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"The economy behind the wall"

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1. Introduction

True to the German saying "A picture says more than a thousand words", the pictured photograph on the cover side serves as an introduction for our paper.

What can be seen in the photograph? Of course there is the dominating, tall wall in the picture. We see people that want to go on, but can not since the wall requires them to go a long way round. There might be other people on the other side of the wall, but how can you communicate with them with such an obstacle in the way? Frustration arises and sometimes results in graffiti that can be seen on the wall as well. For the car the wall marks the terminus as well. It is therefore not possible to make full use of the promise of freedom that cars stand for. In our picture the car that had to turn around stands as a symbol of the restricted mobility in the Palestinian territories and shows that for the economy as well, a border in form of the wall exists.

However, right in the middle we can detect one last thing that shows that hope still exists: we are referring to the pattern on the wall in the middle of the picture. How it could be possible to find a way through this wall and in what way the Palestinian Reform and Development Plan [PRDP] supports such a measure shall be analysed by this paper.

Firstly we will deliver some information on the background of the conflict which will lead us directly to the PRDP. A new initiative to bring development and peace to the middle east. But how can the Swiss agency for development and cooperation [SDC] contribute this target? This paper focuses on the idea of an IT business in the Occupied Palestinian Territories [OPT].

2. Background

This chapter shall give a brief overview over the history of the conflict between the Palestine people and Israel, reveal particularly the current situation and introduce the PRDP. Furthermore it shall briefly go into details on the SDC and its activities, especially in the OPT.

2.1 History and current situation

On March 3, 2008, just as we started writing this paper, there is the news about the missile attacks on Ashkelon.[1] Sadly though, news like this are heard on a regular basis and a lot of people started already ignoring them. This chapter tries to explain how the conflict started and assesses the current situation.

2.1.1 Developments before 1948

At around 1500 BC the area of historical Palestine was populated by shepherd from Arabia who founded a state with the capitol of Jerusalem. In the seventh century AC, Islamic Arabs conquered the area. Periods of Christian and Egyptian rule followed. From 1517 until 1917 the area was part of the Ottoman Empire.[2]

Before World War I, the politics of the hegemons Great Britain and France played an important role. Both parties exploited Arabs and Jews in their campaign against the Ottoman Empire. In the secret 'Sykes-Picot' agreement, these two countries agreed on the distribution of the area: France would get Syria and the Lebanon, Great Britain the area of contemporary Israel, West Bank, Gaza and Jordan.[3]

In the 1917 Balfour Declaration the British granted the Jews support for their goal of establishing a national homestead. On the other hand, the British had promised to a patriarch of an influential Hashemite family the formation of an independent Arabic state on Palestine territory.[4] After the war, the British and the French, as important members of the newly formed 'League of Nations', were able to get 'mandates' over the territories that they had divided between themselves in the 'Sykes-Picot' accord.[5]

2.1.2 The foundation of Israel

After World War II, the British requested that the newly founded United Nations [UN] should decide about the future of Palestine. In November 1947, the UN General Assembly decided to divide Palestine into a Jewish and an Arab state: „Independent Arab and Jewish States and the Special International Regime for the City of Jerusalem, [...], shall come into existence

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[1] cp. Szpiro, 2008
[2] cp. Jugova, Hanna & Agerer, 2004
[3] cp. Krautkrämer, 2004, p. 3
[4] cp. Beinin & Hajjar
[5] cp. Beinin & Hajjar

in Palestine two months after the evacuation of the armed forces on the mandatory Power has been completed but in any case not longer than 1 October 1948."[6] The Jews accepted this resolution, but also seized territory beyond the defined boarders. During this process more than 600'000 Arabs were displaced.[7] On May 15, 1948, the state of Israel was proclaimed. The neighbouring Arab states of Egypt, Syria, Jordan and Iraq then fought the newly founded Israel. The fighting lasted until 1949 when it finally ended with armistice agreements.[8]

2.1.3 Developments 1956 - 1982

In 1956 Egypt nationalized the Suez Canal. Israel allied with France and Great Britain and occupied Sinai Peninsula and the Gaza strip in October 1956. Due to pressure from the United States and Russia, Israel ordered back its troops. The Suez Canal was finally reopened for Israel.[9] These events became known as the Suez crisis.

In 1967 Egyptian troops marched into the Sinai Peninsula. This resulted in a pre-emptive attack from the Israelis on the air force bases of Egypt, Syria and Jordan. Aside from seriously beating its opponents, Israel captured the West Bank, the Gaza Strip, the Sinai Peninsula and the Golan Heights. It became obvious that Israel had become a dominant military power in the region.[10]

Egypt and Syria were also the opponents in the October 1973 Yom Kippur War. The result of the war was Israel's partly withdrawal from the Sinai Peninsula and the Golan Heights but also a heavy increase in US military aid to Israel.[11]

In 1978 talks were held between Egypt and Israel at Camp David. The result was two agreements: a framework for peace between Egypt and Israel, and a general framework to resolve the Middle East crisis. The former of the two frameworks was a success and led to the signing of an Egyptian-Israeli peace treaty in 1979. The latter had no success.[12]

Since the beginning of the seventies Palestinian extremist groups were able to establish bases in the south of the Lebanon. From these bases attacks on Israel were planned and executed. When the ambassador of Israel in London was murdered in June 1982, Israel started attacks on Lebanon the following day.[13] These attacks became know as the Lebanon campaign.

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[6] United Nations
[7] cp. Krautkrämer, 2004, p. 5
[8] cp. Beinin & Hajjar
[9] cp. Jugova, Hanna & Agerer, 2004
[10] cp. Beinin & Hajjar
[11] cp. Beinin & Hajjar
[12] cp Beinin & Hajjar
[13] cp. Jugova, Hanna & Agerer, 2004

2.1.4 First Intifada – Camp David II

The growing number of Israeli settlements and the increasing control of the population in the occupied territories created a growing sense of frustration among Palestinians.[14] After a deadly crash between an Israeli military vehicle and a Palestinian civil car on the December 8, 1987 an uprising (= Intifada) of the Palestine people took place.[15] Images of young Palestinians throwing stones at heavily armed Israeli soldiers brought as much international attention to the occupied territories as never before.[16] Following a US-initiative, a multilateral conference was held in Madrid in October 1991 to find a solution. Follow-up seasons were held in Washington, but did not show much progress.[17]

In this situation of deadlocked negotiations, Israel decided to reverse its refusal to talk to the PLO (Palestine Liberation Organization). Secret negotiations were held in Oslo in 1991 that included the PLO on the table. The outcome was the Israel-PLO Declaration of Principles. The declaration based on mutual recognition of Israel and the PLO. Withdrawal of Israel from certain territories (including the Gaza Strip, Jericho, and some areas of the West Bank) during a five-year interim period was agreed upon.[18] With the recognition of the PLO as negotiating party, Palestinians in Gaza and Jericho began to establish the Palestinian authority [PA].[19]

In July 2000, further talks between Israelis and Palestinians were held at Camp David,[20] but the parties failed to reach an accord.[21]

2.1.5 The second Intifada

On September 28, 2000, after a visit of Ariel Sharon to the dome of the rock in Jerusalem, the second Intifada broke out.[22] This second Intifada showed new levels of violence and bloodshed to the region. Especially tragic were the series of suicide bombings. Israel answered with curfew and severe restrictions on the movement of persons and goods in the West Bank and Gaza Strip. These measures led to a worsening of the humanitarian situation and a heavy decline of the Palestinian economy.[23]

With the aim of tackling the suicide attacks, Israel started building a wall between the West Bank and Israeli territory in 2003. International protests could not deter Israel from this project.[24] Another wall had already been built in 1982 between the Gaza strip and Egypt.[25]

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[14] cp. Krautkrämer, 2004, p. 8
[15] cp. Jugova, Hanna & Agerer, 2004
[16] cp. Beinin & Hajjar
[17] cp. Beinin & Hajjar
[18] cp. Beinin & Hajjar
[19] cp. Jugova, Hanna & Agerer, 2004
[20] cp. Beinin & Hajjar
[21] cp. Commission of the European Communities, 2004
[22] cp. Jugova, Hanna & Agerer, 2004
[23] cp. Commission of the European Communities, 2004
[24] cp. Szpiro, 2003

