

**Address by Karen Koning AbuZayd
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Political and Security Committee of the EU Council of Ministers

Brussels, 27 April 2007

I very much appreciate the opportunity to address your Committee today.

Over the years, the European Union has been a reliable and valued supporter of UNRWA and of the Palestinian people. We hold the EU in high regard not only on account of past and continuing support, but also because we have high expectations for its future role in the region. The European Union is a testament to how a shared commitment to human rights, democratic institutions and the rule of law can translate into peace and sustainable prosperity for millions of people.

My presentation this morning will broadly outline the situation facing Palestine refugees in the Near East and the principal challenges UNRWA confronts in providing its services. UNRWA's expertise and its long experience of direct service provision to refugees have endowed the Agency with first-hand knowledge and unique insights into Palestinian issues, including many that lie beyond the confines of its humanitarian and human development mandate. I will draw on that knowledge as well as my own experience of living and working in Gaza for more than six and a half years.

One of UNRWA's most priceless assets is a relationship of trust with refugees themselves, host country governments and other stakeholders. This relationship of mutual confidence has been a vital ingredient in UNRWA's success since its establishment and it continues to be evident in the close cooperation we enjoy with host governments and authorities. Without going into fine operational details, I would like to mention some highlights of our work in Lebanon, Syria and Jordan, before offering comments on the occupied Palestinian territory.

Lebanon, Syria and Jordan

For several years now, our Lebanon operation has benefited from close collaboration with EC and ECHO. Over 400,000 Palestine refugees in Lebanon have endured very difficult conditions and various forms of restrictions. We were pleased when in October 2005 Prime Minister Siniora announced his intention to improve living conditions for Palestine refugees, to ease restrictions on their access to employment and to allow construction materials into the refugee camps. These are welcome promises and while they are yet to be enshrined in legislation, there are good prospects for raising the standard of living for refugees and allowing them to contribute positively to the wider community. The centrepiece of our plans is a 50 million dollar camp improvement project to address the squalid conditions in the 12 refugee camps. We are grateful to the Lebanese Government, which not only supported the initiative from the outset, but also helped to raise 21 million dollars by the end of 2006, allowing work to commence.

It is worth noting that Palestine refugees did not feature in the conflict with Israel in the summer of last year and have not been drawn into the political tensions currently prevailing in Lebanese politics.

The Syrian government's hospitality to Palestine refugees - now numbering in excess of 442,000 - has been exemplary, as has its record of excellent cooperation with UNRWA. The Neirab Rehabilitation Project is an example of how that cooperation bears fruit for refugees. The project is relocating 300 families from the overcrowded camp, a former WWII British army barracks, to new housing units built on nearby land provided by the government. We are due to commence work on the second phase, viz., renovating the Neirab camp itself, once the required 26 million dollars in new funding is obtained.

Jordan hosts the largest population of well over 1.8 million Palestine refugees. The country has been especially generous, providing many refugees with secure residential status as well as civil and economic freedoms. The large number of refugees in Jordan has drawn attention to the contribution made by host countries to the well-being of refugees. This has in turn underlined the need to acknowledge their

sacrifices and contributions and to ensure that they are adequately supported. The pressure on UNRWA services has highlighted the need to improve the quality of our programmes and to become more responsive to refugee requirements.

I will now turn to the occupied Palestinian territory – the region which tends – often for good reason - to dominate global attention.

The occupied Palestinian territory

The people of Gaza and the West Bank – refugees and non-refugees alike - are being crushed, slowly but surely, by the impact of the *de facto* sanctions regime imposed since February 2006. As long as the policy to isolate the Palestinian Authority remains in place, the situation will continue to worsen as the economy and the society itself unravel under the weight of one of the harshest boycotts we have seen in recent times. One aspect that I consider particularly egregious is the fact that some 165,000 Palestinian Authority employees received only half of their salaries in 2006.¹ Owing to restrictions on the movement of goods, capital flight and recession, industries that once supported livelihoods, such as the fishing and garment industries, are in steep decline. It should come as no surprise that 66% of Palestinians live in poverty, a 30% increase over 2005. There has been a 40% decline in Gross Domestic Product since 1999, with a close to 10 % contraction occurring in 2006 alone. In Gaza, 80% of the population rely on UN food aid, while 88% of refugees live below the absolute poverty line.²

