

# **USAID/West Bank and Gaza**

## **Annual Report**

**FY 2005**

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## West Bank and Gaza

### Performance:

Background: Two momentous events gave new impetus this year to dreams of an independent state for the 3.6 million Palestinians living in the West Bank and Gaza. On December 18, 2003, Israeli Prime Minister Ariel Sharon declared his intention to withdraw unilaterally from Gaza in 2005, removing 7,000 Israeli settlers and closing Israeli military bases. He also announced the planned evacuation of four settlements in the northern West Bank. On November 11, 2004, Palestinian leader Yasser Arafat, revered as the only leader most Palestinians have ever known, died. These historic milestones open new windows of opportunity for Palestinians and international donors alike. However, before these opportunities can be seized, formidable challenges must be faced.

The initial challenge for Palestinians is to conduct free and fair elections to choose a new leadership. Within three days of President Arafat's death, the interim Palestinian leadership announced its intention to abide by the Basic Law requiring presidential elections within 60 days. That election will be held on January 9, 2005 and it will be the first election in the Palestinian Authority in eight years. The newly elected leadership will then face truly daunting challenges both external and internal. The leadership will have to frame a strategy for managing its role in the Gaza disengagement. It will have to improve Palestinian governance by clamping down on terror, reforming the security apparatus, moving toward democracy and the rule of law, exchanging corruption for transparency and providing better services to a poverty-stricken people. The new Palestinian leadership will have to garner enough clout and credibility among its own people to make the compromises needed for the eventual resumption of the peace process and an accord on final borders, the status of Jerusalem and refugees.

For the past 10 years, USAID West Bank/Gaza Mission has been laying the groundwork to help the Palestinian leadership meet these challenges and take advantage of the opportunities now open to them. USAID supports the development of a Palestinian democracy through projects that promote the establishment of a modern legislature, bolster political processes such as elections, lay the foundations for a viable justice system, and promote a vigorous civil society. On the economic front, USAID has strengthened the Ministry of Finance's audit capacity, is boosting exports by helping businesses to penetrate new international markets and generating employment. In the social sector, USAID establishes clinics and trains health workers to improve maternal and child survival, health and nutrition. It builds classrooms and kindergartens, constructs and equips sport and computer centers. USAID is nurturing a cadre of professionals and leaders by financing local undergraduate scholarships and by sending graduate students to the United States for study in sectors critical to Palestinian society and its economic development. USAID is bringing fresh, clean drinking water to communities throughout the West Bank and Gaza, building reservoirs, establishing wastewater treatment facilities, helping Palestinians to manage their fragile coastal aquifer and constructing roads.

With the current lack of effective government safety nets, humanitarian assistance often must be provided to the neediest in conjunction with development assistance. USAID responds to this challenge by providing food, water, shelter, medical care, and basic schooling where the need is dire.

The Palestinian-Israeli conflict has been a threat to the security of the region through four wars and two Intifadas since 1947, when the Arab states rejected a United Nations plan to partition British Mandate Palestine into separate Arab and Jewish states. The ensuing war ended with Israel holding all of Palestine except the West Bank, captured by Jordan, and Gaza, seized by Egypt. Jordan occupied the West Bank and Egypt held Gaza for 19 years. In 1967, during the Six Day War, Israel gained control of the West Bank and Gaza. The 1978 Camp David Peace Accords between Egypt and Israel left Gaza in Israeli hands. Palestinian resistance to Israeli rule exploded with the First Intifada in 1987. In 1988, King

Hussein of Jordan officially renounced all claims to the West Bank.

The latest phase of the conflict, the Second or al-Aqsa Intifada, erupted in September 2000 and has already killed some 4,000 people on both sides. This ongoing Intifada has delayed the implementation of the Roadmap and of President George W. Bush's vision of a two-state solution. It nipped in the bud a Palestinian economy that was beginning to bloom in the sunny atmosphere created by the 1993 signing of the Oslo Accords. The Israeli military, which had withdrawn from much of the West Bank and Gaza under the Oslo agreement, moved back in force in an attempt to halt a wave of deadly suicide bombings. Closures, checkpoints and curfews imposed by Israel on security grounds have seriously disrupted commerce, caused a surge in unemployment and acutely impaired the Palestinian Authority's ability to carry out basic functions or provide essential services. Israel's decision to build a security-motivated separation barrier, with some portions well inside the Green Line, is proving to be a powerful psychological as well as physical obstacle to progress.

