resulting in the shorter or longer term to political situations with increasing violence from both sides, a further discrediting of the authority of the PA, and the possibility of a fair and reasonable political settlement getting completely out of sight.

Box 6. Some cost indicators for the economy in general

A number of economic studies have attempted to put a price tag on the costs of the post-Oslo regime. One UNCTAD study estimates that if productivity in the Palestinian Territories had continued to increase at pre-Oslo levels, real GNP per capita would have been 88% higher by 2011 (UNCTAD 2011). Losses resulting from fiscal leakage on direct and indirect imports administered by Israel and customs duties evasion facilitated by the Paris Protocol, are conservatively estimated at \$306 million annually – the equivalent of 3.6% of the GDP and 17% of yearly tax revenues collected by the PA (Elkhafif, Misyef and Elagraa, 2014: 37). Several in-depth studies have calculated the costs incurred to geographic areas and sector-specific activities -- the costs in blocked economic potentials of the Gaza Strip, Area C and East Jerusalem are particularly striking as is illustrated in Boxes above.

³⁶ Estimate prior to November 2012.

³⁷ For details see OCHA and WFP, Aug 2010.

Chapter 4. Political economy of the Palestinian Territories – Key actors (2004-2014)

4.1 Roles and interests of key political institutions in Palestine³⁸

4.1.1 Traditional and new power structures

Traditionally, it was the large land-owning families in both the agricultural West Bank and Gaza and urban elites that wielded political and economic power, in part providing the middle and upper class bourgeoisie of teachers, doctors, lawyers, and university staff. Under the Israeli occupation, in Gaza these families retained that power, although becoming under tight military control. By contrast, in the West Bank, these families had to share that power with a new group of urban merchants and traders. In both cases, however, with the Israeli confiscation of land and the increasing dependency on the Israeli economy, the traditional land/labor patronage networks lost in significance to a new private business elite and middle class. This business class however was kept highly dependent on Israeli sub-contracting and restrictive Israeli policies (Khan, 2004; Hanafi, 2004; Bouillon, 2004). It was made impossible by the military occupation regime for Palestinian business to obtain the many approvals, without stating that they would not compete with Israeli business interests (Bouillon, 2004).

In parallel to these shifts and partly overlapping, two political-economic competing forces developed: the political elite of the PLO that later formed the PA, on one hand, and, on the other hand, the local elites who emerged among business and civil society leaders before and during the First Intifada and who effectively led the national resistance movement at the end of the 80s. After Oslo, and with the return to Palestine of the dominantly Tunisian based PLO leadership in exile, new power shifts dramatically changed the picture towards the political-economic elite of ‘returnees’ around the PA, in a fusion with local and Diaspora big business families (Bouillon, 2004) and a weakening of the local private business and civil society elite as discussed in section 4.2.

Where these different poles of influence and power still exist under the dominance of the PA centered political-economic business elites, from the end of the 90s onwards a new power centre came to the fore front in the form of Hamas, with both a clear nationalist resistance agenda and a religious agenda. Since 2006, it is largely these two “elites”, the PA/Business elite and Hamas who determine the struggle for political, economic and social power in Palestinian society; as further discussed below, both outplayed by successive Israeli political leaderships. At the same time, another competing power circle came into being in the presence of the professional and well-organized Palestinian NGOs, as mentioned in section 4.3, dominating the social and economic local development sector well-funded by the donor community and competing with the weakened local small business sector (this author).

Other influencing processes, networks and informal relationships are very limited, apart from the traditional and local spheres of power mentioned earlier. The majority of such informal influencing processes are dominated by informal and formal links with the PA and its top echelon; exception to be made for relationships of Palestinian and international NGO leaderships and the donor community, in which the PA seems to exercise less influence.

All these Palestinian key players, however, evolve within the confines of the containment policies and ‘matrix of control’ engineered by the Israeli political and business elites, as has been discussed in chapter 3. Where Israeli policies and politics have been critical to shape the state of de-development in the Palestinian Territories, this could not have been possible without the explicit or implicit

³⁸ It is acknowledged by this author that in the short time and text space given for this context study it is almost impossible to analyze and describe the subjects dealt with in a way that exhausts in more detail the wide literature available on the Palestinian Territories and the conflict with Israel. This is especially true for this Chapter 4 and notably for this section 4.1. Statements in this chapter, where substantiated as much as possible by research from others, therefore do not always avoid to carry a personal opinion of the author based on his experience of over 12 years of personal and professional life in the Palestinian Territories and his interaction with many who are living and working here.

support of the international community. As a result of such external interference the small PA/Business elite has been strengthened, democracy is frozen (since 2006), the split between Hamas and Fatah has been deepened, the fragmentation of Post-Oslo Palestine in Gaza, East Jerusalem and West Bank has become a fact on the ground while the option of a two state solution and an independent Palestinian State on the basis of the Oslo Accords has got out of reach almost beyond a point of no-return. The role of Israel and the international community in getting to this situation will be further discussed in section 4.4.

4.1.2 The Palestinian Liberation Organization (PLO)

The PLO was established in 1964 and is the sole legitimate representative of the Palestinian people. It is the leading Palestinian organization representing and advocating Palestinian interests. As mentioned in section 3.3.1, the PLO is governed by the Palestinian National Council (PNC) representing the Palestinian people in and outside the Palestinian territories, through the representation of most of the different political Palestinian factions.³⁹ The PLO has an executive committee that runs its current affairs. The PLO has had a predominant role in getting the Palestinian interests recognized and until Oslo was the dominant banner under which all Palestinians in the Diaspora, in Israel and the Palestinian Territories rallied, and especially so after the 1967 war (see section 2.2.2).

However, the Fatah leadership of the PLO in exile in Tunis since 1982, after the debacle in Lebanon, feared losing influence (also because decreasing support from Arab countries, and especially so after the Kuwait war in 1991 where the PLO sided with Iraq), while a grass-root based resistance leadership developed especially in the West Bank and the Gaza Strip that became organized and known as the Unified National Leadership, supported by the PLO and the different PLO factions. The grass-root resistance in the Territories became stronger and developed towards the outbreak of the First Intifada that lasted from 1987 to 1993. In a way the Intifada triggered a process that led to the Madrid Peace Talks where the PLO was excluded by Israel (see section 2.2.3). In short the PLO leadership in Tunis needed a political comeback.

In parallel of the initially promising Madrid Talks (see section 2.2.3), Israel engaged directly with the top PLO echelon in Tunis in the secret negotiations that led to the Oslo Accords (see section 2.3.1) and the return of the PLO leadership in exile to the Palestinian Territories.

After the Oslo Accords, the PLO lost much of its influence in the wake of the formation of the Palestinian (National) Authority (PNA or more commonly called PA) (see section below). The PA was established in 1994 by the PLO as a subsidiary organization to govern (only) the Palestinian Territories. Quite quickly after that the PA became the centre of decision-making, dominated by personalities in the political factions who are based in the Palestinian Territories. As a result many of the influential leaders of the political factions, member of the PLO, living abroad as not being allowed by Israel to enter the Territories, became marginalized. In consequence about half of the Palestinian population living in the Diaspora became increasingly excluded from the political processes within the Palestinian Territories and the negotiations with Israel. This marginalization process has been further enhanced by Israel and most of the International Community, essentially communicating with the PA leadership. Moreover, as mentioned, Hamas as an important Palestinian faction is not represented in the PLO but participates in the elections of the PLC/PA. Moreover, there is an important confusion on leadership roles, with inherent conflicts of interests, where the PLO's very small leadership first around Arafat and now around Abu Mazen, is often confounded with the leadership of the PA and Fatah. In fact Abu Mazen is Chairman of the PLO, President of the PA as well as General Commander of Fatah. While the PLO is the formal (de jure) vehicle for negotiations with Israel on the implementation of the interim agreements and the possibilities of a final status that includes the interests of the Palestinian refugees and Diaspora, it is de facto the PA that takes the important decisions, in most cases without consultation of even the PLC, let alone the PNC, the representative body of the PLO.

³⁹ Hamas is however not a member of the PLO

It serves Israel and the countries that support Israel to emphasize the role of the PA as this restricts “the Palestinian people” to those living in Gaza and the West Bank. Emphasizing that negotiations are done with the PA is the PLO to come to solutions of the Israeli-Palestinian conflict affords not to consider more than half of the Palestinian people living elsewhere (6 million). The usurpation of PLO decision-making powers by the PA after Oslo, and increasingly so after the schism between Fatah and Hamas in 2007, was helped by Israel and has helped Israel to reduce the terms of the conflict to one of the “management” of the actual Palestinian Territories. While the return of the refugees is still a point for the final status negotiations the reality of time is playing in the hands of Israel (this author).

4.1.3 The Palestinian Authority (PA)

As mentioned above, the PA came into being as a result of the Oslo Accords with Israel (Cairo Agreement 1994). It consists of a Presidency, a Cabinet of Ministers under the guidance of a Prime Minister, the different Ministries and related Departments, the Palestinian Legislative Council (PLC), and the Palestinian Judiciary.

In the years after Oslo, before and after the Second Intifada that erupted in 2000, the PA leadership, dominantly Fatah affiliated, has been navigating between a continued occupation and the building of statehood within extremely narrow boundaries, imposed by Israel’s occupation and associated policies discussed above. With the non-materialization of a final status agreement in 1999, the lack of transparency and consultation concerning economic and political decision-making, the increasing deterioration of the socio-economic situation especially since the Second Intifada, its key role in a number of critical economic sectors, and on-going, never-ending peace negotiations, the PA has come under increasing criticism, to the point of losing much of its earlier credibility (Bouillon, 2004; Khan, 2004; different interviews).

A distinction needs to be made between the PA political leadership and the rank and file in Fatah and the PA departments, with many who are frustrated by the Oslo Accords and what has (not) evolved over the 20 years since (this author). Nevertheless the approximately 180,000 employees in PA institutions with their families (UNCTAD, 2009, in Passia, 2009; OQR, 2014; Hanafi and Tabar, 2004)⁴⁰ form almost one-third of the population in the West Bank, dependent on PA salaries entirely funded by western donor contributions. Some authors claim this has created a situation of patronage and dependency, the PA being the biggest employer in the country (Hanafi and Tabar, 2004).

The below mentioned dis-functionality of the PLC, with legislation not being able to be passed, strengthened the PA leadership and notably consolidated Presidential power. The PA President is basically governing by decree, as mentioned before with very limited consultation with society through or besides a PLC (interviews). The legitimacy of the actual Presidency is contested, as the sitting president is elected in 2006 for a term only of 4 years; others observe that this is contested and that his term would start only in 2007 (Brown, 2008). But even then that term has come to an end in 2011. Since then neither Presidential nor Parliamentary elections have taken place.