Also in 2003, in April, the Quartet (consisting of UN, US, EU and Russia) published a roadmap that set out the necessary steps on the way to a solution of the conflict between Israeli and Palestinians. The goal was to establish an independent and democratic Palestinian state by 2005. This timeline was confirmed at the Aqaba Summit in June 2003.[26]

2.1.6 Palestinian elections in 2006

On January 26, 2006 it was announced that the Islamic Hamas won the elections.[27] After the announcement of the results the previous Fatah government resigned. Hamas however asked Fatah to work together.[28] On April 22, 2006 it came to violent arguments between followers of Hamas and Fatah.[29]

After being shocked by this negative surprise, Israel asked the international donor community to quit the financial support to Palestine. The US, EU, Japan, Australia and Canada all officially consider Hamas a terrorist organisation. And since international law forbids the financial support of countries where a terrorist group has taken over government, these money flows had to stop. One has to consider the fact that the Palestinians receive more than $ 1 billion annually from international donors.[30] Besides, Israel declared in March 2006 that it would hold back the revenues from taxes and customs collected for the PA.[31] Hence, cutting off these money flows hit Palestinians really hard. As a consequence, the Palestinian Parliament had to implement a contingency plan to pay its more than 140'000 employees at its first meeting.[32] This cut off from financial support was not only felt by government employees, it pushed the whole Palestinian economy into a serious depression.[33]

At the end of November 2007 a Middle East conference was held in Annapolis, in the United States. The result was a declaration of Israel and Palestine to engage in serious peace talks. Specifically, the goal was formulated to reach a peace agreement before the end of 2008. It was agreed that presidents Olmert and Abbas should meet biweekly to push negotiations forward. Besides it was decided that the US should monitor progress and act as arbiter.[34] This meant that recriminations would not work.[35] As often in the past, delicate details were avoided, one of them being the future status of Jerusalem.[36]

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[25] cp. Wenger, 2007
[26] cp. Commission of the European Communities, 2004
[27] cp. Kocher, 2006 I
[28] cp. Bergmann, 2006
[29] cp. Kocher, 2006 II
[30] cp. Reuters, 2006
[31] cp. Szpiro, 2006
[32] cp. Associated Press
[33] cp. Aronson, 2006, p. 4
[34] cp. Rüesch, 2007
[35] cp. Szpiro, 2006
[36] cp. Rüesch, 2007

2.1.8 Current situation

Ten thousands of Palestinians reached Rafah in Egypt on January 22, 2008, when passages were blown into the wall that separates Gaza and Egypt. Palestinians used this rare opportunity to shop groceries and to visit relatives. This was the first time that Palestinians were able to leave the Gaza Strip, after Israel had completely sealed off the area on January 17, 2008 in response to ever increasing missile attacks from Gaza.[37]

The current situation can be illustrated by looking at the implications of Israel's decision to stop fuel deliveries to Gaza on April 10, 2008. Dramatically reduced mobility resulted since most cars no longer drive. Since Israel had bombed the only powerhouse in Gaza two years ago, the generators could only be run with fuel. Hence under current circumstances a serious shortage of electricity availability resulted. Water distribution, waste disposal, sewage and irrigation are all affected as well. Take this and add an economy that almost completely collapsed since the borders were closed and the military attacks, one can hardly imagine how to survive under such conditions.[38]

If we assess the situation from an economic point of view, the restrictions on movement and trade are an important factor.[39] The bad state of the economy led to the consequence that – according to estimates – 75 percent of the households in Gaza and 56 percent in the West Bank are living in poverty.[40]

Regarding the financial situation of the Palestinian government, it can be noted that it is highly dependent on external aid. Especially since the exchange with Israeli economy was severely limited and the wall almost made movement between the West Bank and the Gaza strip impossible. Due to this reasons, the PA became more and more a mechanism to distribute aid and transfers.[41]

As a conclusion from the current situation it becomes obvious that restricted mobility poses a severe problem, import and export is no real option for the Palestinian economy, the political landscape in Palestine is divided and probably most important: almost everything depends on Israel's will and politics.

2.2 Palestinian Reform and Development Plan (PRDP)

Just a few weeks after Israeli and Palestinian leaders met in Annapolis for the first serious peace talks in seven years, a donor conference took place in Paris on December 17, 2007. Whereas in Annapolis the political question was the centre of the discussion, the talks in Paris can be seen as a parallel initiative focusing on the question of supporting the

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[37] cp. Bergmann, 2008
[38] cp. Wenger, 2008
[39] cp. Laub, 2007
[40] cp. Laub, 2007
[41] cp. Aronson, 2006, p. 5

Palestinian economy and strengthening of the administrative capacity of the PA.[42] For the talks in Paris, the PRDP for 2008-10 was developed and presented by the Palestinian Prime Minister Salam Fayyad.

The three-year plan aims to lay the foundations for a future Palestinian state and build its infrastructure and economy.[43] Financial sustainability is another aim.[44] To reach this goal, the plan asks the donors for $5.6 billion to the PA over a period of three years.[45] The allocation of these resources looks as follows:

Two big blocks can be identified: $3.9 billion for direct budgetary assistance and $1.6 billion for "public investment". Budgetary assistance does for example include down payments on the PA's deficit. With the money from the second block, it is aimed to help development in the following four areas:

- governance
- social
- economic and private sector
- public infrastructure

2.2.1 The four areas of the PRDP[46]

Governance: In this area, the World Bank will provide policy advice on the most important reforms that the PA has identified. Important topics are the costs of lending, necessary reforms of the pension system and a reform of the energy sector. The supported agencies are the Palestinian Monetary Authority regarding modernization of its payment system and the Ministry of Finance regarding public procurement.

The bad performance of the public sector needs to be addressed. Fiscal reforms play an important role in achieving this. Especially the huge payroll for public employment constitutes a big problem. But measures in this area are extremely delicate. One has always to consider that in Palestine, the salary of one person working for the PA is not just securing the livelihood of this person alone. Usually there are lot more relatives depending on this money as well. In the energy sector, an issue that needs to be addressed is the non-collection of public utility bills. This lack of enforcement cost the PA more than $500 million in 2007.[47] Speaking of non-collection, taxes are another area where improvement is necessary.

For being able to enforce measures, a new and loyal security service is necessary. This has to be accompanied by improvements in the justice system.[48]

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[42] cp. Integrated Regional Information Networks, 2007
[43] cp. Middle East Progress, 2008
[44] cp. Integrated Regional Information Networks, 2007
[45] cp. Yaghi, 2008
[46] Unless otherwise noted, the following draws on PRDP, p. 20-22
[47] cp. Yaghi, 2008
[48] cp. Middle East Progress, 2008

Social Development: In this area, the measures aim at developing the capacities of the Palestinian people.[49] Some projects were already started, before the PRDP was established. The World Bank will continue to support these projects. As far as new projects go, the World Bank will provide money mainly for projects covering the following topics:

- Education & Higher Education
- Health and Social Affairs

An interesting project that the World Bank supports is the 'Social Safety Net Reform Project'. This project focuses on the poorest and tries to weaken the impacts from the crisis on these households. On the governmental side, it tries to improve the cash transfer programs of the ministry of social affairs.

Measures in this area also try to empower groups that are often neglected: women and youth empowerment should bring progress here.[50]

Economic and Private Sector Development: In this area, the World Bank will provide support and policy advice to increase and improve economic activity.
The investments considered are the following ones:

- investment in an mobile phone operator
- Gaza offshore gas development
- investments into the mortgage sector
- trade finance facilities for banks

On the consulting side, the support for developing the legal and regulatory environment will play an important role on a governmental level. In the private sector, the World Bank will establish and fund an 'Enterprise Learning Fund'. The aim of this fund is to provide the local businesses with the necessary resources for improving their production, marketing and export potential.

Under circumstances of great uncertainty about the future (political) development, it is extremely difficult and highly risky to invest into the future development. To help overcome this hurdle, the World Bank established a guarantee fund to cover political risks.

Public Infrastructure Development: The focus in this area is placed on electric utility and water / wastewater.