The havoc the Intifada has wreaked on the Palestinian economy is measurable. Since its onset, the poverty rate among Palestinians has increased from 20% to 48%. The unemployment rate soared from 12% in 1999 to 27% in 2004 - still an improvement over the 31% registered in 2002. Gross Disposable Income (GDI) has fallen a cumulative 27% and would have dropped even lower without the large infusion of cash from donors and revenue transfers from Israel. Cumulative Gross Domestic Product per capita has plummeted 38%.

At the same time, the population increased from 2.8 million in 1999 to 3.6 million today. The extremely high population growth rate, hovering around 5 percent, offsets economic growth and achievements in the social sector. And, despite reforms implemented by the Palestinian Authority in the financial management sector, corruption remains palpable. Today, the West Bank/Gaza ranks 102nd on the 2004 United Nations Development Program Human Development Index of 177 nations.

**U.S. Interests and Goals:** The resolution of the Israeli-Palestinian conflict is one of the U.S. Government's top three foreign policy goals. On June 24, 2002, President George W. Bush presented his vision of two states, Israel and Palestine, living side-by-side in peace, security, and dignity with the Roadmap as the means to move forward. President Bush reiterated his commitment to a two-state solution on November 12, 2004 saying that he intended "to use the next four years to spend the capital of the United States" toward that goal. USAID advances those objectives each day by helping the Palestinian people progress toward economic and political stability and democratic governance. The West Bank/Gaza Mission has incorporated these goals into the planning of each of its six strategic objectives (SOs). USAID is advancing economic stability by supporting private-public partnerships and promoting trade and business associations. Other projects create tens of thousands of person days of employment and, through creative training initiatives, give thousands of Palestinians the skills critical for employment. USAID is addressing political stability and democratic governance through dynamic programs that bolster critical political processes such as elections, lay the foundations for the rule of law and a viable justice system, and promote a robust civil society. In addition, USAID projects aimed at alleviating the suffering of Palestinian civilians caught up in the conflict help defuse anti-American sentiment in the Islamic world and help reduce support for America's biggest security threat: international terrorism.

**Donor Relations:** At the international level, the policy-making, donor coordination body is the Ad Hoc Liaison Committee (AHLC). The AHLC consists of Norway (as chair, with each meeting's host acting as co-chair), the European Union (EU), the United Nations, the U.S., the World Bank (as secretariat), Japan, Canada, Russia, and Saudi Arabia. Associate members are the Palestinian Authority (PA), Israel, Egypt, Jordan and Tunisia. The PA and Israel attend meetings either as observers or as full participants, depending on the political climate. Meetings are held once a year in Europe, and agenda items include fiscal issues, donor budgetary support, emergency needs, the humanitarian situation and reform. The Local Aid Coordination Committee (LACC) was set up to coordinate policy at the local level and is open to all official aid agencies. The United States was the largest donor to the West Bank and Gaza in 2003, contributing \$253 million, representing more than a quarter of the total \$927 million disbursed by all official donors. Since the beginning of the Intifada, the EU, Arab League Countries, the World Bank, and other donors have shifted most of their assistance towards direct budgetary support to the PA. The U.S.,

while continuing to respond to emergency and humanitarian needs, maintained its focus on longer-term institutional and infrastructural development needs and provided 48% of all donor aid in that area.