Much criticism has also been voiced over the too tight connections between PA senior leadership and the few big business enterprises, especially in view of the creation of damaging rents⁴¹ (such as monopoly profits for few privileged individuals) (Bouillon, 2004; Khan 2004; Hanafi, 2004). Nevertheless, important steps were taken by the Fayyad Administration to curtail such connections, it has also been mentioned that many of the investments made with big enterprises were necessary to maintain the rates of investment in a conflict zone with high uncertainties for return on such investments (Hilal and Khan, 2004; interviews). The PA leadership, highly constrained by the Israeli policy of economic containment, in that sense would have managed these investments quite well (Khan, 2004; Hilal and Khan, 2004). The same would apply to the management of other redistributive rent transfers, necessary to maintain political stability, especially by creating jobs in

⁴⁰ 160,000 PA employees in the West Bank and 42,000 on the PA payroll in Gaza; this was 20,000 at the eve of Oslo and 120,000 in 1999 (Turner, 2014).

⁴¹ ‘Rent’ is a term used by economists for incomes that are higher than those possible in a competitive market; they refer mostly to politically generated incomes such as monopoly profits and transfers of types, where political power is used to create privileged income for some (Khan, 2004).

the public sector and the security apparatus (Khan, 2004; Hilal and Khan 2004). However, many of the big business leaders are often found as Minister in the successive cabinets of the PA, posing important questions of conflicts of interest and transparency. Where it can be argued that most of the above described situation is for its biggest part due to the economically highly destructive measures taken by the Israeli Occupation in its “matrix of control” over the Palestinian Territories as described in Chapter 3, supported by the international community, one could also argue that much of the above (lack of transparency, non-consultative processes, self-interested links between high PA officials and the big business sector) was not entirely necessary and could have been managed differently, even under the restrictions imposed by Israel (this author).

The increasing loss of credibility of the PA and the separate authority in Gaza, are bringing back calls to restore the authority of the PNC (interviews). In fact, many factual members of the PLC, many being also member of the PNC, indicate that they are not consulted at all on major decisions taken by the PA leadership (such as recent decisions to apply as an observer state in the UN General Assembly, decision to submit the recent (December 2014) resolution in the UN Security Council, decisions to wait with joining the ICC) (interviews).

4.1.4 The Palestinian Legislative Council (PLC)

Since the last parliamentary elections in 2006, won by Hamas, the rather free and open democratic processes prevalent in the Palestinian territories (although local elections did not take place between 2000 and 2005), were truncated on one hand by the financial and political boycott of the elected Palestinian government by Israel, the US and the EU (and most of its member states, including The Netherlands), and on the other hand by the reluctance of Fatah to yield its power over the country to Hamas. The strong interference of notably democratic countries, not accepting the outcomes of free and democratic elections in 2006, has resulted in a stalemate, with Hamas having an absolute majority in the PLC and the PA leadership being in the hands of Fatah. Efforts were made to come to a National Unity Government, as was proposed in an early stage by Hamas and agreed to by Fatah. However, the formation of such a Unity Government was systematically undermined and still is not supported by the USA, the EU and Israel while threatening to impose important financial sanctions. The western countries (US and EU) do not seem to be willing to contradict the position of Israel, while using the argument that it could not support a PA that counts a “terrorist” organization, as Hamas is labeled⁴², in its ranks, and hence invite a Trojan horse into the PA (interviews).

The stalemate has led to a dangerous split between the two leading parties and the actual inter-Palestinian schism that strongly undermines Palestinian ambitions for a free, democratic and independent state. The international community and specifically the western democracies have a heavy responsibility in this situation that is cultivated by and in the interest of Israel according to the old adagio of “divide and rule”, as discussed in section 4.4.

As a result the PLC is not functional now since 2007 and cannot pass legislation. Apart from the stalemate/schism between Fatah and Hamas this is due to a complex set of factors, including legal processes and the refusal of the PA to permit the PLC to convene, lack of political will, the coercion of the executive branches of non-Hamas PLC members and the fact that many of the PLC members elected in 2006 are imprisoned by Israel because of their affiliation with Hamas (interviews).

4.1.5 Political parties

Fatah

Fatah was and still is the major political movement in Palestine. It took leadership of the PLO in 1969 and is the dominating political faction in the PA. Most of the PA leadership are members of Fatah or affiliated to Fatah. Fatah’s real voting constituency may be roughly estimated at 25 % of the population (in both West Bank and Gaza) (this author). There is, however, growing discontent within Fatah rank and file with the course of political actions steered by its leadership as described above. As was demonstrated with the elections of 2006 this growing discontent translated in a large defeat of Fatah, reflecting a protest vote against the Fatah and PA and its failure to make any progress in

⁴² See observations on this labeling in the next section on political parties.

the negotiations with Israel on a final status solution as well as a vote for the political resistance agenda of Hamas (even members of Christian families had voted for Hamas) (this author). The poor election results revealed important divisions within Fatah, but it has managed to re-unite its constituency behind the actual Fatah leadership (this author). In recent times, there are increasing signs of a power struggle within Fatah's top echelon for the succession of Abu Mazen, who has several times already mentioned his intention to step back.

Hamas

Hamas has gradually gained in influence in the 90s, notably after the Oslo Accords, and not in the least by building-up a strong network of educational, health and other social service institutions. Hamas is related to the Muslim Brotherhood in other countries in the Middle East, notably in Egypt and Jordan. As an expression of Sunni political Islam that developed in the 20th century, it is strongly contested by the very fundamentalist Sunni Wahabbien current of Islam predominant in Saudi Arabia. The Islamic Brotherhood is supported by Qatar, while Saudi Arabia supported strongly the military dictatorship in Egypt.

By not discouraging suicide bomb attacks by young deeply frustrated Palestinians, in a large majority young people who have seen before their eyes family members being assassinated by Israeli forces (see section 3.1.4), Hamas was labeled as a terrorist movement by most western governments including the EU countries, USA, Canada and Australia. It is important to note that Hamas was not the only political Palestinian faction that could be labeled a terrorist movement on the same grounds, such as PFLP and Al Aqsa Brigades, the armed wing of Fatah. Labeling Hamas as a terrorist organization served a political purpose as it became clear Hamas became a dominant factor in the Palestinian political environment, having a more nationalistic resistance agenda than Fatah, more clearly opposing the occupation politics of the successive Israeli Governments (this author). Moreover, terror activity in Israel and the Palestinian Territories needs to be observed in an even-handed way where state-terror as implemented by the Israeli Government cannot be simply ignored. To be noted also, where Israel focuses on Hamas when accusing it of firing rockets into Israel, that these resistance actions are undertaken by almost all political factions with presence in the Gaza Strip.

By 2006, Hamas could count on around 25% of the popular vote in both Gaza and the West Bank and has become the second political movement with an almost equal voting constituency in the West Bank and a majority in the Gaza Strip. The election majority (somewhat above 60%) Hamas obtained in the 2006 democratic and free parliamentary elections of 2006 was made up for an important part by a protest vote against Fatah and the PA. This majority vote in the West Bank would probably be lost in case that Hamas would attempt to impose its religious agenda (this author).

However, as observed by the Council for European-Palestinian Relations (CEPR) in London (Bouris, 2012), Hamas' participation in the 2006 elections can be characterized as a first step towards a more pragmatic political approach. After the elections, Hamas extended an invitation to Fatah for a national unity government and its officials sounded more moderated in the international press. Hamas also demonstrated a willingness to renounce violence by largely respecting the truce with Israel and by significantly reducing the firing of rockets towards Israel. Finally, the decision to participate to the PLC elections as well as Hamas' willingness to join the PLO are clear signs that it would be willing to respect the previous agreements (Bouris, 2012). The willingness to respect these previous agreements extended to the implicit recognition of different UN Resolutions (this author); e.g. many officials continuously argued that Hamas would be willing to recognize the 1967 borders which indirectly implied that they recognize Israel (Boris, 2012). This willingness to accommodate its positions with reality was also reflected in the 2007 Mecca Accord brokered by Saudi Arabia between Fatah and Hamas, where Hamas signaled a nascent flexibility as Article 4 of this Accord stipulated "the principle of political partnership on the basis of the effective laws in the PNA and on the basis of political pluralism according to an agreement ratified between both parties" (Boris, 2012). Not recognizing these changes in political positioning seems to be in line with Israeli and USA overall politics, but could be considered counter-productive as far as EU policies are concerned (this author). In any case, as observes Boris (2012), "no fruits have been born of the EU's complicity in excluding Hamas, absolutely none". It could even be observed that not taking into account these

changes in position of Hamas has rather led to a further radicalization of the organization (this author).

The events of its election into government and the subsequent boycott of its government by the western countries and Israel have driven Hamas in a corner. The violence in Gaza, essentially provoked by some of Fatah's ex-leaders⁴³, threatened to get completely out of hand and the Hamas leadership had to forcefully intervene to stop the resulting escalating process among different Gaza families. At the same time, it provided Hamas the opportunity to take control over the Gaza Strip in June 2007, where it exercises and imposes in fact more authority over civil and economic life in the Strip than the PA in the West Bank.

There has been increasing questioning since 2009 on to what extent the Hamas leadership is not following the example of its PA counterparts in the West Bank in terms of personal self-interest. It seems however that an important part of these tax revenues is used to build-up the military strength and the tunnel infrastructure under the Buffer Zone along the boundary with Israel, as was witnessed during the 2014 Israeli Aggression on Gaza (most of the new weapons of the Palestinian factions in Gaza were built by own design and technology within Gaza (different sources).

The position of Hamas has considerably weakened in the last year/two years before summer 2014, notably after its taking distance from the Syrian regime, and hence the "axis of resistance" of Iran, Syria and Hezbollah (Baroud, 2014), and subsequently after the fall of the Morsi regime in Egypt and the almost complete closing of the tunnels from Gaza to Egypt by the new military regime in Egypt. The tunnels formed the critical life-line for Gaza to exist in view of the Israeli blockade.

Section 4.1.6 describes in more detail the relations between Fatah and Hamas.

Other still vocal political parties

Other parties in both West Bank and Gaza are to be found among the old leftist factions of Popular Front for the Liberation of Palestine (PFLP), Democratic Front for the Liberation of Palestine (DFLP) and People's Party of Palestine (PPP) and more centrist small parties as the Palestine Democratic Initiative (PDI) of Mustafa Barghouthi and others. Most of their leadership has lost significant constituencies in comparison to the pre-Oslo period and credibility in not countering more clearly the ineffective strategies and policies of the Fatah leadership.

While governing authority in Gaza is indeed mainly if not exclusively the domain of Hamas, Hamas is not the only resistance faction in the Gaza Strip. Especially Islamic Jihad, another offspring of the Muslim Brotherhood, is a force Hamas has to contend with, as an ally or a competitor, although it has no governing aspirations (this author). PFLP, DFLP and Fatah have still important but small presence in Gaza. Other factions as Islamic Jihad, PFLP, DFLP have played and are playing an important role in Gaza's resistance and military actions in response to Israeli incursions and invasions into the Strip and were fighting side by side with Hamas against the overwhelming destruction of Gaza by the Israeli armed forces in summer 2014.