Regarding electric utility management, a project is planned that rebuilds and expands the distribution network. Besides, technical assistance regarding improved operating efficiency is

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[49] cp. Middle East Progress, 2008
[50] cp. Middle East Progress, 2008

provided. Important regarding water will be an emergency water project for the Gaza region. Providing adequate water and wastewater services are the aims of this project. Besides, the building of new roads has to be considered as well.[51]

2.2.2 Reactions of the donors

The amount of $5.6 billion that the PRDP asks for is no small sum. Let us therefore look at the reactions of the donors to the PRDP. The EU, the USA and Switzerland will be considered.

The EU is strongly committed to support the PRDP.[52] To channel the resources, that already flowed into Palestine; the EU has introduced the PEGASE mechanism. PEGASE is aligned with the PRDP with regard to duration (2008-2010) as well as content.[53] As far as financial numbers go, the European Commission announced on March 25, 2008 that it will provide €300 million to PEGASE and the United Nations Relief and Works Agency [UNRWA] to fulfil its promise from the donor conference in Paris. The distribution of this money looks as follows: the PEGASE mechanism receives €229 million whereas UNRWA gets €71 million.[54] Important to note about PEGASE is that it will also be open to international donors.[55] Regarding PEGASE is should be mentioned that the World Bank as well created a fund to help pool and transfer the money to the PA: the 'Palestinian Reform and Development Plan Trust Fund (PRDP-TF)'. Like PEGASE, the PRDP-TF is available for all donors who wish to provide financial support to the PA within the context of the PRDP.[56]

Let us now have a look another important player: the USA. According to Secretary of State C. Rice, the PRDP is "an ambitious but realistic plan to improve life for his [Prime Minister Fayyad's] fellow citizens, and to lay the foundations of a successful, responsible state. This is a good and responsible plan. It balances the immediate budgetary needs of the Palestinian Authority with the reforms and development assistance needed to build a future state, and expands economic opportunities for all Palestinians."[57] At the Paris donor conference the United States pledged $555 million. This contribution however needs to be approved by the US Congress. The focus lays on projects aiming at the development and security sector reform efforts from the PRDP. Like the Europeans, the US continues to support the UNRWA.[58]

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[51] cp. Middle East Progress, 2008
[52] cp. European Union, 2008
[53] cp. European Union, 2008
[54] cp. Commission of the European Communities, 2008
[55] cp. Reuters, 2008
[56] cp. World Bank
[57] cp. U.S. Department of State, 2007
[58] cp. U.S. Department of State, 2007

Switzerland is supporting the PRDP as well and sees it as the right way to use the new drive from the Annapolis talks. DEZA sees the plan as ambitious, but also underlines that it delivers the necessary strategic framework.[59]

Finally, let us conclude with the International Monetary Fund's (IMF) assessment of the plan as "ambitious, but also achievable".[60] However, the IMF points out that for the plan to work, Israel must relax its restrictions on movement and trade in the Palestinian territories. Such restrictions, first imposed after the outbreak of the second Palestinian uprising in 2000, are seen as a major obstacle to economic recovery.[61]

2.2.3 Current situation of the PRDP and outlook

A few months already passed since 17 December 2007, so let us have a look how things developed after the Paris donor conference and make a short outlook.

That reaching an agreement about the PRDP does not solve all the problems immediately, shows the following (certainly biased) press release: "Dr.' Abdullah has put the International Quartet Envoy in the atmospheres dominating the occupied Palestinian territories after Paris economic conference, assuring him the hectic Israeli endeavo[u]rs to undermine the state of enthusiasm, and signs of change carried by Paris economic conference and Anapolis, through hostile field procedures and the Israeli policy."[62]

And let us keep in mind the political division within the Palestine people. Fatah has resisted many aspects of Prime Minister Salam Fayyad's agenda and is not too happy about the cabinet's performance.[63]

The pledges made at the Paris donor conference are one thing. But as was mentioned above for the case of the USA, quite often the promised amounts have to be approved by political institutions, before they can finally be transferred to the PA / the World Bank. If we assess the situation of the PRDP by mid March 2008 from this financial point of view, things look not too good. The PA had by this date only received $260 million out of the $7.7 billion that were pledged during the Paris donor conference in December 2007.[64]

2.3 SDC

2.3.1 SDC's involvement in the OPT

SDC's presence in the OPT has a long tradition. In 1994, SDC established an office at the OPT in order to provide assistance in development and humanitarian issues on the ground. Since then, the SCD has been supporting diverse bi-lateral and multilateral activities with

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[59] cp. SDC, 2008 IV
[60] cp. Laub, 2007
[61] cp. Laub, 2007
[62] cp. Palestinian National Authority Minister of Planning, 2008
[63] cp. Yaghi, 2008
[64] cp. Yaghi, 2008

governmental and non-governmental actors with annual average spending of 10 million CHF for development activities, and another 5 million CHF for humanitarian assistance[65]. In 2007, SDC's commitment for bilateral development cooperation mounted up to 15,33 million CHF. Humanitarian projects received 5,66 million CHF from the Swiss government[66]. Nevertheless, SDC is a small bilateral donor. Anyhow, by following a participative approach - that is working together with diverse donors such as UN agencies, the World Bank or other state agencies - SDC bothers to consort its commitments with their projects in order to maximize the leverage effects of its relief.

Given the distinction between development cooperation on the one hand, and humanitarian aid on the other, the three main operation fields of SDC are particularly *poverty reduction*, *empowerment of disadvantaged groups* and *reduction of structural inequalities*. The outbreak of the second Intifada in September 2000, however, forced the SDC to reconsider its development objectives, medium-term priorities of cooperation, as well as long-term guidelines in order to response flexibly to the instable and rapidly changing security and political environment[67]. As mentioned before, due to the increasing political instability (escalation of the conflict, internal Palestinian fighting between Hamas and Fatah, aggressive closure regime by Israel), the socio-economic situation in West Bank and Gaza is deteriorating continuously. Particularly the situation in Gaza is alarming, where a normal daily life is hindered by scarcities of essential facilities such as security, sanitation, electricity, fuel and even basic alimentation. The current closing of the boarders by the Israeli army has led to a severe depression of the economy in Gaza[68].

In order to improve the living conditions of the vulnerable Palestinian people, SDC has shifted its strategic orientation from opportunity based ad-hoc interventions towards a programme-based strategy, containing four main pillars*: human rights/good governance, income generation/job creation, capacity building and humanitarian assistance*.

According to the new approach, SDC devised the following objectives*[69]:*
- *Enhance prospects for peace*. For this purpose, SDC is trying to enhance the respect for human, economic, cultural and social rights, especially with regard to young people and women (networking and capacity building).
- *Improving living conditions*. Over 80 percent of the population of Gaza and 46 percent of the population of the West Bank respectively is living below the poverty line. Creation of job opportunities, particularly for young people, is therefore essential for a substantial

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[65] cp. SDC, 2006
[66] cp. SDC, 2008 III
[67] cp. SDC, 2006
[68] cp. Wenger, 2008
[69] cp. SDC, *2006*

economic development of the OTP[70]. Measures in this field are indispensable for the psycho-social well-being of the Palestinian people that have lost hope in any positive future development.

- *Promote viable and sustainable institutions*. SDC will keep on working with Palestinian stakeholders with good performances in good governance, gender sensitivity and management support. By supporting them in their capacity building, board and stuff development, monitoring and controlling capacity, SDC aims to promote reliable Palestinian civil society organisations.

The collaboration with local Palestinian civil society organisations in terms of a multi-stakeholder approach is essential for the provision of cooperation assistance that is taking into account the needs of the local people. Furthermore, such cooperation is also important in order to enhance the local anchor of the project and its acceptance.

The adequacy of SDC strategic orientation and priority setting references to the PRDP that is also mentioning good governance, economic/private sector development and social development (e.g. empowering of traditionally neglected groups through women and youth empowering) among his action priorities. With regard to the PRDP, SDC states on its webpage: „Switzerland is committed to implement a cooperation program in line with the PRDP`s objectives, in partnership with the PA, civil society organizations and private operators. The priority lines of actions include governance and human rights, capacity building, reconciliation, job creation, small entrepreneur promotion and humanitarian aid in its relief and protection dimensions"[71].