The sanctions have also paralyzed the institutions of governance – institutions that the international community has been building with painstaking care and at great cost - since the Oslo accords. The suspension of donor support and the withholding of VAT and customs transfers from Israel are destroying the ability of the Palestinian society to function. Other casualties of the sanctions regime include the rule of law, the cohesion of Palestinian society and the ability of the vulnerable to gain access to social safety-net support. Inevitably, the numbers of poor and unemployed continue to rise.

¹ World Bank, March 07

Given the depth to which the Palestinian economy has sunk, the contribution of the Temporary International Mechanism (TIM) could only go so far. The over 170 million dollars that has so far been disbursed is a generous and significant amount. Still, the mechanism was not designed to boost the economy or to support sustainable economic recovery. In that regard – and while the TIM has helped to avoid destitution for many - it could not address the fundamental requirements of the occupied Palestinian territory.

As a Gaza resident, I see direct connections between desperate poverty and the insecurity that prevails in many parts of the occupied territory. For the first few months of the year, internal armed conflict cost many lives. That conflict subsided considerably following the formation of the national unity government. However, insecurity continues to constrain normal life.

We are gravely concerned about the safety of Alan Johnston. His abduction, reportedly by a criminal gang for money, and the fact that he has been held for so long is a sad commentary on the ability of the Palestinian Authority to enforce law and order. The fact that Corporal Shalit is yet to be released raises other questions.

Insecurity hampers humanitarian access and UNRWA's ability to operate. We are now down to a bare minimum of 10 international staff following an attack by gunmen on one of our vehicles. There are substantial costs to maintaining humanitarian operations in such an insecure environment. While the safety and security of my staff remains our priority, we are also concerned about the cost implications of insecurity – in both financial and administrative terms. Armoured vehicles and armed escorts have to be paid for, and restrictions on field visits limit our ability to monitor and manage operations.

Gaza is in a state of ongoing, low-intensity conflict. Incursions into Gaza and military operations inside Gaza take place frequently and there are often live fire incidents resulting in Palestinian deaths. The firing of Qassam rockets into Israel

² PCBS

also continues, albeit at a reduced rate relative to their frequency during the second half of 2006.

The situation in the West Bank is dominated by several closely related features: low-intensity conflict; the demolition of Palestinian homes; the expansion of Israeli settlements and severe restrictions on freedom of movement for Palestinian people and goods. I will elaborate only on the movement and access issues. This is an area which does not attract much attention in the international media, even though grave damage is being done to Palestinian lives and livelihoods.

The Agreement on Movement and Access (AMA) of Nov 2005 was designed to facilitate the movement of Palestinian people and goods between the West Bank and Gaza and also between the occupied territory and Israel and the outside world. It was based on the very sound principle that freedom of movement and better economic opportunities for Palestinians would translate into improved security for all. Just the opposite has happened. Restrictions have increased to a point where freedom of movement is now virtually non-existent for Palestinians in the West Bank.

There are now 549 physical obstacles to movement – a 44% increase over last year. Besides the proliferation of physical obstacles, Palestinians have to deal with a draconian permit regime and with the massive West Bank wall that cuts them off from services; from their land; from worship at their most holy sites; and from visiting their families in East Jerusalem. The cumulative effect of all these restrictions is the fragmentation of the West Bank into rigidly controlled cantons. There are now no fewer than 10 such sections, of which Jerusalem is one. The result is that Palestinian families are broken-up and the Palestinian economy is strangled.

Organizational matters: funding and management reform

Allow me now to turn to some organizational matters, namely the Agency's funding situation and the progress we are making with our management reform process.