In Gaza there are also alarming signs of Islamic Salafi movements with a much more extremist and fundamentalist agenda than Hamas and Islamic Jihad, notably in the south of Gaza. These more extremist groups of course put pressure on Hamas to take more extreme positions and are possibly a bigger threat to their dominance in Gaza than the other political factions (this author).

A critical issue and one of the bigger political frustrations for many in the West Bank is the sheer impossibility to mobilize a third political group between Fatah and Hamas, that could capture a majority of people that are frustrated with the Fatah/PA/PLO handling of the national resistance agenda, have no intention to join Hamas, would support Hamas' political resistance agenda (without embracing its religious agenda and without engaging in military resistance), and would challenge the way the PA and hence the Fatah leadership is handling the negotiations with Israel (this author).

⁴³ Some researchers indicate that this was instigated by the CIA (<http://www.vanityfair.com/news/2008/04/gaza200804>)

Space for political consultation

Where other political parties, such as PFLP, DFLP and PPP had considerable influence in the PLO before Oslo, this influence is now highly marginal. Society-wide consultative processes between governing authorities (PA and PLC) and the different segments of society, as existed somehow in the pre-Oslo period seem to have become limited and with little effect.

The limited space for political consultation is also reflected in the absence of elections at the national level (the last PLC elections took place in 2006), while there is an important disconnect between the PA and society and little transparency in and accountability for highly complex and politically sensitive decision-making that not only concerns the people living in the West Bank and the Gaza strip, but also concerns the Palestinian Diaspora and all those in refugee camps abroad (Interviews; Khan, 2004). Consultation is limited to a narrow group of dominant personalities in the PA top leadership and the big business sector, as described in section 4.2. This group according to different sources would not be more than 15 or even less (Bouillon, 2004; Interviews). Most of the small business sector, the NGOs and civil society at large are excluded from consultation. Even other political factions in the PNC or the PLC feel marginalized in the political decision processes (Interviews). The result of this is that there is no coherence in the political strategic decisions and positions viz a viz Israel and Third Parties (interviews).

4.1.6 The split between Fatah and Hamas

The two movements distinguish themselves in two important ways: by the secular world view of Fatah and the religious world view of Hamas; and by their very different positions with regard the presence of Israel in Historic Palestine and hence the Oslo Accords (as mentioned above). These very different world views are underlying the political impasse between the two movements and the actual deep political crisis in Palestine.

As mentioned in section 4.1.4, the 2006 PLC elections, with Hamas as the winning party, and the battles between Hamas and Fatah in Gaza in 2007 (see section 4.1.5) have caused a deep split between the two parties. This split is considered by many in and outside the Palestinian Territories as Palestine's major political crisis, from where emanate many other problems in Palestine. As argued Israel and the international community have played a major role in causing this split.

Palestine's major political crisis caused by the split between Fatah and Hamas has also led to an institutional situation of a parallel Palestinian Authority – with the same ministries existing in Gaza and in the West Bank but funded, staffed and run by Hamas in Gaza from its own external resources; and in the West Bank by the PA thanks to massive budget support from mainly western countries. Former non-Hamas affiliated PA staff in Gaza is still paid by the PA in the West Bank (from external budget support) who however does not report to work, while Hamas is in power. As in the West Bank many authority employees are dependent on their affiliation with Fatah, in Gaza the majority of staff in the Gaza Ministries is dependent on their affiliation with Hamas.

Although many attempts are made to reconcile Fatah and Hamas, notably mediated by Egypt, even the last decisions of May 2014 to form a National Unity Government have still to be implemented. Implementation is obstructed by key issues such as related to the handing over of governmental power in Gaza to a Unity PA, the issue of who is going to pay actual Ministry staff in Gaza (the PA or Hamas) and the re-insertion of non-Hamas affiliated ex-PA staff in the Ministries in Gaza, as well as the insertion of the Hamas military wing in the Palestinian Security forces are among the major issues impeding the practical formation of this new Unity Government and PLC elections in the Territories. The low-key positions taken by the PA and Fatah during the different Aggressions of Israel on Gaza and Hamas in particular in 2008/2009, 2012 and even in 2014, as strengthening Hamas was not in the PA's interest, have not been helpful.

The difficulties for reconciliation are compounded by strong influence of external parties both among Western and Arab countries. Where the USA and the EU still insist (2015) that it cannot accept a new PA that includes Hamas that is labeled as a terrorist organization, neighboring Arab countries as Egypt, Jordan and Saudi Arabia resist the inclusion of a Muslim Brotherhood affiliated organization in a new PA. Nevertheless, there seems to be recognition among notably EU countries

that there is an important need to include Hamas in the political process and to steer away from its label of a terrorist organization (as seems to be indicated by a decision of the European court end of 2014 that the labeling of Hamas as a terrorist organization does not found legal ground). This may however be complicated by Hamas apparently (Baroud 2015) making new overtures to re-align with its earlier allies (Syria, Iran and Hezbollah) in the so-called Axis of Resistance (against USA dominance in the Middle East), after having taken some distance of these allies at the time of the Muslim Brotherhood Government in Egypt.

As mentioned in a number of interviews there is increasing need expressed among EU countries to put more pressure on the PA and Abu Mazen to make the necessary steps in finding the necessary compromises to come to reconciliation of the two movements and resolve the Palestinian political crisis that undermines any further negotiation process with Israel. Hamas is not really in a position of strength, it has lost the support of the former Egyptian Government, it is not sure how the Sunni-Shi'a conflict will develop and this impacts on Hamas external relationships, while the closure of the tunnels with Egypt is putting extreme pressure on the war-strained economy in Gaza. Nevertheless, if PLC elections were now to be held in the Palestinian territories there is a general expectation that Hamas would win again a considerable vote (this author).

4.2 Roles and interests of private sector actors

4.2.1 Big business interests in Palestine

With the advent of the PA following the Oslo Accords, some of the big Palestinian enterprises from the Diaspora made their entry in the country. According to research done in the 1990s, one important driver for these Accords was the Israeli big business sector, constrained in their national and regional expansion by the Arab boycott of Israeli products. According to some analysts, the main goal of Israeli businessmen was to bring this boycott to an end and the Peace Process was considered the instrument for this (Bouillon, 2004). Moreover, successive Israeli governments from Labor to Likud as well as US Administrations prior to Oslo believed in what was called "Economic Peace" – i.e. if Palestinians experienced economic well-being their interest in liberation and independence might lessen. With the Oslo and Paris Accords, economic development/growth was supposed to give Palestinians a commitment to supporting the peace process⁴⁴. After Oslo and further in the Second Intifada, however, the assumed economic 'peace dividend' to Palestinians evaporated. There has been maybe an underlying (neo-liberal) assumption that by the enhancement of economic development the raw edges of the occupation could be rounded and bring the people in Palestine to acquiesce and accept their new situation under an Israeli regime.

In any case, and in parallel to the marginalization of small and medium enterprises in the West Bank and Gaza, in the years following the Oslo Accords, the Palestinian economy experienced a concentration of capital in a few core conglomerates. These were run directly by the PA or by PA officials and wealthy Diaspora Palestinians with close ties to the PA. With "at least 13 monopolies under the control of no more than five individuals, who are members of the PA's inner circle", the PA became in the 1990s a de facto competitor to local business. This effectively weakened the private sector and centralized economic power with the PA (Bouillon, 2004; Hilal and Khan, 2004; Fjeldstad and Zagha, 2004).

Important efforts have been made since 3 or 4 years in the period that Fayyad was Prime Minister (2008 - 2014); the PA was promoting "acceptable free market practices". The Palestine Investment Fund (established in 2003) and supported and endorsed by the World Bank, is made independent from PA financing, with substantial financial assets of the PLO/PA transferred to PIF (interviews). Since then efforts are under way to create higher financial transparency and accountability in tendering processes and access to financial information; and to stimulate investments and avoiding monopolies (interviews). Amongst others, in 2013 a step was made to privatize the PA

⁴⁴ The first World Bank Report on the Palestinian Territories was called 'Developing the Palestinian economy; an investment in peace' (World Bank, 199.)

“monopolies”. However, the Board of the PIF is appointed by the President of Palestine and its General Assembly is dominated by the big companies in PADICO and APIC, while PIF dividends are returned to the PA.

Some argue that the creation of these PA monopolies was a necessity in the 1990-s as in the absence of important other investments it was important to stimulate the Palestinian economy in face of the Israeli Occupation (interviews). It needs also to be mentioned that many bigger Palestinian companies continue investing in the Palestinian Territories, even at lower returns than could be realized when investing capital in other countries in the region or elsewhere (interviews). Also, on the initiative of PADICO, one of the bigger business agglomerates in the Palestinian Territories, the Palestine Stock Exchange was created. Nevertheless, there are no clear signs that the signaled dual economy between on one hand a marginalized small/medium business sector and an economic-political core closely connected to the PA - as observed in the period preceding 2004 (Fjeldstad and Zagha, 2004) – has significantly changed in 2014 (Turner, 2004; interviews). It was and still is also the Palestinian large business companies that benefit from the regional cooperation initiatives pursued by the Israeli business sector, the latter at the same time preserving its economic dominance over the Palestinian Territories. Nevertheless, according to reports of different financial institutions (World Bank, IMF and UNCTAD) the Palestine financial management systems seem to score well in comparison with other countries in the region.

From research mentioned above there is little doubt that irregular practices in and around the PA have taken place and possibly are still taking place. It can be argued that most of the business situation described above was determined by the containment and de-development policies imposed by Israel on Palestine by the Oslo Accords and Paris Protocol, and that this had overall a much more damaging effect on the Palestinian economy than above irregular practices, almost born by necessity. Nevertheless, there is sufficient ground for the observation that such irregular practices could have been avoided and have also contributed to a not very viable state of the economy (this author).

4.2.2 Small and medium-sized businesses in Palestine

Pre-Oslo, the majority of Palestinian’s business and trade was characterized by sub-contracting arrangements with Israeli companies, mainly in the small-scale, labor intensive and low-productivity manufacturing and textile sector, while most (90%) imports in Palestine came from or through Israel (Bouillon, 2004; Fjeldstad and Zagha, 2004).

Since the Paris Protocol, the many small and medium enterprises in manufacturing and trade, once the backbone of the Palestinian economy, are quite marginalized, as they became largely excluded from the circles of power and political decision-making as described above (Bouillon, 2004, Turner 2014; Adel Zagha and Husam Zomlot, 2004). This marginalization was especially due to the arrangements made under the Paris Protocol, resulting PA legislation and policies and the restrictions on movement and access. Most small business remained utterly dependent on Israeli raw materials, imports, exports and as a market destination, while becoming dependent on the PA (Bouillon, 2004). Moreover, they had little or no access to investment capital, trade and external markets and economic development initiatives and were excluded from import arrangements and sub-contracting contracts with Israeli business as undertaken by the PA centered business elite (Bouillon, 2004; Khan et al, 2004). Until today, this situation does not seem to be much different than ten years ago (this author). It is indeed recognized (interviews) that the SME business sector has largely been left behind and that legal and financial/credit reforms need to be put in place to re-energize this important sector. The Palestinian Monetary Authority is now working on plans to stimulate the small enterprise sector; possibly through default risk guarantees for micro-financing (interviews), keeping in mind that investing in the Palestinian territories is often at high risk which is not easy to bear by SMEs.