2.3.1.1 Project landscape

As mentioned before, SDC is focusing on human rights/good good governance, employment/income generation, capacity building and humanitarian aid as its program priorities for the OPT. Setting objectives is indeed indispensable for a successful cooperation as well as humanitarian relief. Anyhow, transferring these goals into concrete projects with verifiable benefits in terms of improving living conditions for the local people is often a very difficult task, especially in an unstable political context as given in the OPT. A specific example of a tangible project in income generation/employment will be presented in order to demonstrate SDC`s course of action in the OPT.

Income Generation and capacity building: Olive oil project

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[70] cp. CIA, 2006-2008
[71] SDC, 2008 IV

An example for a SDC supported project in the field of income generation/employment is the joint venture between the Palestinian Farmer Union (PFU) and the Fair Trade Development Center (FTDC). SCD is granting the project with CHF 1'380'269[72]. Another donor is Oxfam GB. The project aims to back up Palestinian olive oil cooperative/producers. Olive trees are also called „trees of live" since they are the most important agricultural source of income of Palestinian farmers. Many Palestinian families have been producing olive oil for over 5000 years. Hence, olive oil is an integral part of the Palestinian economy. By helping farmers producing olive oil, SDC is making an important contribution to the Palestinian economy. Through training and coaching on the productivity level, farmers are being taught how to ameliorate their productivity skills and marketing competences[73]. By the creation of a marketing unit, farmers are getting the facility to identify the market potential and therefore profitable markets for their products[74]. Thus, farmers are able to achieve increased revenues for their high quality olive oil. Their living conditions are improving, while at the same time, the proper use of their land is ensured as well[75]. Safeguarding of Palestinian land is indispensable for an assured employment of Palestinian farmers. The Applied Research Institute Jerusalem estimates that over 500`000 olive trees have been destroyed by settlers as well as the Israeli Army since 2000[76]. The situation has even worsened since Israel has started with the construction of the according to international law illegal separation wall. Regarding the traditional anchor of the olive oil production in the Palestinian society, it is expected that the project outcome will also indirectly have economic effects on the Palestinian population and economy as a whole[77]. The project has started running in February 2008, with a time schedule until 2010[78]. Thus, it is too early for making predictions concerning its future success. In the past, Palestine olive oil has been known as a high quality olive oil, even in comparison with similar products from known olive oil exporters such as Italy and Greece. Furthermore, Palestinian olive oil has been produced under fair trade conditions, which makes it even more attractive to western consumers looking increasingly for fair trade products. Therefore, regarding the high quality of the product, Palestinian olive oil has the potential to find its way into the global selling market. Unfortunately, Israel is restricting its exportation.

Summing up, all the mentioned difficulties and obstacles that Palestinian people are confronted with make clear how much these people are relying on help from outside. SDC has demonstrated that even with a relatively small budget, sustainable improvements of

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[72] cp. SDC, 2008 II
[73] cp. SDC, 2008 II
[74] cp. SDC, 2008 II
[75] cp. SDC, 2008 II
[76] cp. Zaytoun
[77] cp. SDC, 2008 II
[78] cp. SDC, 2008 II

living conditions can be secured by means of well considered projects such as the olive oil programme.

2.3.1.2 Strengths and weaknesses of SDC

Due to its long presence in the OPT, SDC was able to build up connections to Palestinian as well as non-Palestinian partners (UNRWA and like-minded donors, namely Denmark, Norway, the Netherlands and Sweden) on the political as well as civil society level. Consequently, SDC can meanwhile resort to a broad viable network of partners. In the West Bank, SDC is maintaining good ties to the PA. Having good connections to Palestinian leaders ensures political acceptance. Political acceptance in turn is inalienable for an effective and sustainable provision of cooperation and humanitarian assistance. In Gaza, however, contacts with the ruling Hamas are almost non-existent. The implementation of projects is therefore much more difficult to arrange. But not only is having SDC good relations to Palestinian politicians, SDC is also enjoying the confidence of the Palestinian people. Politicians are often considered corrupt and not trustworthy. Too close relationships to the political area might lead to refusal on the part of the population. That in turn can lead to a breakdown of a project.

Due to its project-based approach SDC has achieved to operate to a large extent independently from the PA, so that it was able to assure a good reputation of providing effective and sustainable relief among the Palestinian civil society[79]. The fact that SDC is enjoying a good reputation internationally is also contributing to a high credibility and acceptance of SDC and its work in the OPT.

Another strength of SDC is its long lasting experience in public/private partnerships. Once again, thanks to its good reputation, SDC has often played the role as mediator between different parts of society. By doing so, SDC was able to create synergies between the public and the private sector and thereby contributed to capacity building[80].

Despite its qualities and many successful project implementations, SDC has to overcome difficulties and obstacles as well. As mentioned above, SDC belongs to the group of small bilateral donors. Consequently, SDC is forced to operate in a relatively narrow financial framework. As a result of the comparatively small budget (15 Million per annum for cooperation development and humanitarian aid respectively), SDC's projects are limited in time and scope[81]. Besides the financial limitations, what compromises the effectiveness and sustainability of SDC's relief even more is the political and economical instability of the local

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[79] Interview with Peter Leuenberger, head of the NGO Assiociation Switzerland-Palestine; March 30, 2008.
[80] An example for a public/private partnership might be cooperation between public research centres such as universities and the private sector.

context. The lack of essential facilities due to Israel's closure regime, concerns of a new breakout of internal Palestinian conflict et cetera were fed. All this uncertainties are endangering the realisation and continuation of cooperation and humanitarian assistance.

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[81] See also 2.3.1 SDC involvement in the OPT (Occupied Palestinian Territory).

3. Project proposal

This chapter shall reveal the idea of the project and assess its feasibility. Therefore it discuss critical points and identify success factors. Furthermore it shall point out the benefits, which the project is supposed to generate.

3.1 Project idea

The explanations in the previous paragraphs have revealed the situation in the OPT and pointed at the challenges Palestinians face up to in their daily life. The wall and the checkpoints restrict mobility to a minimum and therefore hamper enormously activities of any kind.

In such a situation, the Internet provides a promising possibility. It is capable of breaking through the wall virtually and liberating Palestinians from their isolation. Although Internet is "only" a virtual world, it provides Palestinians with the possibility to communicate with the rest of the world. This has a very strong symbolic value and positive psychological effect on the Palestinian society. Beside of the possibility of communication, Internet also provides the opportunity to make business within and outside the OPT. There are different Palestine firms that already provide Internet based services and offer them on a global market. The most prominent examples in this context are translation companies - such as Arabia Translations. [82] The existence of such Internet based business shows that there are possibilities to do business even in such a hostile business environment as in the OPT. Our project proposal will tie with such facts.

The core idea of the project is to establish Palestine context management firms that support websites respectively their owners. The idea is not that such Palestine context management firms develop context management system in form of own computer programs or system, but to support websites and to update their contexts within existing systems[83]. There are mainly two kinds of services that could be offered. First, there is the service of the conception of new websites. This includes consultation, the design of consumer oriented and optimal structure of, and the creation of websites, as well as the populating of websites with supplied content. Second, possible offered services could then provide the support of such new designed or existing websites. This includes the regularly update with supplied contexts (such as text, photos, news), mailing of e-news letters etc. There may be also the potential to

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[82] For further examples, see http://www.translatorscafe.com, http://www.proz.com/arabic-to-arabic-translation-services among others.
[83] There are a lot of such context management systems available on the web. Although there are lot of profit oriented providers, there are also a lot of good share ware systems that are for free – such as Typo3, Joomla etc.

offer related services, such as editing (photos, graphics, videos, flash motions). This may be especially interesting when such additional services are bundled with the basic two services.

3.2 Requirements

3.2.1 Market potential

In order to assess if such a project may be sustainable; it is crucial to look at the market potential. As pointed out before, the Internet is not bound to physical restrictions or national boundaries. Therefore the project theoretically competes in a worldwide market.[84] It seems clear that such a project is not capable of competing among the big players of the world market because the project has first to build capacities and competitive services. Therefore it is more promising to identify the special opportunities for such a project.

The Palestinian territories are among the areas with the highest density of NGOs. Most of these NGOs use and run websites in order to communicate their concerns and missions, and inform about the situation and the NGO activities.[85] Usually, these websites are created and supported in the country of origin of the particular NGO. Hence, the websites of these NGOs provide a primary market for the project. There are no arguments for NGO's to not switch to the project[86]. On the contrary, it may be hard to argue to not rely on the services offered by the project, since they are engaged in the Palestinian territories with the mission to improve the desperate situation of Palestinians.