As you are aware, UNRWA is funded almost exclusively by voluntary contributions from donors. While we are grateful that the EU and other major donors have kept faith with us over the decades, we are very concerned that budget shortfalls have become a permanent feature of our planning cycle. In the past six years, only three of the Agency's top ten general fund (regular budget) donors increased their contributions in national currency terms, while five donated less than they did previously. Our 2007 general fund stands at 487.2 million dollars against expected income estimated at 380 million dollars. The shortfall of approximately 107 million dollars will have adverse consequences for the scope and quality of services we deliver to Palestine refugees. Allow me to share with you a few examples of the impact of under-funding.

The funding picture is as bleak for our emergency appeal. To date, UNRWA has received pledges for only 20% of the 246 million dollar 2007 Emergency Appeal. We are already planning cuts on some emergency interventions. The urgent needs of some 1.5 million beneficiaries in the West Bank and Gaza Strip will not be met as conceived, at a time when they have few if any alternative sources of support.

Funding shortfalls make it very difficult to implement our plans to maintain – let alone improve - the quality of our services. UNRWA requires - and Palestine refugees deserve – a better response to their needs.

The process of management reform is at the moment our principal internal preoccupation. We are aware that we must become more “modern” and more strategic if we are to retain the support and confidence of refugees, donors and other stakeholders. We also appreciate that we must continuously refresh the way we work through a perpetual process of renewal.

These are some of the considerations driving our process of management reform. The process has been budgeted at 30 million dollars over a period up to 2009, of which 9.5 million dollars has been pledged. We appreciate the votes of confidence we have received from donors but more is needed to bring the reform process to a successful conclusion. We are at the moment entering into a difficult phase of meshing programme strategy with planning and budgeting processes.

I will now offer some concluding observations on the political outlook from an UNRWA point of view.

Political outlook

My starting point is that there can be no security without credible prospects for a lasting peace. From our perspective in field operations, we see in the current circumstances an opportunity for generating a fresh momentum for peace. The Palestinian-Israeli issue has enjoyed a rush of attention over the past few months, with a succession of high level missions to the region, including Secretary-General Ban's first visit, as well as a number of notable developments. The peace process has been moribund for so long that we tend to mistake heightened attention for progress and are inclined to be satisfied with very small steps. We must guard against this and shake ourselves out of our collective apathy. We must capitalize on positive developments and take the necessary steps to turn this recent surge of interest into concrete forward movement in the process of building peace.

The renewed engagement of States within the region is an encouraging sign. These States bring with them not only an intimate understanding of the Palestinian experience in a regional context, but also resources, international legitimacy and credibility on the streets of Gaza and the West Bank. By encouraging regional engagement, we broaden the range of parties that have the leverage to encourage moderation and compromise.

The formation of a national unity government is another welcome development. It suggests that the political parties understand that it is futile and destructive to resolve political differences through force of arms. It indicates that there are actors within the Palestinian polity that not only recognize moments when concessions are necessary, but also possess the political maturity to seize those moments. These are qualities that the international community should reward and cultivate, because they point to the potential for Palestinians to become genuine partners for peace.

The European Parliament, the European Union and its Member States are in an excellent position to encourage and promote the forces of compromise that exist on both sides of the Israeli-Palestinian divide. There are indications that some States in Europe and elsewhere are establishing contacts with some members of the national unity government. These are positive signs because the current policy of isolation and sanctions can lead only to further suffering for ordinary Palestinians, deeper paralysis for the peace process and more recruits for the forces of extremism on both sides. What is required is an all-inclusive, even-handed, multilateral process that places humanitarian needs, human rights and international law issues on an equal plane with security and political matters.

In 1945, Europe emerged from a devastating war and has become a global political and economic force. Such remarkable progress required a massive injection of resources and the recognition that the surest guarantee of state and human security is justice, human rights and prosperity for all.

In this, their fifty-ninth year of exile, Palestinians demand and require no less than this. We must look beyond the gloom of recent years and insist that a transformation of the Palestinian situation is possible. We must help to remove the destructive sanctions regime that has inflicted so much indiscriminate harm on the Palestinian people. We must ensure that both Israelis and Palestinians comply with international law, particularly the rules that govern the protection of civilians in armed conflict. And we must do everything we can to achieve for Palestinians the same high human ideals on which our own peace and prosperity were founded.