4.3 Role and interests of civil society actors

4.3.1 Development of civil society organizations since 1917⁴⁵

Due to the absence of a state – or independent government for most of their modern history, Palestinians have a strong civil society and have developed sophisticated and pluralistic civil society organizations over the 20th century – especially in comparison to other countries in the region. Different periods can be distinguished that have each their own specific nature and dynamics as is described in the three Boxes below.

Box 7. Development of civil society organizations between 1917 and 1993

Charitable societies between 1917 and 1967

1917 – 1948. Work of civil society organizations in Palestine started as early as the years after the First World War with the collapse of the Ottoman Empire. In the whole period from 1917 until 1948 most of the emphasis of civil society organizations, mainly charitable societies, was on combating the Jewish immigration, the confiscation of Palestinian land, charitable work with the poor and in 1948 direct relief to all the refugees in the wake of the ethnic cleansing process.

1949-1967. After 1949, when the drama of the Nakba sinked-in, a drop was observed in the level of CSO action for many different reasons. As described by Sara Roy (In: Izzat Abd El Hadi, 1998) major factors for a low profile of CSOs and little action in the social and economic domain in Gaza and the West Bank was a general feeling of loss and depression in the Palestinian community as well as, and not in the least, the severe military Egyptian and Jordanian control over social services (education health, social welfare and commerce). What was witnessed during the British mandate in terms of social and economic development, activism and community work took a lower profile in this period. Nevertheless, charitable societies continued playing a crucial role in relief and refugee education work.

The period of civil society political mobilization - 1967-1982.

The period after the Israeli Occupation of Gaza and the West Bank in 1967 until the early 80ies saw a re-emergence and structuring of Palestinian labor unions, community and charity organizations to strengthen steadfastness. This happened at the same time as the emergence of the PLO and its different factions to become more active. The emerging CSO groups did not have a long-term development vision and a professional structure and did not engage in development because this was considered as normalization with the Zionist Occupier supposed to provide basic social services. Under the slogan that “development comes after the establishment of an independent state” it was the consensus then that the priority of action should be liberation and independence. At the same time the Palestinian resistance had adopted more military approaches and the theory of liberation from outside (PFLP). Social Services were provided mainly by Israel and UN Agencies and some American and European NGOs (like ANERA, Catholic Relief). This passive policy of CSOs towards development, however, has contributed to enhancing the Israeli de-development policies in the Palestine Territories and has curtailed future development in Palestine, while enhancing the colonization of the Palestinian economy by the Israel economy.

Building national resistance against the occupation - 1982-1993.

In the 80s the main drive of CSOs became the development of resistance and steadfastness. 1982 marked the exit of PLO from Lebanon, and the WB and Gaza became the focal point of resistance, compelling the PLO factions to focus their work on organizing their structures and local relief committees of a national resistance movement for political struggle and developmental services. These local committees emerged as the operational arms of the political factions of the PLO, having their Head Quarters mainly outside the Occupied Territories. The middle and poor classes played an important role in developing more democratic structures in these organizations. It may have been the only period in Palestine’ recent history, that there was some kind of political representative structure of Palestine’s society, with representation of its people inside and outside the Territories through the political

⁴⁵ Most of this section is captured from Izzat Abd El Hadi, 1998. *The role of the Palestinian NGOs in building civil society*. BISAN Centre, Ramallah

factions, forming the backbone of the first Intifada (also: Hanafi and Tabar, 2004). Part of the local leadership of these factions and independent national personalities provided the key negotiators in the Madrid Peace Conference of 1991, where the PLO itself was excluded by Israel.

With the 1st Intifada (1987-1993) Palestinian society saw the emergence of more professionalized specialized organizations, focusing on construction, besides strengthening steadfastness and resistance and on the political level the preparations for building an independent Palestinian State. From this emerged the actual mega-NGOs, like PARC, PMRC and LAW (affiliated to the communist PPP) and UAWC and UMRC (affiliated to PFLP/DFLP). During the intifada they started to work more on strengthening the grass-root organizations to connect resistance with construction and development and meeting the demand of local communities.

4.3.2 Role and interests of Palestinian NGOs in building civil society since Oslo

As with everything else in the Palestinian Territories, the Oslo Accords and the establishment of the PA had important effects on Civil Society and its organizations. Two periods are distinguished, until the Second Intifada and beyond the Second Intifada.

1993-2003. The growth of the NGO lobby

The period since Oslo is characterized by a further increasing emphasis on developmental action and further structural organization and professionalization of the NGOs. In view of the new political situation created by Oslo, and with more recognition from outside for their role in building sustainable development, a large group of NGOs announced in 1993 a Position Paper stating eight principles and policies to regulate their relationship with the PA, and hence asserting their countervailing power (Izzat Abd El Hadi, 1998).

The Position Paper highlighted the existence of NGOs as a human right and their pivotal role in social services and building civil society. It also stated that roles and relationships between NGOs and PA should be governed by rules and regulations, respecting the independence of NGOs from government (the PA), while laws that would govern their relations with the PA should emerge from the specific Palestinian experience and from human right ethos. The Palestinian NGOs should play a role as a pressure group to monitor the actions of the PA in democracy, rule of law and human rights as well as serving Palestinian society and participation in democratic processes. They should have the right to develop relations with different International organizations. Finally it is considered crucial that Palestinian NGOs make a thorough and serious revision of their missions and strategies to meet the new era, specifically as related to professionalism, democracy, social justice, human rights and community accountability.

The Position Paper expressed the will of NGOs to continue their role in resisting the occupation, continuing the construction process and working towards development of their country, while finding a balance between action of the PA and the need of civil society. The Position Paper also and obviously reflects situations in other countries where NGOs are put under extreme scrutiny of their governments. The working together on this Position Paper led to the establishment of PNGO (the Palestinian NGO Network) as a coordinator of resistance and development activities (Izzat Abd El Hadi, 1998).

Already stronger than across the region in the preceding periods, since Oslo the local NGO community in Palestine has developed as one of the strongest in the Middle East, and becoming a considerable force in the development arena of Palestine, providing the bulwark of services in agriculture, water, health, social services, culture and human rights. A good part of development funding was channeled to Palestinian NGOs and notably to a small group of not more than 8 or 10 larger organizations. This concentration of development aid in this small group of Palestinian NGOs, most having their origin in the still existing mainly left-wing political factions was largely enhanced by the donor community (Hilal and Khan, 2004; Hanafi and Tabar, 2004).

It meant also a domination of the development sector by the large Palestinian NGOs (Hanafi and Tabar; 2004). After the first Iraq war in 1991, Arab funding dropped substantially, at the expense especially of charitable societies and non-professionalized committees. Total funding of Palestinian NGOs dropped from 170-240 million USD/year in the early 90s to about 60-90 million USD/year in the late 90s (Hanafi and Tabar, 2004). In 1999, according to a study of the Palestinian Economic Policy Research Institute/MAS (Devoir and Tartir, 2009), Palestinian NGO funding amounted to 53 million USD. In the same report MAS presents MOPIC data that estimates NGO funding in 1999 at 48 million USD.

As argued by different researchers on NGOs in Palestine, the development of the more “professionalized” NGOs had as another cost the increasing dependency from western donor agendas, which were in essence allowing or even supporting the containment policies of Israel, as reflected by an increasing emphasis on short-term, mainly social service delivery kind of aid instead of sustainable development (Hilal and Khan, 2004; Hanafi and Tabar, 2004) As stated by Brouwer (2000; in Hanafi and Tabar, 2004), the priorities of western donor countries were the security of Israel, while ensuring Palestinian support for the peace process and furthering economic liberalization, as also stated by a World Bank report on aid effectiveness (1999; in Hanafi and Tabar, 2004). As observed, an important part of the active civil society leaders (many of them in the different PLO factions) of before Oslo in effect became civil society bureaucrats managing and maintaining the interests of their organizations (organizational continuance; Hanafi and Tabar, 2004) rather than building the necessary resilience and resistance at the grass-root community level.

4.3.3 Palestinian and International NGOs since the Second Intifada (2004-2014)

Palestine is now one of the most heavily subsidized countries in the world with in 2012 an aid package of 2.01 billion USD or (according to the IMF) 340 USD/capita/year in 2013 (Turner, 2014)⁴⁶. Much of this funding has been used to recover or compensate for the destruction caused by the Israeli occupation measures. While a major part of NGO funding came from Western countries (Europe and North America) at the same time Arab funding from Qatar, Saudi Arabia and the Emirates increased notably for funding of NGOs and Hamas in Gaza. ECHO, as a humanitarian relief agency, started in 2006 to become an important donor and is now with USAID the biggest donor in the country. At the same time the Israeli Authorities further tightened a purposeful policy of allowing mainly humanitarian aid. International organizations that focus primarily on development cooperation are refused permits to Gaza and are not getting the authorization to register in East Jerusalem (this author).

The trends described above on the professionalization of the bigger NGOs have not significantly changed (Turner, 2014), but this period, especially since the Second Intifada, saw also a substantial increase in International NGOs that entered the social service and development arena as another key player, when the donor community started to further emphasize relief, emergency and humanitarian aid programmes. This has led to a disproportionately large community of INGOs and UN Agencies, competing with Palestinian NGOs for funding⁴⁷. Most of the humanitarian aid delivered was channeled through and accounted for by these INGOs, the local NGOs relegated to delivering implementation (this author). The important switch in emphasis from development oriented to relief and emergency funding has had important effects on Palestinian NGOs, even if relief and recovery funding remained necessary in parts of the country notably in the Gaza Strip.

A substantial part of the Palestinian NGOs in different sectors, have followed these trends imposed by donor agenda's and, where they had an important advantage in enhancing local development oriented activity, in most cases failed to do so; and became co-opted by the conditions created by the Oslo Accords (Turner, 2014). As observed by researchers and practitioners this served as well, a number of NGO sectors, notably Ramallah based, to maintain financially their organizations, often at the expense of small local NGOs and grass-root organizations, while becoming an important

⁴⁶ In 2008, of total external funding to Palestine the PA received about 90% and the Palestinian NGOs 10% (Devoir, 2009)

⁴⁷ In 2007, 1,495 NGOs were operating in the West bank and Gaza Strip, a 61.5 % increase on the number in 2000. Funding doubled from US 112 million in 1999 to US 223.6 million in 2006 (Turner, 2004)

employer in the country (this author). Organizational survival became more important than working towards a strong civil society and resilience with strong local leadership and local community organization (Hanafi and Tabar, 2004; this author).