It is hard to have an exact number of the amount NGOs operating in Palestine. The Palestinian Academic Society for the Study of International Affairs (PASSIA) estimates the number of NGO's in Palestine from 700 to 1500. The Directory of Development Organization (DDO) listed about 250 NGOs for the development sector only. In face of the catastrophic situation in Palestine and the dependency on international Aid it can be expected that the number of NGOs operating in Palestine is more in the range of 1500 then of 700.

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[84] Although there is a worldwide market in the absence of physical restriction, this worldwide market is indeed segmented due to other restrictions, such as language, culture, physical closeness to customers etc. Another dimension is the product itself. The offered services by the project, based on standard share ware context management systems, can not offer very complex homepages and individual solutions – such as integrated and automated-shops e.g. This may not meet requirements of modern business companies, but it can satisfy the needs of less demanding customers, which only want to offer product basic applications such as the simple presentation of information, contact data, company news etc on their websites.

[85] An indicator might be the percentage of NGO's that have access to the Internet. About 95% of the NGOs listed in the Directory of Development Organization include website URLs, email addresses, or both (Directory of Development Organization, 2008). It is clear, that such a survey is not representative, but it gives an impression of the relatively good access of NGOs, which operate in the Palestinian territories, to the Internet.

[86] It is clear that the professionalism and reliability of the service offered by the project have to meet certain standards, which are comparable with the services offered in the countries of origin of the NGO.

Another opportunity may be the Palestine business in general.[87] It seems clear that under the current situation is little demand for the services of the project because of the limited possibility of business activities in the Palestinian territories. However, it may be possible to cooperate with the existing and performing Internet based service industry. On the one hand, such an Internet based service industry relies on their Internet presentation and communication in order to reach their customers, especially the international segment. Hence these are needs, which the project is supposed to meet. On the other hand, there might be the possibility to bundle services. For example, it may be possible to bundle translation services with context management services for bi- or even multilingual websites (e.g. Arabic-English), and vice versa. Another important industry is the Palestinian media. Due to the characteristic of media, there is a fundamental need for reliable and good information system, which definitively includes websites. There is a relatively ample spectrum of Palestinian media. The ministry of information of Palestine gives a good overview and shows that there are several newspapers, radio and TV stations.[88] However, the demand may rise someday in the future, when export restrains become less restrictive. Then businesses in general, but especially export oriented producers like the olive oil, citrus, flowers and textiles exporters[89] may need websites in order to reach customers, especially international consumers.

Another promising segment might be the Palestine Diaspora [PD]. Their relationship and tie to the their homelands may led some PD business to rely on Internet services offered by the project. The may be more motivated to support economic activity (help to self-help) then just spend money on aid.[90]

Further the PA and other governmental institutions may be a segment for the project.[91] The PA and other governmental institutions have a strong need to communicate with their citizens and other stakeholders. In face of the restrictions of physical mobility and the political schism between the Gaza strip and the West Bank, Internet based communication seems especially important. However, this segment is very difficult to work with. On the one hand, it is directly involved in the conflict and therefore might expose the project to the danger of becoming involved (in form of communication facilitator). On the other hand, PA and state

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[87] A survey on the endowment of small business companies in Turkey has shown, that in 2006 87% of small business companies were enabled with computers (Observatory for the Greek Information Society, 2006). The figure for Palestine is surely smaller, but it shows a relatively good computer endowment of small business firms.
[88] There is a relatively ample spectrum of media. Please consult he ministry of information of Palestine for more information, http://www.minfo.ps/english/links_index.asp.
[89] According to the CIA Factbook (2008) citrus, flowers, textiles are among the main export Palestinian industries.
[90] Please find more detailed information on the Palestinian diaspora under point 3.5 „Stakeholderanalysis".

like institutions already have and run websites.[92] This reflects the risk and problem of crowding out current suppliers of such services by the project within the PA and the other segments. The crucial question is if organizations themselves design and/or support their websites, if Palestinian companies or international companies do so. The first two would be an undesired crowding-out. They may be justified under the criteria of efficiency, which is supposed to be higher within a specialized supplier such as the proposed project then in internal units of organisations. Hence, this may crowd out work places in theses affected organisations. On the other hand, the crowding-out of foreign based, international companies would shift labour (in form of work places) and resources (in form of salaries) from the foreign to the Palestinian occupied territories.

3.2.2 Cost and Financing

The costs of the project are very hard to estimate in such a difficult environment as the Palestinian territories represent. Therefore this section will not discuss cost structure quantitatively, but try to reveal it qualitatively.

The costs relating to the core activity of the project are labour costs, costs for software and hardware and infrastructure costs. Latter consists of costs for Internet, rent, administration etc. As pointed out in the section on the project idea (point 3.1), there is a lot of open source based software for context management available. Examples of such software are Joomla, Axinom or Typo3.[93] Although such software, which is used for the core activity of the project, is for free, there is other software that is needed - as operating system for the computer[94], Adobe application programs (Acrobat Professional, Adobe Photoshop etc) and others. Hence, the cost for software should be rather low. The cost on hardware components is relatively clear. They depend very much on the stations needed. In order to generate the greatest impact and spill-overs on Palestine economy/society (multiplier effect) it is key to rely on domestic suppliers. Labour costs also depend mainly on the jobs created by the project. Costs for infrastructure consist of rent, Internet, electricity etc. Further costs accrue due to related service, such as administration, coordination between the project partners, consultancy services among others. Hence, the costs of the project depend very much on the number of employees because the potentially highest costs – salaries and hardware costs – are directly linked to the number of employees.

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[91] Although the Hamas represents a lot of state like institutions, it would be impossible to provide services for them because of its role in the conflict and its relationship to other key stakeholders of the conflict, such as Israel, the international community and the PA.
[92] The following websites is an example and provides links for further examples: http://www.gksoft.com/govt/en/pal.html
[93] See the following websites for examples: http://www.typo3.com/, http://www.joomla.de/ , and http://www.axinom.de/de_axinom_home.AxCMS?ActiveID=1002.
[94] The standard operating system software such as MS Windows are to be paid. However, there is also an open source software alternative, Linux.

There are several possibilities how such a project could be financed. In face of the limited resources of the DEZA and its tradition to run projects multilaterally, the most promising manner would be the multilateral way. Therefore the DEZA, as initiator and conductor of the project would have to find financiers in the international community, among governments, international organizations and NGOs. However, it is crucial for the sustainability of the project that local ownership is assured.
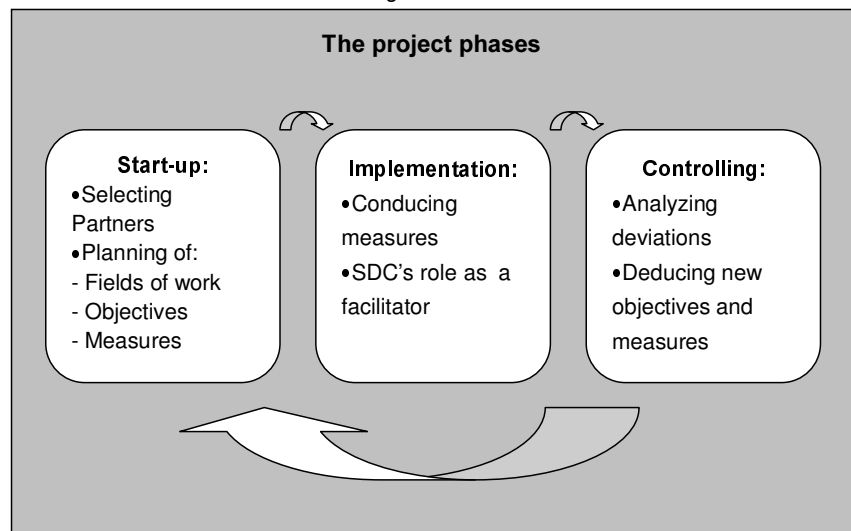
3.3 Project phases

After having assessed the preconditions of this e-business-project, we are able to turn to the planning of the project-process. As we focused in the two previous chapters more on strategic pre-questions, we will turn now in the following two sections to a more operational point of view. For this purpose we will slightly broaden the perspective from content-management/web-design services to the IT-business in general as the development of the IT-sector is a requirement for the development of a content management industry in Palestine.