**Challenges:** This Mission's main operational challenge is the volatile security situation. Throughout FY2004, the Intifada followed a predictable cycle: a Palestinian suicide bombing or rocket attack, an ensuing Israeli retaliatory incursion or targeted assassination, a period of relative calm. Two weeks into FY2004, three American security personnel accompanying a U.S. diplomatic convoy on its way to interview prospective scholarship recipients in Gaza were killed when a roadside bomb exploded under their armored vehicle. When the Palestinians failed to arrest the perpetrators, two crucial water infrastructure projects in Gaza were put on hold and security restrictions on USAID travel to the West Bank were tightened considerably, and all travel by American personnel to Gaza was banned. These security restrictions have complicated the implementation of USAID projects. The need for armored vehicles, security escorts and high insurance premiums have increased the cost of operations considerably. The worldwide requirement for NGOs to sign the Certification Regarding Terrorism Financing is a particular challenge. Some of USAID's best Palestinian partners who reject terrorism objected to the specificity of the language in this certification, and withdrew from cooperation with USAID.

**Key Achievements:** Despite the security obstacles, the West Bank/Gaza Mission made substantial progress during FY2004 in all six of its Strategic Objectives (SOs):

1. **Expanded Private Sector Development Opportunities:** This SO focused on private enterprise development through financial and technical assistance and microeconomic policy reforms. In FY2004, USAID assisted some 1,000 businesses to penetrate new regional and international markets, created and maintained 5,000 new jobs, generated \$25 million in exports and strengthened business associations. Some 5,000 micro-enterprises, most run by women, benefited from USAID assistance to a micro-finance institution. The SO significantly contributed to the drafting of laws and regulations on land reform and company laws and micro-enterprise policy reform.

2. **Infrastructure and Water Resources:** This SO designed and/or constructed production wells, booster pumping stations, transmission pipelines, and a wastewater treatment plant across the West Bank and Gaza. In the Hebron region alone, new water transmission lines deliver a reliable source of clean water to 480,000 Palestinians in Hebron, Bethlehem and 25 nearby villages. In the second phase of its Roads Program, the SO did construction and rehabilitation work on five important West Bank roads spanning a total of 17 miles. The roads, used by 500,000 people, provide a means of safer travel, access to health services and enhance commerce by connecting numerous villages to nearby towns. This SO's projects produced tangible assets on the ground, created jobs and helped alleviate extreme economic hardship.

3. **Democracy and Governance:** This SO focuses on maintaining and strengthening key institutions needed for a modern Palestinian democracy. The SO supported a voter registration, observation initiative that helped build public and international confidence in Palestinian electoral preparations. Technical support contributed to an important draft election law with significant democratization implications for parliamentary elections. USAID strengthened the Palestinian Legislative Council's (PLC) capacity to fulfill its responsibilities, particularly its capability to oversee the Executive Branch. Video-conferencing equipment provided by USAID is the primary means through which the PLC conducts business between West Bank and Gaza. The SO's work with Palestinian civil society achieved demonstrable results by engaging NGOs in the democratic process and supporting their efforts to represent and integrate marginalized groups such as women, children and the disabled.

4. **Increased Access to Higher Education and Training:** In FY2004, this SO provided 65 Palestinian scholars and professionals with unique opportunities for graduate study in the United States, helping them gain skills critical to their communities. A high 82% of these students return to make tangible contributions to Palestinian society. The SO also provides local scholarships to talented, financially challenged Palestinian students studying at accredited universities and colleges in the West Bank and Gaza. Thus far, 476 local scholarships have been awarded, 58% of them to women. USAID also funded 15 research proposals in biochemistry, botany, nutrition, entomology and insecticides, microbiology, electronics, environment/wastewater treatment, and energy.

5. Health and Humanitarian Assistance: This SO trained almost 1,200 health workers to strengthen their counseling skills in educating women on birth spacing, family planning and well-baby care. Another 108,000 women living in isolated communities received health education kits explaining danger signs during pregnancy, newborn care, breastfeeding and nutrition. Some 150,000 Palestinian children have benefited from psychosocial counseling in schools and summer camps to help them cope with the trauma of the current conflict. Over \$8 million in medical supplies were procured ensuring no stock outs of essential drugs, particularly in isolated villages. Some 530,000 of the poorest Palestinians directly benefited from food aid programs supported by USAID and P.L. 480 Title II funds.