In this period a substantial part of funding to Palestinian NGOs became indeed highly short-term, with projects and activities that are immediate and visible target oriented with delivery of food, immediate materials or cash. In many cases this undermined the need for longer-term approaches that favor resilience and organizational strengthening at the grass-root level and sustainable development (this author); resulting in making NGOs and people even more dependent on aid, rather than supporting them to develop economically and strengthen their resilience, in short contributing further to the de-development of the country (Turner, 2014; this author). As a result important principles laid down in the 1993 NGO Position Paper such as the need for local participation in democratic processes and community accountability does not seem anymore to be the highest priority.

In some cases this has led to situations where NGOs became important competitors to the private sector, monopolizing important sectors as olive oil, a backbone of the rural economy, monopolies that have often led to important development failures such as in the olive sector where in 6 years (2006-2012) more than 50 million Euro of investments have added very little to an increase of export volume as was expected and feasible (POOC⁴⁸; different year reports). These important investments, however, have not led to a substantial increase in total olive oil production between 2003 and 2012, the yearly average remaining at 18 to 20,000 ton (MoA, 2014; p 19). At the same time, especially over the last 10 years, an increasing sense of frustration surfaced among PA line departments of not benefitting of the important increase of donor funding.

4.3.4 Role and interests of other CSOs

Where the Palestinian “professionalized” NGOs have become the dominant force among civil society organizations, there are also the labor unions, the professional associations, the many charity societies and welfare associations, the universities and the issue-focused social/community movements (such as the BDS and the Against-the-Wall movements) that need to be mentioned. The labor unions, important in the pre-Oslo period especially in the 80s, although still existing on paper have lost much of their earlier political cloud, notably after the closure of the Israeli market for Palestinian labor. The professional associations still have an important function, not only by bringing people together of the same trade, but also as political interest groups. Many of these associations are organized along lines of political affinity. Elections for their Executive Boards are often a reflection of the political mood in the country, with a strong competition between specially Fatah, Hamas and PFLP. The multiple charitable societies, ranging from women to youth and farmer associations, are in their majority rather weakly organized and have a very local function in social services (this author). According to some critics, the Universities, once a voice for independence and resistance have in their majority been co-opted by the Peace Process System, as either alternative institutions of higher education were erected by the PA, or leadership in the Universities was replaced by personalities with close ties to the PA. Moreover much of the external and government (PA) funding was reduced and channeled to NGOs and the PA (for salaries and security cost) which triggered a downward spiraling process of lower quality of students and hence a diminishing stream of potential future leaders (interviews).

4.4 Role and interests of other key actors

4.4.1 Position of Israel towards the Palestinian Territories ⁴⁹

The position of the successive Israeli Governments regarding the Palestinian territories may be summarized by the affirmation of Rabin in the Knesset a few days after signing the Oslo Accords,

⁴⁸ Palestinian Olive Oil Council

⁴⁹ The tight timeframe for this context study has not allowed making a more detailed analysis of the Israeli public opinion on the fate of and situation in Palestine. Hence in this report is mainly referred to opinions and positions of the Israeli Government and political leadership.

that there will be no Palestinian State (interviews⁵⁰). He affirmed in a press conference (13 September, 1993) immediately after Oslo that Israel will continue its control over the River Jordan, the boundaries with Egypt and Jordan, the sea, the land between Gaza and Jericho, Jerusalem, the colonies and the roads (in The West Bank and Gaza Strip) (Edward Said, 1995)⁵¹. More diplomatically it could be said that Oslo and the creation of the PA was envisaged by Israel as a way to manage the Palestinians and the Territories, leaving open what would be the endgame. Israeli Labor Governments are seen as more open to a Palestinian state overtime, even if Netanyahu has once claimed he will accept one. However for both (Labor and Likud) the actual content of what a Palestinian State would be does not meet basic international norms of state sovereignty, while the territory both Labor and Likud are willing to concede does not align with what is stated in the UN Security Council resolutions (242), i.e. a basic minimum that is acceptable to Palestinians, nor would that to be conceded territory make for a viable state. In the Oslo Accords there is no mention of a Palestinian State, only of a Palestinian Interim Self-Government Authority, with indeed highly limited authority in an area that is less than half of the Palestinian Territories. When in 2009, Netanyahu finally enunciated the words 'two-state solution', it was framed in the conviction that the Palestinians would never accept the Israeli version of a two-state solution as solution. Then Netanyahu added two demands: the Palestinians should recognize Israel as a Jewish state, and that they will accept a long-term Israeli military presence along the Jordan River (Bouris, 2012).

However, Israel's actions seem to indicate it has no wish undertaking again a full direct occupation (as before Oslo) with even higher military cost than in the actual situation, nor does it seem to want taking responsibility for education, health and other social infrastructure and services (interviews). The massive donor support to the PA (budget support, economic aid) and support to humanitarian and development programmes is apparently considered welcome. According to discussions in interviews what Israel does not want is a PA that evolves into a fully sovereign, independent state government. Israel's position hence is to maintain the actual balance between what it gains from the existence of a PA (with no responsibility of Israel for Palestinian internal affairs and no high cost of a full occupation) and what it might lose (claims on territory and resources). In short, as its actions described in chapter 3 indicate, it is more interested to perpetuate the actual status quo, which is providing the necessary time to enlarge and deepen its control over territory and resources by establishing physical facts on the grounds in the form of colonies around East Jerusalem and elsewhere in the West Bank and of road infrastructure dissecting the West Bank in isolated cantons of mainly urban areas in Areas A and B. To get an insight in Israel's longer-term intentions it might be instructive to remind what a high official in the Israeli Defense Ministry has observed in a meeting with Sara Roy, ten years before Oslo: *"Real economic development in the West Bank and Gaza could produce a viable economic infrastructure that in turn could provide the foundation for the establishment of a Palestinian State. This will never be allowed to happen"* (Roy, 2014). The experience of the past 20 years, as is described in Chapter 3 seems to confirm this insight. Where Oslo has stated that negotiations should lead in 5 year to a final agreement, there are no signs that Israel is willing to come to such a final agreement.

4.4.2 Position of Israel towards the PA and Hamas

In view of the above mentioned balance (what it gains of the PA and what it might lose), Israel's relationship with the Palestinian Authority appears to be one where it can keep the PA in a weak position dependent on Israel. Whenever the PA demonstrates too strong an inclination to assert itself and to seek more independence this is retaliated by tightening the matrix of control; withholding taxes on imports, for example, has been one of the most frequently used instruments. In the more serious situation that a PA risked to be constituted by a less lenient party, when Hamas won the elections for the PLC in 2006, it relied on more heavy instruments by ensuring the concerted efforts of the USA and the EU to marginalize Hamas and the new Hamas dominated PA. Hamas was forced to give back its mandate. Re-enforced by its high dependence on foreign funding, as described below, the PA (and with the PA, the Fatah leadership) is caught in a position from where it is difficult to get out (this author).

⁵⁰ As mentioned in one interview the affirmation of Rabin was documented in a newspaper or website; however no reference is available here.

⁵¹ On the 10 cents Israeli coin Israel's broader geographic ambitions are documented by a map of Greater Israel, from the Mediterranean Sea to the Euphrate (it is the only coin that is not in circulation and accepted in the Palestinian Territories)

The Israeli Government has quite a different relationship with Hamas (and for that matter other political factions such as PFLP). While it had not discouraged the establishment of Hamas, considering the existence of another strong Palestinian movement useful to weaken Fatah and the PLO, the national resistance agenda of Hamas started to become a concern for Israel. Hamas in its statutes has not recognized the existence of the State of Israel (although it has agreed with many UN Resolutions that imply this existence) and it was and is important for Israel to ensure that Hamas could not become a driving force in Palestinian society. The Palestinian suicide bombings on Israeli civilians provided Israel and the international community the opportunity to label Hamas as a “terrorist organization”, even when many of Palestinians who committed these suicides had no direct relation with Hamas. The PLC elections in 2006 won by Hamas were considered an important threat to Israel and, as mentioned above, all is done, with success, to minimize political strength of Hamas. As mentioned by Bouris of the CEPR (2012), the problem with the international community's policies towards Hamas is that the latter was not given the opportunity to prove its political capacity and the Quartet conditions imposed on Hamas have done little to help break the deadlock. While these conditions are legitimate they do not include elements of 'measurement'. As a result, their fulfillment or not is open to different interpretations. Since Hamas has indirectly demonstrated its willingness to abide by these conditions the same has not happened with regard to Israel. Israel has not renounced violence (the most significant example of this was the Gaza War in December 2008-January 2009 which took the lives of 1,400 Palestinians). Nor has Israel respected previous agreements (settlement expansion, house demolitions and general displacement of the Palestinians have been increased (Bouris, 2012)⁵².

As observed by many in the author's environment, the ensuing conflict and resulting split between Fatah in the PA and Hamas, provoked by Israel and supported by the international community, worked out and Hamas had to fall back on its power basis in Gaza. The violent conflict for power in Gaza in 2007 (see above in 4.1.5) ended with Hamas gaining the upper hand. The blockade of Gaza was further tightened since then, and followed by the different wars on Gaza mentioned earlier, the most recent one in 2014. It is a vital interest of Israel to keep Palestinian factions divided and with Hamas labeled as a terrorist organization as a pretext, Hamas has become the direct object of aggression. The calamity situation in the Gaza Strip resulting from Israel's actions is known and described above. Most of the wars on Gaza occurred shortly before important Israeli elections, and as observed by different sources a link between these wars and elections is suggested.

As described by Taghdisi-Rad (2014) the “*main aim of Israel's policies has been to integrate Palestinian resources, where beneficial, to its own economy, to limit and undermine the development of an independent Palestinian economy and to discourage Palestinian demands for sovereignty and self-determination*”. Forcing the split between the two major Palestinian parties, Fatah and Hamas (as is mentioned in section 4.1), is one instrument (“divide and rule”) to achieve that aim and forms part of the larger “matrix of control” policy of Israel, as described in Chapter 3.

4.4.3 Role of the USA and the EU

Political agendas

Funding is highly used as an expression of political priorities and strategic interests. Political considerations and foreign policy agendas are playing an important role in the way donors (USA, EU, Arab countries) intervene. In general EU and USA funding express a concern for political stability and notably for the more than 20 year-old peace process, and hence their support to the client-state asymmetric containment policies towards Palestine of Israel (Hanafi and Tabar; Khan et al 2004; Bouillon 2004; Turner, 2012; Palestinian Perspectives, 2014).

Although there are sharp contradictions between USA positions and their willingness to intervene on the ground (they may condemn settlements but do nothing politically to stop them), the USA has, over the years not contradicted the Israeli narrative and their politics of occupation and annexation of the remaining Palestinian lands. The different USA administrations see Israel's interests as a priority and thus their positions on issues are always inherently closer to Israeli positions. As a result,

⁵² The Israeli wars on Gaza in 2012 and 2014 further strengthen this argument (this author).

in spite of all the efforts employed by US diplomacy to achieve a lasting peace, these efforts (the Road Map and related Peace Process) primarily served to ensure Israeli dominance over land, water, boundaries, economy and security within the Palestinian territories (peace on Israeli conditions only). In the light of this it can be questioned if the USA can be considered as an independent broker for coming to a resolution of a 65 years old conflict.