Furthermore it will beneficial to take up in the following two chapters a SDC-centred position, as this working paper is directed to the SDC. An analysis of other stakeholders will then follow in chapter 3.5.

The project shall be divided into three distinctive phases: Start-up, implementation, controlling (cp. Figure 1). Such a broad division into three steps might appear as arbitrary. The underlying thought of this structure however was to propose in this paper a rough planning and to leave a more detailed design to the experts on the field.

Figure 1

The project phases

Start-up:
- Selecting Partners
- Planning of:
- Fields of work
- Objectives
- Measures

Implementation:
- Conducing measures
- SDC's role as a facilitator

Controlling:
- Analyzing deviations
- Deducing new objectives and measures

Annotation. Personal remarks

Start-up

In order to achieve local acceptance and to gain access to specific know-how, it will be useful to look for project partners. These partners can be chosen by means of predefined criteria such as reputation or suitability and preferably stem from different social areas, as this project is construed to promote economic but also social development.

Partners will participate as long as they have an incentive to, by expecting for instance certain business opportunities or a non-monetary, interest-based advantage. Defining deductively together with the partners the *fields of work, the objectives and the concrete procedures* of the project is therefore meant to ensure a win-win-situation for the affected population of Palestine, the SDC and the remaining partners.

Example 1: The Palestinian society disposes of a relatively well preserved educational sector.[95] Palestinians use to be in general inquisitive and a lot of people with accordant connections have been studying abroad. In economic theory, education forms furthermore part as a central element of development.[96] Key partners could be therefore found in educational institutions, such as schools or universities. The definition of goals and measures rests intersubjectively on the partners. Nonetheless the installation of new IT majors or programs in universities can be regarded as a possible operative objective to promote development in the IT sector.

Example 2: The Palestinian telecommunication sector has primarily been served by the monopolist Paltel. Competition has mainly grown from Israeli telecommunication companies, illegally operating on Palestinian territories and holding for instance at least up to 20% of the Palestinian mobile communication market.[97] Granting and promoting expanded access to the Palestinian telecommunication market for Palestinian but also for Israeli and other foreign companies in exchange for new investments in the Palestinian IT infrastructure could provide a possible strategy to bring more competition and investments to this sector, even if such plan strongly depends on the favourableness of the Palestinian National Authority.

Example 3: Approximately half of the Palestinian population (~ 5 million) lives outside of the Palestinian territories, mainly in one of the neighbouring countries, but also in a

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[95] Interview with Peter Leuenberger, head of the NGO Assiociation Switzerland-Palestine; March 30, 2008.
[96] Todaro & Smith, 2006, p. 363-421
[97] Worldbank, 2008

significant number in Chile or the US.[98] The role of this Diaspora can be manifold, being for instance the supply of remittencies and human capital or representing the demand of Palestinian IT-services, such as web-design or content management. Therefore the Diaspora can potentially serve as a valuable partner providing for example consulting services to Palestinian IT-start-up companies or strengthening the demand for Palestinian e-services. However the spreading of Palestinians around the globe complicates the definition a common strategy.

In any case these developed partnerships are not supposed to create new dependency relationships. That is why in the long run the SDC hast to consider a Palestinian partner who will be able to absorb the coordination of the project. Such a transition might be complicated and the selection of a partner implicates both opportunities and risks.

Example 1: The Palestinian Diaspora, as a future coordinator of the e-business-initiative, possibly possesses of a broader sense of proportion, by governing the project outside of the direct area of conflict. This character might qualify them as well as a moderate negotiating party for Israel. However the distance to Palestine raises the question if the Diaspora disposes of the necessary technical and local know-how to coordinate the initiative.

Example 2: The SDC might be able to establish in coordination with its partners a stand-alone coordination body. As the project begins, the SDC holds most of the mandates. But as the project develops more and more mandates in this body will be occupied by the local partners. This coordination body acts directly within the Palestinian territories and is meant to maintain a close contact to the different project areas and therefore to the local challenges. This closeness to the area of crisis makes the body in turn more vulnerable to a misuse by political forces such as Hamas or Fatah.

Implementation

As the most important planning steps have been anticipated in the start-up phase, these measures now have to be realized in the implementation phase. The university appoints a program-director and professors, searches for partners domestically and overseas and recruits students to its new IT-major. The telecommunications corporations try to benefit from recently acquired legal concessions by expanding its clientele in order to reinvest accordingly

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[98] United Nations Relief and Works Agency, 2005; Palestinian Central Bureau of Statistics, 2003; Le monde diplomatique, 2001

new profits in the Palestinian IT market. And the PD sends advertisements promoting Palestinian e-business services and organizes summer camps in Palestine for Palestinian kids interested in IT.

If one accepts the role of the SDC as a facilitator striving not create new dependencies, then the SDC will restrain its work in this phase on consulting mandates (e.g. Where to install WLAN-hotspots, in order to attain a wider coverage), coordination tasks, networking efforts (e.g. Facilitating the exchange between Swiss and Palestinian universities), etc. At the same time it follows that this role substantially reduces the influence capability of the SDC and clearly pushes the responsibility to succeed to the Palestinian project partners.

Controlling

The middle east has lived through a turbulent decade: The begin of the second Intifada, the Lebanon war, the split of Palestine into the West Bank (Fatah) and the Gaza-strip (Hamas), etc. In addition frustration among the Palestinian people grows, as the Israeli occupation and its negative effects on the Palestinian living conditions continue to exist. These facts make clear that work on an e-business-project will hardly proceed at all times in a way it was supposed to in a previous plan. This is why heavy efforts have to be laid on a meaningful controlling system. The new IT major program at the university might attract for example just an insufficient number of students. An effective controlling system reveals why and how this program can be adjusted. Or the investments in IT-infrastructure might produce just marginal returns. The controlling system indicates why; does a lack of demand cause the problems in the supply chain? And as a final example, the promotion of e-businesses in Palestine might encounter incomprehension and resistance within the PD. Can this initiative be communicated to the Palestinian communities overseas as a promising try to raise general living standards in their home country. It can be noted that the controlling system then delivers a significant value when its output leads into new objectives or measures and therefore into a new start-up phase. Additional courses in the new IT-program at the university might for example increase its attractiveness and boost the number of matriculated students. Or the selection of alternative locations for mobile antennas might improve the access to a relevant clientele and therefore lead to higher returns-on-investment.

The SDC in itself bears responsibility for the resources of the Swiss tax payer. Contribution and investments must correspond to the principles of effectiveness and efficiency. The SDC has to develop certain mechanisms, like an effective controlling system, which ensure, that its initiative conforms to these requirements. This begins with measures in form of regular project inspections and goes on with the creation of an incentive-system intended to reward respectively to penalise well or poorly realized projects.

As the circle closes with a new start up phase, once again it shall be noted that an important target would comprise the gradual cutback of the support of the SDC from circle to circle and to empower in turn more and more the local project partners. However none of these project phases can be considered as independent from the others. All of them are interconnected and will even occur together at the same time.

3.4 Factors of success

The following chapter deliberates on key factors and risks in order to counter a breakdown of the project in advance. Considering the complexity of the current situation in Palestine, the number of problems and challenges might be very large and hardly estimable. But a number of interviews with experts, for instance with the staff of the Middle East division of the SDC in Berne, indicated that there are certain key elements which have been impeding the development of the Palestinian economy and society. These factors therefore will be analyzed and included into this project.

3.4.1 The role of Israel

Constantly facing a security problem, the state of Israel is restricting heavily the freedom of movement of Palestinian communities.[99] This restriction of mobility exacerbates the development of Palestine in addition to its already existing internal problems.[100] Giancarlo de Picciotto, senior advisor at the SDC, descriptively illustrated in a discussion on the 2nd of April the example of the Palestinian olive oil industry. The SDC supports by means of its regional office in the West Bank the production and the export of Palestinian olive oil, considered world wide as a high-quality product. As any drop of Palestinian oil has to make stop in Israel before entering the world market, a large quantity of the oil already expires before attaining the customer, due to the protracted formality process, or is leaving Israel labelled as an Israeli product.