6. Improved Community Services: This SO focuses on addressing the basic needs of underserved and marginalized Palestinian communities through employment generation activities. In FY2004, the SO created 624,000 person days of employment on construction projects while addressing basic infrastructure needs in rural and urban areas. It also provided nearly 26,000 hours of vocational training in fields where market demand is high such as computer maintenance and mechanics. USAID constructed or renovated 500 classrooms and kindergarten rooms, 44,000 square meters of playgrounds, and 27 youth centers. The SO constructed the first vocational school for girls in the West Bank.

Gender: Projects focused on the well-being and advancement of women receive high priority within the Mission. USAID addresses gender by: sponsoring maternal health care clinics, granting micro-credit loans to women entrepreneurs; training women in professional health care, business administration, computer programming and other skills; supporting the activities of civil society organizations that represent women and advocate for their interests, assuring that women's issues are adequately reflected in laws and policies. USAID also encourages women to apply for its undergraduate and graduate scholarship programs. Overall 49% of the Mission's beneficiaries are women.

For more information, please go to the following web address: [www.usaid.gov/wbg/](http://www.usaid.gov/wbg/)

## Results Framework

### **294-001 Expanded Private Sector Economic Opportunities**

#### **SO Level Indicator(s):**

Effective Operations of Selected Economic Regulatory Institutions  
Increased Access to Financial services  
Increased Access to Marketing

**IR1.1** Increased Value of Housing Loans

**IR1.2** Increased Exports Directly Attributable to USAID Interventions

**IR1.3** Effective Operations of Selected Economic Regulatory Institutions

### **294-002 Greater Access To and More Effective Use of Scarce Water Resources**

#### **SO Level Indicator(s):**

Major Infrastructure Construction Milestones  
Population With Upgraded Village Water Systems

**IR2.1** Major Water and Sanitation facilities constructed

**IR2.2** Local Water and Sanitation Infrastructure Restored and Upgraded

### **294-003 Maintaining and Strengthening Key Institutions of a Modern, Inclusive Palestinian Democracy**

#### **SO Level Indicator(s):**

Democracy and Governance Milestone Indicators

**IR3.1** Strengthen Civil Society

**IR3.2** Strengthen Democratic National Governance Institutions

**IR3.3** Improve Justice Sector/Legal Framework

**IR3.5** More Genuine and Competitive Political Processes

### **294-005 Increased Access To Higher Education and Training**

#### **SO Level Indicator(s):**

Number of Undergraduate Students Making Progress Towards Their Degrees and Perform  
Community Service

Percentage of 89 Scholars Who Have Returned and are Working in Their Specialty

**IR5.01** Improved Willingness and Capacity of Palestinian Citizens to Contribute to Development  
Needs

**IR5.02** Palestinian Higher Education Institutions Identify, Adapt and Meet Changing Development  
Needs of Society

### **294-007 Improved and Sustained Performance in the Health Sector**

#### **SO Level Indicator(s):**

% of Pregnant Women Receiving Maternal Tetanus Toxoid

Acute Malnutrition % of Children Aged 6-59 Months

Number of Children Supported by Psychosocial Interventions

**IR7.01** Improved Quality of Maternal and Child Health and Nutrition

**IR7.02** Improved Behavior Related to Maternal and Child Health, Nutrition and Well-Being

**IR7.03** Improved Capacity to Meet Health, Nutrition and Psycho-Social Needs Arising Out of the Crisis

### **294-008 Improved Community Services**

#### **SO Level Indicator(s):**

Educational Rooms Constructed/Rehabilitated

Person-Days of Employment Generated

**IR8.1** Improve Quality of Education

**IR8.2** Expand and Improve Access to Economic and Social Infrastructure

**IR8.3** Enhanced Provision of Humanitarian and Emergency Assistance

**294-009 Program Support Objective**

**SO Level Indicator(s):**

Number of personnel supported by the PSO

Percent of Palestinians aware that USAID funded activities come from the U.S. Government