The EU and its member states have by and large followed the USA in their support to Israel, even when Israel is demonstratively putting aside numerous international resolutions, conventions and agreements, such as its refusal to stop building colonies on land that is designated as land of the future State of Palestine.

In spite of the concerns diplomatically expressed by Western countries, no convincing measures (such as trade restrictions or other economic measures) are taken by the EU to bring Israel to other thoughts. As mentioned earlier, the positions taken in 2006 viz a viz a free and democratically elected new Palestinian Government cannot be more clear in this regard. From a longer-term perspective the positions in 2006 of the EU and the USA, as well as those in the aftermath of the military aggressions on Gaza in 2008/2009, 2012 and 2014, seem to confirm that, until now, there is no strong political will among EU countries to press Israel for a fair and right solution for the Palestinian people to have their own independent country. Most of the Western European countries abstained in the vote in the 2012 UN General Assembly recognizing Palestine as a State. More recent developments in the position of European countries on the Israel-Palestine conflict is discussed in section 5.2.2.

Turner (2004) argues that Western aid (and their political agendas; this author) has played a major role in the transformation of the political economy of the oPt in three main ways: firstly, through the impact of donor spending and involvement in the governance structures of the PA; secondly, by helping to fragment the oPt by working through the Oslo Accords long past the five-year interim period; and thirdly, through the 'partners for peace' discursive framework that has been used to manipulate Palestinian elites, i.e. by co-opting through massive donor funding NGO and PA leaders into short-term target development respectively civil administration and security approaches that are not in the long-term interests of a viable Palestinian State. Turner & Shweiki (2004) and other different authors (Gassner, Khalidi & Samour, Khan, Messerschmid, Nasrallah, Shweiki, Taghdisi-Rad, and Turner; 2004) throughout the different chapters in "Decolonizing Palestinian Political Economy" argue that both Israel and notably the western international community bear a heavy responsibility in the actual state of Palestinian affairs.

Now, 9 years after the 2006 Palestinian elections for the PLC, as observed by Bouris (2012) in the CERP Bulletin, most EU officials agree that the policy of 'no contact' with Hamas has failed, but the EU has not yet taken an official position with regard to the reconciliation agreement signed by Hamas and Fatah in Cairo in May 2011. The official comment from EU High Representative Ashton was typically ambivalent. After the signing of this agreement a group of former politicians urged the EU to support the unity government arguing that "if Palestinian reconciliation is undermined, it will throw the Israeli-Palestinian conflict into an even deeper impasse." Following Qatar's mediation the two main Palestinian functions agreed recently on the formation of a unity government to be headed by Mahmoud Abbas. The EU has welcomed the agreement demonstrating its capability of learning from previous mistakes. Taking into account the general turmoil across the region, working with a Palestinian unity government will be an opportunity to demonstrate to the Arab world that the EU is a legitimate and honest supporter of democratic transitions taking place in the Middle East. The upheavals sweeping the region will have significant reverberations for everyone and has created an important precedent. Political Islam is clearly on the rise and this is a reality that the international community should accept and engage with these movements (Bouris, 2012)⁵³. Bouris concludes that "Hamas needs to be brought into the official political process. Europe must pressure Israel to accept a national unity government with Abbas as head Palestinian negotiator. Only when all actors are

⁵³ Where the observations of Bouris were made in 2012(this author), they could have been made almost identically with regard to similar efforts undertaken in 2014 to come to a Palestinian unity government and with regard to the regional situation.

included in peace parlays can a conflict be resolved. Test Hamas – see if they are sincere, but don't let Israel scuttle Palestinian efforts to reconcile and to be more democratic”.

In hind-sight the political and financial boycott of the new Palestinian Government in 2006 by the USA and the EU governments may well be considered as an important factor in the radicalization of parts of the population in Palestine and other countries of the Middle East. The economic power dynamics discussed in Chapters 3 and 4, supported by western policies and economic support, have only contributed to further undermine the viability of Palestine as an independent State (this author).

Funding patterns

In fact, Palestine has been functioning almost completely on external funding mainly from governments under their foreign policies and cooperation strategies, through international aid agencies or international NGOs. Funding support patterns in Palestine especially of western donors followed a general pattern since the end of the cold war with more emphasis to short-term relief notably in conflict areas. This trend is visible also in Palestine and especially after the Second Intifada (Hanafi and Tabar, 2004).

The picture in Palestine however, is complicated by the very important part budget support to the PA takes in overall funding to the Palestinian Territories. The MAS/NDC study (Devoir, 2009) provides highly detailed information on funding to the PA and the Palestinian NGOs. Between 1999 and 2008, total external aid to the West Bank and Gaza Strip increased by over 600 % to 3.25 billion US dollars annually. According to MOPIC data (Devoir, 2009 - page 14), budget support to the PA takes a lion share with for instance an increase from 324.5 million USD in 2005 to 1,09 billion (about one-third of total funding to the WBGS) in 2007 (the year after the democratic elections won by Hamas). Most of this increase was provided by Arab and EU countries. Between these same years emergency funding decreased with 20%, from 481.2 to 385.2 million/year, while development funding more than halved, from 313.3 to 128.4 million/year (Devoir 2009). The structural need for strengthening local resilience and economic activity were not a priority, and not in line with the Israeli (economic) de-development objectives of Palestine as described earlier. Indeed, during and directly after the Second Intifada, the EU and other funding privileged emergency and humanitarian funding through INGOs and multilaterals besides the budget support to the PA (this author).

As mentioned above, the commitment to the peace process was the anchor that shaped the way donors intervened in the country's society (Hanafi and Tabar, 2004). This notably meant an important need to keep alive the PA in view of its decreasing credibility in society and the political competition of Hamas (including support to its security apparatus to clamp down on opposition), as well as a priority for short-term emergency and relief funding either through the big UN agencies as UNWRA and WFP or through INGOs (implementation was often delegated to Palestinian NGOs). As stated in the World Bank report on aid effectiveness (2000), “the aid provided to the Palestinians had the ‘fundamental political purpose’ of consolidating the peace process”. In view of the most recent developments around the rejection by the UN Security Council of Palestine recent resolution to come to a conclusion of this peace process (by the end of 2016), the observation in the above World Bank report seems to be still valid, in spite of an apparently growing impatience in European countries with the no-end of this peace process.

4.4.4 Role of Arab and other countries

The role of other countries, in and outside the region, in possibly influencing the Israeli-Palestinian conflict has been rather minimal. Most efforts undertaken notably by Arab countries and the Arab League where bound to be met by on a USA veto in the UN Security Council. Because of this the important Arab League Peace Initiative, proposed in its meeting in Beirut in 2002, has not been given follow-up – although now in 2014/2015 this initiative seems to raise new interest.

Of the Arab countries only Egypt and Jordan have recognized Israel as a consequence of the Peace Treaties signed between them, resp. in 1979 and in 1994. The position of the Egyptian regimes, apart from a short intermezzo during the Morsi regime, has by and large followed the USA and Israeli agendas, importantly to preserve the economic interests of the military, in spite of a popular opinion

that is supportive to the Palestinian cause. Notably Egypt has played and is still playing a key mediator role between Israel and Hamas over Gaza. However, with the new military regime in Egypt, Egypt is strongly contributing to the further isolation of Hamas in Gaza, as part of the regime's campaign against the Muslim Brotherhood, and allegedly to eradicate terrorist attacks in the Sinai.

A majority of the population in Jordan has Palestinian background (estimates are around 65 %). The position of Jordan has always been very careful in not confronting the US, a major player in Jordan, while assuring its population, also the non-Palestinian part, that it is defending the Palestinian interests, notably a two-state solution according to the Green Line boundaries, the return of refugees and East Jerusalem as the capital of the future State of Palestine. Jordan is the religious custodian⁵⁴ over Al Aqsa in Jerusalem, the third holy place in Islam.

Both Egypt and to a lesser extent Jordan are also keen to manage their domestic political interests and are not keen to support a Palestinian leadership that could be too strongly influenced by Hamas, being part of the Muslim Brotherhood family. This applies more or less also to other Arab countries that have supported by lip service Palestinian interests, but are at the same time concerned with both the growing influence of movements as Hamas and the democratic aspirations of a well-educated Palestinian population. Egypt but also other Arab countries, such as Saudi Arabia and Qatar have played important roles in reconciliation negotiations between Fatah and Hamas.

Recent positions of Turkey have been less favorable to the interest of Israel, but are yet putting little weight in the overall power dynamics. Where Iran has probably contributed to some extent to the military strength of the Palestinian factions in Gaza, most of this strength demonstrated during the recent confrontation of summer 2014 with Israel was built-up by the factions themselves inside the Gaza Strip. Where Qatar has played a role in providing funding to Hamas and the Gaza strip in recent years, this role seems now to be less important. The very recent and accelerating developments in Iraq and Syria may importantly influence the different positions in the Arab World and beyond on the Israeli-Palestinian conflict. However this rapidly developing situation is too recent, complex and opaque to address within the scope of this context study.

Interestingly Arab funding seems to be very tactical, increasing funding (especially budget support to authorities) when other funding decreases, as was the case during the years of the Second Intifada and immediately after the 2006 elections. And strategic as for instance was the case with funding of Qatar to support Hamas between 2009 and 2013 and the Muslim Brotherhood in general, the Saudis providing the main Arab funding to the PA. Saudi Arabia was the third donor after the EU and the USA in 2008 (MAS, 2009).

Worldwide there is wide support for the cause of Palestine as reflected by the Decision of the UN General Assembly to recognize Palestine as an Observer State, with a majority of 135 countries on 193 that have voted for this decision. Palestine has become the 194th State in the UN General Assembly. However, this political support has thus far little bearing on the developments of the situation around the Palestine-Israel conflict.

⁵⁴ Jordan is the Party in Charge for Al Aqsa Restoration Committee of Al Aqsa Mosque and the Dome of the Rock, headed by the Ministry of Religious Affairs of Jordan

Chapter 5. Solutions undertaken to resolve issues of conflict

5.1 Negotiation positions of Israel and Palestinian society

5.1.1 Positions of Palestinians with regard to the Israeli Occupation

The position of the PA reflects a dominant view in Palestine's society in the Palestinian Territories, where the final status of negotiations should deliver a two-state solution on the basis of borders that were established in 1949, known as the Green Line, after the territorial conquests made by Israel in 1948/1949 (see Figure 2). A final status agreement would include the establishment of a Palestinian State, the right to return of refugees, East Jerusalem as a capital, shared and equitable access to water, full access and use of Area C within the framework of a viable and independent sovereign state (including the lift of the many economic restrictions imposed by Israel on Palestine), as affirmed by many of the UN Resolutions in the past 65 years and reiterated by the Palestinian Leadership in earlier negotiation processes (Camp David/2000, Taba/2001, Kerry process of the last two years).