Allowing development means therefore finding a way to deal with physical and psychological barriers between Israel and Palestine. The presented e-business project tries to deal with this fact in two ways: Firstly, avoiding the physical barrier by focussing on the virtual world; and secondly, reducing the psychological barriers by offering business incentives to Israeli firms.

The internet has changed social life over the last 15 years. Human beings study, shop, communicate and settle their bank transactions on the world wide web. A number of firms succeeded in this new market – Google, YouTube, Yahoo –, others disappeared – Netscape,

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[99] cp. SDC, 2006; SDC, 2008 I

ICQ –. However the e-business market offers an important feature, its rather anarchic character. The internet allows carrying out transactions unfettered by public authorities. This means in this case that, unlike to its colleagues in the olive oil industry, Palestinian businesses offering to clients all over the world web-design products or content-management services do not have to pass through the Israeli bureaucracy before serving the world markets. However in the end a certain degree of dependency on the will of Israeli governance continues to exist as every server and every wiring harness can be destroyed or disconnected in occasion of a further deterioration of Israeli-Palestinian relations.

This is the reason why the improvement of the bilateral relations has to be declared as a target of this e-business project. Starting with the idea of an economically interested man and the assumption that economic dependency relations imply the potential to pacify interstate relations,[101] accordingly a set of incentives has to be implemented in order to attract Israeli investments in the Palestinian IT-market. Israeli firms, like Orange, Cellcom, Pelephone, Mirs, already illegally compete for example in the mobile communication sector and possess up to 30% of market share. In fact the Palestinian telecommunication offers quite promising business opportunities for these firms: Palestinian Internet penetration is approximately 7% and its fixed-line penetration about 9%. This number goes in line with other countries in the Arabic world – Egypt, Algeria, and Syria – and clearly outperforms a lot of conflict areas, such as Iraq or Afghanistan. Additionally up to now these markets have been served by a monopoly, the Palestinian Telecommunication Corporation [PalTel].[102] Granting certain business opportunities – licences, contracts, partnerships, etc. – to these firms might pay off in exchange for investments in Palestinian, physical or human capital. Indeed the appearance of Israeli firms on the Palestinian markets implies as well the risk that already existing weak Palestinian firms will be crowded out of the market by powerful, heeled Israeli competitors. It is up to legislation to institute basic rules, in order to protect local business; for instance by compulsively linking foreign investments to a local, Palestinian partner, as happened in China.

3.4.2 Acceptance of the project

The assumption that development is something which has to come from the inside of the developing subjects underlies this chapter, an assertion that corresponds with current results of learning theory.[103] An initiative which is unilaterally imposed by the SDC on the Palestinian population will according to this conception have no chance to succeed. There has to exist a

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[100] cp. Chapter 2
[101] cp. Nye, 2001
[102] cp. World Bank, 2008
[103] cp. Euler & Hahn, 2004, p. 108

certain degree of motivation and disposition to participate within the Palestinian population and amongst the project partners.

- *A student who does not believe in the prospects of an IT sector in Palestine will rather turn to an alternative degree programme.*
- *A private sector will probably not invest in the IT business if general expectations for returns-on-investment are seen as critical.*
- *A PD which thinks that commitment should concentrate on the development of the agrarian sector will reject a content management/web-design initiative of the SDC.*

It is therefore important to convince the relevant stakeholders as well as to overcome resistance against the project especially during the start-up, when scepticism and uncertainty still prevail. A strategic objective which can be aspired through the SDC by,

- *approaching the partners and the population,*
- *raising enthusiasm for the project,*
- *presenting the opportunities of an IT business,*
- *explaining that this project is not supposed to eradicate agricultural development, but to create a profitable source of income.*

The last point leads to the intent that the project is not supposed to weaken existing economic branches, in particular the food producers. The Palestinian economy already depends vastly on food imports coming from Israel and Jordan.[104] Furthermore the current situation in the Gaza strip proves that an import stop imposed by Israel can rapidly lead to a general major shortage of aliment.[105] That is why this IT initiative should be adopted to create new opportunities for agrarian development. Küng for example reports on a case in Latin America where a Chilean-Swiss based company succeeded in establishing a trustworthy IT system, which links small- and medium-sized enterprises all over the continent.[106] A transfer of this match-making-approach notably makes sense in the Middle East, where physical restriction is very high and communication between Palestinians and Israelis but also amongst Palestinians is so difficult. However an elaborated deliberation of this idea goes beyond the scope of this paper and leaves instead some space for further efforts.

3.5 Stakeholder analysis

The aim of this paragraph is to identify key stakeholders of the project and briefly describe their role.

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[104] CIA Factbook, 2006, Westbank
[105] CIA Factbook, 2008, Gaza Strip

Palestinian Authorities (PA) and Hamas

The support of the PA and the Hamas for the success project is rather important Due to their regulatory and executive roles in the West bank respectively the Gaza strip a project, which is not capable of being supported by these stakeholders is doomed to fail. One might think about the most basic requirements such as authorizations or their role in the enforcement of rule of law and so on.

Israel

As already pointed out in the previous sections, Israel controls the boarders of the Palestine occupied territories and also some key determinants for the project, such as the control over electricity supply and Internet lines.[107] It main aim is the survival of Israel and the security of its habitants. In the face of the explosiveness, violence and radicalisation of the conflict, especially in recent years, it has very restrictive policies. Hence, if the project is seen to threaten Israel security or its interest in general, then the Internet lines are very likely to be cut. Hence the project, as almost all activity in the OPT, depends very much on the behaviour of Israel's (security) policies.

International Community and Donors

The international community and donors have mainly two papers to play. First, they might be involved in the project as financier in face of the limited resources of the DEZA. Second, the international community might help to facilitate and ensure the cooperation with Israel, especially on Internet related issues (such as Internet lines) in face of the projects dependency on unrestricted and reliable Internet access. A robust base for such a paper is the PRDP and its aim to strengthen project in the private sector (among others).

Consultancy Firms

The project will have to rely on external expertise. It is crucial to build up the capacities in the field of the context management. Beside of that, there will also be need to consult the project and its owners how to conduct such a business in general. As pointed out by Giancarlo de Picciotto and Lukas Rütimann in a discussion on the 2nd of April, it is crucial to look for such consultancy and expertise within the Palestinian territories or the Arabic world rather then bring in Swiss experts. Such consultancy partners face the same environment and are sensitive to its developments. Therefore their consultancy paper is more appropriate and effective then the paper outside partners would perform, which face diverse realities and

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[106] Küng, 2008, p. 14-16

different developments. An example for a Palestine consultancy firm is "Dar El-Khebra Consulting Services".[108] Another probable consultancy partner for more technical issues is the Palestinian Information Technology Center (PITcenter).[109]

Universities

Universities are centres of explicit and implicit knowledge. The accumulation of implicit knowledge results of a combination of theory and practice. Therefore public private partnerships are interesting for universities. Beside the dimension of knowledge and expertise, universities are also a source of potential employees. Examples of universities in Palestine are the universities of Birzeit, Bentlehmen, An-Najah among others.

Suppliers[110]

Suppliers play an important role. First, it is crucial for the sustainability of the project that new hardware is available in order to ensure operating capacity. This is also important for the time when the DEZA is not longer part of the project. Second, in order to create the greatest impact and spill-overs on Palestine economy/society (multiplier effect) it is key to rely on domestic suppliers. The situation in the Palestinian territories regarding the endowment of computer hardware seems to be relatively good.[111]

NGO

The NGOs have already been presented in point 3.2.1, when the paper discussed their role as potential customers of the project. Therefore it is referred to those explanations. are referred to.