An important part of the Fatah leadership, being the leadership of both the PLO and the PA, has recognized the right of Israel to establish a state in Palestine as far back as 1974 (at 12th PNC meeting in Cairo) and embraced the essence of the Oslo Accords as described above. The Palestinian leadership however, has made it clear recently that no further negotiations can take place without a stop to the continuing settlement process (as mentioned in section 3.1.1 actually more than 520,000 Jewish settlers are established over the West Bank, controlling 42 % of the West Bank land and resources (68% of Area C)). As there is no progress in the negotiations and Israel does not demonstrate willingness to stop settlement expansion, the Palestinian Leadership has increasingly turned to the UN and the international Community for recognition of Palestine as State, irrespective of the outcome of further negotiations with Israel (see further section 5.2.1).

Hamas and PFLP, as two major other factions, have not recognized formally in its statutes and mandate the right of Israel to establish a state in Palestine. They however have accepted the different UN resolutions that confirm this right. De facto it is recognizing Israel's presence within the 1967 / Green Line boundaries, while insisting that East Jerusalem is the capital of the State of Palestine. They opposes the Principles of the Oslo Accords as they undermine the validity and viability of Palestine as an independent State and do not tackle important other issues as the return of refugees and East Jerusalem as Palestine's capital. At their side there seems to be space for compromise if this is substantially met by important compromises of Israel (this author). However, the intransigence of Israel as a whole, the blatant refusal of Israel to stop further settlement expansion in spite of international insistence, the absence of any signs that the "matrix of control" as described in Chapter 3 can be transformed into a new situation, as well as the increasingly explicit voice of Israeli right-wing parties on Annexing Area C, seems to have led to an increasing sentiment in Palestine that new ways need to be found for resolving the conflict with Israel, on a different basis than as stipulated by the Oslo Accords, in which a two-state solution is not necessarily anymore the key concept. In fact this change in sentiment and position is in acceleration only very recently and not well documented (this author; see further section 5.2).

Many Palestinians regarded the Oslo Accords as a disaster for the Palestinian cause (Edward Said, 1995; Bouillon, 2004; Turner & Shweiki (ed), 2014; Turner & Shweiki, 2014; Taghdisi-Rad, 2014; Gassner, 2014). Some coined Oslo even as a "sell-out"⁵⁵ to Israel of what was left of Palestine, on the expense of basic rights of ordinary Palestinian people (access to land and water, livelihoods, income, education, health, expression; self-determination). In the opinion of some authors, the Oslo Accords and the subsequent Oslo peace process was designed as a top-down process of 'elite pact-making' where the people concerned and international law are seen as 'not helpful' (Mc Keon, 2009). According to these authors the legal framework provided for the Oslo negotiations by the UN Security Council Resolutions 242 (1967) and 338 (1973) holds the Palestinian people hostage to Israel's consent and gives primacy to Israel's self-defined needs for security, territorial integrity and

⁵⁵ The term "sell-out" was coined by Edward Said in his book of 1995 "Peace & its Discontents".

sovereignty (Gassner, 2014). At the same time little or no consultation has taken place on these Accords between the small group of PLO leadership engaged in the secret negotiations and the different political factions both in WBGS and in the refugee communities in the Diaspora.

Indeed, the Palestinian opinion is not restricted to those living in the West Bank and the Gaza Strip. Of the 12.1 million Palestinians worldwide about half (6.02 million) live outside historic Palestine, an important part of that as refugees; another 1.46 million live in Israel (PCBS, 2014). Most of them aspire to return to their homes and lands, although with time many also have settled in the countries they now live in; albeit often as a resident with secondary status (notably in Lebanon and Jordan), while a major part of the Palestinians in Syria have become refugee in Lebanon or Jordan, as a consequence of the civil war in Syria. For many of the Diaspora Palestinians the right to return is undeniable.

5.1.2 Positions of Israel with regard to the Palestinian Territories (bis)

The negotiation positions of Israeli political leaders have in essence not much changed since 1993. The Israeli Government position is clear as mentioned in section 2.3.1 on the Oslo Accords and in section 4.4.1. Since 1993 there seems to be little intention among Israeli political leaders to allow a Palestinian State to be established in the West Bank and Gaza, or at least one that would have the basics of national sovereignty by any international standard (interviews; Ahmad, 2014; Murad, 2014; Edward Said, 1995). The Peace Process negotiations are instrumental mainly to provide the time needed to deepen its control over territory and resources. Control over about all strategic economic resources is already fixed through the Oslo Accords and the Paris protocol. All further negotiations and debates are in fact irrelevant. For most Israeli the West Bank is already part of Israel, apart from some urban areas where Palestinians are allowed to live (cf. Figure 5⁵⁶). Current right-wing leaders in the Israeli government (Bennet, Lieberman) openly call for the annexation of Area C (63% of the West Bank) as illustrated by the latest political statements of the extreme right leadership of “The Jewish Home”, announcing that there is no place for a two-state solution and that they will annex Area C to Israel, when in a new government (Whitbeck, 2014). Where these leaders are very outspoken, their positions are not widely different from leaders in earlier centre-left Israeli Governments

5.2 Major negotiation initiatives undertaken since 2002

5.2.1 Different Peace Initiatives

The Road Map / Peace Process

The deadline of 1999 passed for the five-year interim period to close final-status negotiations on the Israel-Palestine conflict, and possibly triggered by a new uprising, the Second Intifada, new initiatives were developed by the International community led by the USA. While these new initiatives build on the Oslo Declaration of Principles, they (unlike the Oslo Accords) included explicitly the formation of a Palestinian State. Formally, the UN Agencies, the USA, Russia and the EU and its Member States have - according to UN Security Council Resolution 242 - recognized a future State of Palestine that should be based on the principle of two states with the 1967 Green Line as the boundary between Israel and Palestine and with East Jerusalem as its capital while maintaining the right to return for Palestinians to their homeland. A Quartet was formed in 2003 by the UN, USA, EU and Russia that would facilitate further negotiations following a Road Map as was proposed in 2003 by the USA (see further comments on the work of the Quartet in section 5.2.2). The Road Map was initiated by the USA Bush Administration and followed on by the Obama Administration with important shuttle diplomacy in the last two years by Kerry as the US Secretary of State. The process was stalled different times notably by Israel’s refusal to stop settlement expansion, while the different wars on Gaza (2008/08 and 2012) have further exacerbated the negotiation processes. It is beyond the scope of this context study to elaborate in more detail on the different hopes and set-backs over the last 12 years that have accompanied the Road Map. There is however increasing impatience both in the USA Administration and in European Countries with the impossibility to come to a final resolution of

⁵⁶ Figure with a map of the West Bank where Areas A and B are simply called Palestinian enclaves (Shoshan, 2010)

this peace process, while the (Israeli) facts on the ground seem to have outlived the so-called Two State Solution (interviews).

“The Arab League Peace Initiative”

The Arab Countries member of the Arab League have launched in their meeting in Beirut in 2002 a proposal that was intended by the Arab countries to provide a basis for general peace in the region. In exchange for the withdrawal of the Israeli Army from the Palestinian Territories occupied in 1967 the Arab Countries would recognize the State of Israel within the Green Line (1967) boundaries. This Peace Initiative foresees the establishment of the State of Palestine with East Jerusalem as its capital and recognizes the right of return for Palestinians in the Diaspora. This proposal, fundamentally different from the essence of the Oslo Accords, was rejected by Israel and the USA. While it is considered by many as the most realistic initiative thus far, it has not been given further follow-up. In view of the unwillingness of Israel to accept this and other proposals for a two-State solution, there are rumors that Arab countries may now be reconsidering this proposal. There are other suggestions that, in the actual impasse of a not anymore convincing two-State solution as envisioned in the above Road Map, the Arab League Peace Initiative may be revisited (this author).

“The Geneva Accord”

In 2003 a group of Palestinians and Israelis, partly having held official positions and partly continuing to do so, frustrated with the lack of progress in achieving a final status agreement came together on an informal basis and worked on draft permanent status agreement that could have been achieved by 2005. It was signed on October 12th, 2003 in Jordan by the personalities that have proposed this draft agreement. It was intended to be presented to the Israeli and Palestinian Authorities for endorsement (Beilin, 2004).

The Draft permanent Agreement was a comprehensive proposal and encompassed as the main points the establishment of an Implementation and Verification Group (IVG) that would include the US, Russia, the EU and the UN; and a Multinational Force (MF) that would ensure security guarantees to the two parties, protect the territorial integrity of Palestine. The Agreement proposes boundaries to follow the 4 June 1967 lines with possible reciprocal modifications on a 1:1 basis, while respecting each other's sovereignty, territorial integrity and political independence, as well as the inviolability of each other's territory, including water and airspace. Moreover, the State of Israel shall be responsible for resettling the Israeli residing in Palestine sovereign territory outside this territory. A corridor shall be established linking the West Bank with the Gaza Strip, being permanently open, under Israeli sovereignty and Palestinian Administration and allow for infrastructural facilities (pipelines, electrical and communication cables, etc). A number of precise security provisions are elaborated, while Palestine should be a non-militarized state with a strong Palestinian Security Force (PSF) coordinating with the MF. The Israeli Army would withdraw all its personnel and installations from the territory of the State of Palestine according to a number of principles with the PSF maintaining border control under the monitoring of the MF. With regard to Jerusalem, the parties shall have their mutually recognized capitals in the areas of Jerusalem under their respective sovereignty, while detailed points are further elaborated concerning the Old City and places of religious significance. With regard to the Palestinian refugees detailed proposals are elaborated in terms of choice of residence, compensation and status. Further mention is made of use of roads (Israeli need permit to circulate on Palestinian roads) and water resources (Beilin, 2004).

Apparently, the Draft Permanent Agreement has not been given much follow-up. The Geneva Initiative has received little attention and it is not very clear why this initiative has not been taken up in full or in part by Israel and the Palestinian Leadership and Third parties to the conflict. In Palestinian society very few people are aware of the content of this Initiative. The most obvious reason might be that this draft agreement is in no way in the real interests of a majority in Israel and contradicts the accords between Labor and Likud made in the Beilin-Eitan Agreement of 1995, while such an agreement could importantly undermine interests of personalities in the Palestinian leadership (this author).

Nevertheless, the Geneva initiative is a second track diplomacy initiative backed up by a broad spectrum of groups and individuals in favor of a peaceful co-existence of two nations, among them high level political leaders in US, Sweden, Switzerland and Japan, ex-high-ranking officers in the Israeli Army (Beilin, 2004) and senior personalities in the PLO (Beilin, 2004). Some of the negotiators during the Oslo agreements that did seriously want to establish peace, and do not want to abuse the negotiation process, do participate, in one way or another, in this initiative (Klein, 2007). Comparing the outcome of the proposed agreement with the reality might give rise to the conclusion that this draft for a permanent agreement has not been given follow up. However, meetings of the Geneva Initiative continue to take place in which details of a permanent agreement are further discussed, while the meetings provide opportunities to discuss strategies to counter the prevailing hardliner policy of Israel. This can be useful as a preparation investment for a possible situation where real negotiations would finally start. Secondly the Geneva Initiative has an important function in mobilizing the public opinion (Klein, 2007). Therefore several donors support the initiative. This holds for The Netherlands as well. As an alternative and complementary platform to formal diplomatic initiatives it has an important function worthwhile to be supported by the EU and EU member countries, including The Netherlands (personal communications peer review).

Initiatives at the level of the United Nations

In view of the frustrations of the PLO/PA⁵⁷ with Israeli intransigence to come to final agreements, the PLO/PA Leadership has increasingly focused on recognition of Palestine as a State by the International Community. This is strongly resisted by Israel and the USA on grounds that Palestinian Statehood can only be achieved by negotiations between Israel and the PLO and that unilateral steps by the Palestinians will not be conducive to come to a final agreement (...). It was another sign of the disconnect or incompatibility, in Israeli and American eyes between peace (process) and justice; or in the words of different interviews *“it seems we have to choose between peace (on Israeli terms) and justice”*. The Palestinian initiatives towards the UN have resulted in 2012 in the recognition of Palestine as a non-member State by the UN General Assembly with 135 votes out of the 193 (3 negative votes and 55 abstentions, among the abstentions many from Western Europe).

At the end of 2014, a resolution was submitted to the UN Security Council by Jordan on behalf of the Arab countries and the PLO, calling on (i) a final agreement by end of 2016; and (ii) the withdrawal of Israeli troops from the Palestine Territory beyond the Green Line by end of 2017. The resolution just missed the necessary positive votes, Nigeria having changed its vote on the last minute under pressure from the USA.⁵⁸ The USA voted against with the argument that a final agreement can only be reached through negotiations and not by ultimatum. Subsequently the PA requested to join the International Criminal Court and it is expected that this request will be approved by the ICC. Nevertheless, it needs to be noted that the PLO/PA leadership acted on its own without prior consultation with other political factions, the PNC or the PLC. Hamas and PFLP have objected to the December 2014 resolution submitted to the UN Security Council, the content not being in the interest of the Palestinian people. Most of the international NGOs have aligned their positions with those of the UN and the European countries, although taking sometimes stronger positions on human rights, the Israeli policies in Area C and the Gaza blockade.

5.2.2 External Actors' influence on policy processes

United States of America

In the USA, Israel is considered both a domestic political issue as well as a strategic military ally in the Middle East. While many strategic analysts in the US are recommending the US government to review its strategic analysis for the Middle East by giving Israel a much less important role, the Israel-Palestine conflict has, contrary to most foreign policy issues, become an important domestic issue. USA politicians cannot do otherwise than taking into account both a strong Jewish lobby and fundamentalist Christian opinion that importantly influences the debate. In view of the failure of the USA, in its self-imposed role as mediator, to come to a resolution of the Palestine-Israel conflict in the 20 years after Oslo, there is not much reason to hope that renewed involvement of the USA will

⁵⁷ As the leadership of the PLO and the PA are roughly composed by the same personalities, it is difficult at this stage to distinguish between the PLO and the PA. Formally negotiations with Israel are led by the PLO.

⁵⁸ It is reported that the Nigerian people have strongly protested against this negative vote of their government.

lead to tangible results in a rather short period. The rapidly developing situation in the region, in Iraq, Syria and Lebanon, however, may or may not lead to shifts in the US strategic considerations for the region.

The Quartet

As mentioned in section 5.2.1, a Quartet (of UN, USA, EU and Russia) was established in 2002 with a Representative Office in Jerusalem that would facilitate further negotiations following the USA proposed Road Map. Until now the work of the Quartet, apart from monitoring the destructive developments over the last year has been largely ineffective to facilitate a breakthrough in the negotiations that should bring a process to peace. To note that it was mentioned in the end of mission report of the former UN Special Envoy, Alvarez de Soto that the Quartet actually blocked any criticism of Israel and possibility to move negotiations forward⁵⁹. The recent Initiative for the Palestinian Economy, a proposal made by the Quartet Representative Office (OQR, 2014) recognizes that for such investments to be effective important measures are required from Israel to relinquish the highly restrictive containment measures it has put in place since Oslo and Paris. Decisions of the Quartet are importantly influenced by the position of the USA.

Arab Countries

Positions and possible political actions of the different Arab countries that could influence the further developments in the Palestine-Israel conflict are highly unpredictable and will importantly depend on how the crisis notably in Syria will evolve. The split between Fatah and Hamas, if not reconciled will play an important role in further positioning as this split reflects also profound political differences between different Arab countries viz a viz a complex matrix of positions both with regard to the Muslim Brotherhood and the Sunni-Shi'a conflict (this author)⁶⁰.

European Union

Thus far the EU and its member states, among them The Netherlands, have done little to pressure Israel on respecting the commitments made by themselves to the numerous UN Resolutions in favor of a free and independent Palestine. Most of the EUs reactions remained within the domain of lip service to these commitments and resolutions, as witnessed in the last years where Israel has refused to act on the many calls to stop further construction of the settlements. The decision not to support the outcome of a democratic election process, the restraint in taking action on the many and highly destructive aggressions on Gaza, the not acting on the numerous acts of violation of human rights are even so more examples that Europe (the EU and its member states) have rather strengthened Israel in its impunity and allowed it to continue the occupation. In short, Europe has fallen very short of calling Israel to account for the numerous and on-going violations of basic human rights and for the acts that are considered by international conventions as war crimes (interviews). As observed in the Netherlands press, in order not to derange the "peace process", Europe has "refused to punish the occupier and to help an oppressed people" (de Gruyter, 2014). It is suggested by different corners that the global and pertaining interest in the Israel-Palestine conflict also reflects that many other countries see this as a test case of to what extent Europe is consequent in its urge to others to abide by international law (interviews).

In the last two years however, the EU has issued important directives concerning economic activities in the settlements, the destruction of infrastructure in Area C and on scientific relationships with Israel. Although a clear message of the EU to Israel of boundaries getting reached, Israel has responded to this by compensating private companies for financial losses (interviews). A stronger and possibly more effective instrument of the EU is suggested to be the putting on-hold of the preferential trade agreements between Israel and the EU, apart from strong diplomatic signals as the withdrawal of Ambassadors, etc. However, where for Europe an excuse may be that it is not able to act due to the difficulty to come to a strong and common position among 28-member states where one state can veto a decision, the reluctance to delink two very different events in history, the genocide of the Jewish population in Europe before and during the Second World War on one

⁵⁹ see [<http://www.theguardian.com/world/2007/jun/13/usa.israel1>]

⁶⁰ As mentioned in Chapter 1, an analysis of the regional context and its past and possible future interferences with the Israel-Palestine conflict would have been useful. However, this was beyond the reach and scope of this context study in view of time limitations to the study.

hand and the denial of basic rights and the violent oppression of the Palestinian people on the other hand, is by many considered as the root cause for the European position (interviews, *references ??*).

In the last year and notably since the last aggression on Gaza in 2014 and the growing impatience with Israeli intransigence (notably on settlement expansion), there seems to be a trend of changing positions of the EU countries, as is reflected by the very recent recognition of Palestine as a State by different major parliaments (UK, France, Spain, Portugal, Belgium, Luxemburg and Ireland) and the recognition of the State of Palestine by the Government of Sweden (Whitbeck, 2014). However, for many these recognitions come too late, as there is too little left over of Palestine to be a viable state with the ever increasing land de facto annexed for Israeli settlements within the West Bank. At the same time it is questioned if such recognitions may not backfire, and simply be considered as symbolic, if not followed-up by recognition of the governments of the same countries (Whitbeck, 2014: 2). A critical dilemma in European governments is observed by Whitbeck⁶¹ (2014/2), in that *“European governments are conscious of Europe’s un-paralleled leverage as Israel’s primary trading partner and cultural homeland, and that diplomatic recognition of Palestine would make meaningful action to end the occupation imperative. This would constitute a primary reason (apart from the fear of upsetting the American and Israeli Governments) why even those European governments that would not support perpetual occupation and genuinely wish to see the achievement of a decent two-state resolution are reticent, hesitant and nervous about extending diplomatic recognition to the State of Palestine now”*. Nevertheless there are careful political signals that the EU and several European countries indicate their intentions to play a more important role in the negotiation process than thus far, especially in view of the apparent incapacity of the USA to play a more neutral role as mediator and to achieve a resolution of the conflict (interviews).

5.2.3 What next ?

This report has provided insights in the historical background of the Palestine-Israel conflict; it has described the containment and matrix-of control policies of Israel that keep Palestine imprisoned in a situation where its people have little say about their future. It has described how this has affected internal politics and how external interference has played a critical role in bringing the Palestinian political economy to where it is now and supported this protracted crisis.

Few would argue that the overriding and indeed most fundamental constraints to Palestinian human development in the West Bank and Gaza Strip are any other than a result of the ongoing Israeli military occupation and the web of policies and procedures it has used to control the civilian population, which, as described in this report, serve to facilitate a process of ongoing displacement, dispossession and de-development of the Palestinian population and preclude their right to self-determination for well over four decades (Roy, 1995; Bouillon, 2004; Khan et al, 2004; Taghdisi-Rad, 2014; Turner, 2014). If this argument is right it would provide for a clear indication for critical need to examine the political assumptions underpinning and revise strategies guiding both resolving the Israel-Palestine conflict and foreign assistance.

In examining such political assumptions maybe four final observations could be made that would provide on one hand a highly condensed summary of the state of affairs in Palestine and that, on the other hand, could contribute to open new doors for renewed efforts to come to the resolution of the now 65 year-old Palestine-Israel conflict:

- The basic rights of the indigenous Palestinian people have systematically been denied, one of the most important ones being the right to self-determination; the Palestinian people have basically had no say in the situation they have ended up in (others have decided for them)
- 20 years of post-Oslo efforts to resolve the Israel-Palestine conflict has not delivered any perspective for a resolution (the Road Map for a Peace Process has arrived in a “cul de sac”, a “dead-end street”); there is an urgent need for a new political paradigm that can step-out of an Israeli security and homeland narrative that can only lead to more violence⁶².

⁶¹ John Whitbeck is an international lawyer who has advised the Palestinian negotiation team in negotiations with Israel

⁶² A recent EuropeAid evaluation of EU development support to the oPt concluded that the EU’s flow of aid – €2.5bn over the last five years – had “little demonstrable impact on the main obstacles to achieving the two-state solution” and that the current aid paradigm “has reached its limits in the absence of a parallel political track that addresses the binding constraints [...] particularly Israeli occupation and

- The cost of this protracted crisis is extremely high and there may come an end to the political leverage in Western and Arabic countries to continue funding a Peace Process that does not deliver.
- *“Palestinians are as the stones in the valley; they were there and will stay there”* (one of the interviews).

Chapter 6. List of Works Cited

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