Palestine Diaspora

Roughly half of the Palestinian population lives outside the Palestinian territories, namely some five of the approximately ten millions Palestinians. A major part of them lives in refugee camps, which have emerged out of the Palestine Israeli wars, starting with the first war in 1948. Those refuges camps are situated in the Arabic world and mainly in the

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[107] According to Joutet (2007) Internet and telephone communication via satellite is still forbidden by Israel. Hence Internet and telephone communication is fully dependent on land-lines, which cross Israel
[108] Fur further details, please consult Dar El-Khebra Consulting Services' website: http://www.dar-elkhebra.com.
[109] Fur further details, please consult PITcenter's website: http://www.pitcenter.org/.
[110] With suppliers is mainly referred to suppliers of computer hardware and related physical material, as software etc. is available through the Internet.
[111] According to Peter Leuenberger the computer endowment in OPT is rather good (Peter Leuenberger, *Organisation „Gesellschaft Palästina-Schweiz" Interview*, March 3, 2008). Furthermore, the endowment of Palestinian households with computers is relatively good. About 33% of the Palestinian households have computers (Palestinian Central Bureau of Statistics, 2006). Therefore it can be expected that there is a relatively well functioning computer hardware retail industry, too.

neighbouring countries – such as Jordan (approximately three millions), Syria, Lebanon (both some 400'000) and Saudi Arabia (some 300'000).[112] The purpose of the population of these camps is to return and the integration and economical activities are marginal. However, there is also another PD. There are big Palestinian populations in Chile (some 300'000) and the rest of Latin America (some 300'000, mainly in Brazil, El Salvador, Honduras and Belize).[113] There are also big communities in Europe (200'000 – 300'000 mainly in Germany, Great Britain, Denmark and Sweden)[114], Australia, New Zealand and North America (some 200'000). [115]

As pointed out before the PD community may play a paper as customers (mainly PD business) or as financier.

3.6 Benefits

The benefits of the proposed project can be measured by means of economical (GDP per capita, revenue, employment) and social indicators (education, gender equality) as the OECD[116] and the World Bank define them respectively.

In an economic respect, the project is a potential source of revenue. One of the long-term goals is to build up a more or less cost efficient small enterprise providing simple content management services. The project profits from relatively low labour cost in comparison with western standards due to the low income level of the OPT. Besides low labour costs, further savings are possible through low equipment costs. Content management services do not rely on expensive equipment. The simplicity of the work allows providing effective content management services even with standard computer equipment. The saved money could be used for social spending such as the salaries of the employees. IT-equipment should be purchased preferably from local suppliers in order to avoid parallel structures and damages for the local IT-equipment selling market. Besides, open source computer systems offer benefits that should be used. There are not only general open source operating systems, but also specific open source content management systems such as TYP03 or Joomla!.de[117]. Due to the relatively low cost structure, one can calculate with relatively low capital expenditures as well. Therefore, from a cost efficient point of view, the presented project features reliable prospects for being competitive at the market. This is especially true, if the special market potential can be served successfully. Besides this assessment of the core activity of the project, there are other perspectives, which should be addressed. It is crucial

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[112] For more specific data see wikipedia (http://en.wikipedia.org/wiki/Palestinian_diaspora).
[113] Nargizian (2006) under http://headheeb.blogmosis.com/archives/031858.html.
[114] Arar (2006) under: http://www.badil.org/al-majdal/2006/Spring/article08.htm.
[115] Rakacewiz (2000) under http://mondediplo.com/maps/refugeesdiasporapaldpl2000
[116] cp.OECD, 2006
[117] For further information, consult the webpages http://www.joomla.de/ and http://www.typo3.com/

how many work places are generated through the project. Especially salaries and capacity building expenditures should not just be treated as costs. The main aim of the project is not to unconditionally become a successful national enterprise, but much more to provide people with a job and therefore a basis for existence. This not only refers to the monetary side of a job. A job also provides sense, a purpose of life, activity, self-respect and a possibility to break out of the isolation. This should improve the situation of the people directly involved in the project. Furthermore, the monetary and psychological benefits may spill over and affect the surroundings of the project positively.

In social terms in example, the project may offer opportunities for gender and youth empowerment. The empowerment of disadvantaged groups constitutes one of the main operation fields of SDC. In the traditional Palestinian society, women are often forced to stay at home, to look after the household and the children. Alternative employment opportunities are scare. By recruiting women and training them in simple IT-skills, SDC is helping to give them hope for a better future. Especially young women are enabled to learn a profession and are thereby better able to achieve economic independence. In addition, they earn enough money for supporting the often poor budgets of their families. With this measure, SDC is improving the educational level of women, supporting their integration into the labour market and making a contribution to gender equality. Recruitment should not be limited to women only. Young people in general should be encouraged. Offering internships besides regular job possibilities is an effective way to educate young people. The formation can be carried out by local as well as Swiss experts. Moreover, through working together with local IT-research centres such as the Birzeit University, further learning can be achieved and knowledge synergies can be taken advantage of.[118] On one hand, students of computer sciences could gather practical experiences by working for the project. On the other hand, the project would profit from the theoretical expertise of the students. Overall, a content management project offers a variety of different social development opportunities that are indispensable for a sustainable poverty reduction and enhanced quality of life.

Furthermore, the project is also conducive to an enhanced communication, not only between the two separated Palestinian territories, but also between the OPT and overseas. By means of a facilitated internet service exchange, there is a chance of a rapprochement between the people from the West Bank and Gaza. In this regard, the project is fulfilling an intra-cultural integrating function.

Anyhow, all the benefits mentioned above can only be achieved because the presented project does not rely on existing physical restrictions. Check points, the wall and any other kind of physical boundaries can not be transferred into the virtual world. In contrast to the real world, freedom of movement in the cyberspace is fully assured. Through supplying IT-

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[118] For further information, consult the webpage http://www.birzeit.edu/academics/eng/

services, Palestinian entrepreneurs can avoid import and export restrictions set by the Israeli occupation. By means of the internet, services can be exchanged across nations, but also between the two separated Palestinian territories. As a result, Palestinian entrepreneurs are enabled to sell their content management services to local as well as regional, even global buyers, and thus generate income and employment, for themselves as well as for other Palestinian people. Moreover, local content management providers can profit from the high density of NGO's - approximately over 230 - operating in the OTP.[119] NGO's can consider the outsourcing of their content management services to a local Palestinian enterprise as part of their social commitment. Palestinian small entrepreneurs on the other hand are getting the opportunity to build up a unique selling point to NGO's as their main internet content management provider. Anyhow, the success of the project is depending on internet connection, which in turn relies on a secured electricity provision. Electricity for the OPT is being imported and controlled by the Israeli Electric Company.[120] A continuous availability of electricity is not guaranteed.

We can therefore conclude that the proposed content management project not only supports income generation/employment, but might also lead to the generating of spill-over effects in cultural, social as well as political fields.

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[119] http://www.palestine-ngos.net/searchend.asp
[120] cp. CIA, 2006-2008

4. Conclusions

The situation the OPT faces, has been described as vastly complicated: The Palestinian nations in itself split in 2007 into a Hamas leaded Gaza Strip and the West Bank, which remained in the hands of Fatah. This situation is heavily aggravated by restrictions on physical mobility imposed on Palestinians by its Israeli neighbours. These facts severely limit economical, political and social development of a Palestinian nation.

"How can one bring hope and more importantly solutions to this economy behind the wall?", was the major question of this paper. An approach chosen here was to think beyond the wall and escaping somehow from the "real" world into a virtual world of prospects and opportunities: A project idea was developed, delivering content-management and web-design services to NGOs and the own Diaspora. The project idea was widened to a sector perspective. The underlying aim was to provide the possibility of an additionally, hopefully sustainable source of income for the Palestinian society. But more than an escape to the virtual world was it a serious attempt to confront risks and challenges of such an initiative: We saw ideas how Israel can be integrated as a partner into the project and how the own Palestinian population must be persuaded of the idea.

Evidently it was out of scope of this study to elaborate the project in any detail and against any future uncertainty. The meaning was more to bring a new initiative on the table, assess these ideas and develop first steps towards a successful end of the project. Although along the research it has been obvious that desperation mostly dominates in current Palestine, this paper followed the contrary devise,

"… to be a realist you have to believe in miracle"(David Ben-Gurion).

5. Literature

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6. List of abbreviations

AP	Associated Press
EC	Commission of the European Communities
EU	European Union
IRIN	Integrated Regional Information Networks
OECD	Organisation for Economic Cooperation and Development
OPT	Occupied Palestinian Territories
PA	Palestinian authority
PCBS	Palestinian Central Bureau of Statistics
PD	Palestinian Diaspora
PRDP	Palestinian Reform and Development Plan
SDC	Swiss agency for development and cooperation
UN	United Nations
UNRWA	United Nations Relief and Works Agency