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Graduate School Of International Studies

Seoul National University

Master's Thesis

Stunted Right to Economic Development In Palestine;

Palestinian Authority Policies and Practices, Palestinian Capitalists Practices,

Occupation Limitations and Donors Agenda

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August 2015

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Palestinian Authority Policies and Practices, Palestinian Capitalists Practices, Occupation Limitations
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List of Definitions

CAT: Convention against Torture

CEDAW: Convention on All Forms of Discrimination against Women

CERD: International Convention on the Elimination of All Forms of Racial
Discrimination

CRC: Convention on the Rights of the Child

DoP: Palestinian Declaration of Principles

FAO: Food and Agriculture Organization

GDP: Gross Domestic Product

GS: Gaza Strip

HR: Hague Regulations

ICCPR: International Covenant on Civil and Political Rights

ICESCR: International Covenant on Economic Social and Cultural Rights ICESCR

MoNE: Ministry of National Economy

NGO: Non-Governmental Organization

NIS: New Israeli Shekel

OPT: Occupied Palestinian Territories

PA: Palestinian Authority

PCBS: Palestinian Central Bureau of Statistics

PER: Paris Protocol on Economic Relations

PLO: Palestinian Liberation Organization

PNA: Palestinian National Authority

RTD: Right To Development.

UN: United Nations.

UNCTAD: The United Nations Conference on Trade and Development

WB: West Bank

WFP: World Food Programme

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Abstract

In 1986 The UN General Assembly adopted the Declaration on the Right to Development by an overwhelming majority, which stated un-equivocally that the right to development is a human right.

Twenty years after signing the Oslo peace agreement, in 1994, between the Palestinian Liberation Organization and Israel, the Palestinians remain unable to enjoy their right to economic development. The Palestinians still do not have control over their lands nor resources and the Palestinian economy is still dependant on the Israeli economy, and without international aid it will not be able sustain itself. This paper aims to answer the question of why the Palestinians' right to economic development is stunted.

My research shows that there are key players who stunt this right for their own benefits such as the Palestinian Authority, The Palestinian capitalists and political elite, donors and mainly the Israeli occupation. Without dealing with the Palestinian economic development from a human right approach in the current situation, where a Palestinian sovereign state and economy seems unattainable, the Palestinians' right to economic development is more likely to remain stunted.

Key words: Right to Development, Economic Development, Occupied Palestinian Territories, Human Right Approach to Development

INTRODUCTION

According to UNCTAD, the long-term prospects for Palestinian economic development became even more unattainable in 2011 more than in the previous years. Restrictions on movement, faltering aid flows, a paralyzed private sector, and a chronic fiscal crisis cloud the horizons.

The reason why the Palestinian economic development became even more unattainable is because the Palestinians' right to economic development was and remains stunted until today. There are many reasons that lead to this. Israeli occupation policies are constraining the economy from developing and are keeping the Palestinian economy dependant on the Israeli economy by the continuous exploitation of the Palestinian natural resources and controlling the free movement of goods and people.

At the same time the Palestinian Authority embraced the neoliberal approach favoring foreign investment over local, resulting in a “development” that does not serve the Palestinians. In this policy environment, the wealthy Palestinian capitalists benefit from the neoliberal trade policies, which have given them monopolized access to the Palestinian market, all this, under occupation and without sovereignty.

The recent recovery of growth in Gaza is unsustainable. High unemployment persists, exacerbating poverty, with one in two Palestinians classified as poor. Under current circumstances, where private demand is weak, reduction in Palestinian Authority spending is counterproductive.

Donors need to make predictable aid disbursements and greater capture of trade-related fiscal revenue is warranted to prevent a full-blown socio-economic crisis. The impact of occupation on the Palestinian productive base, especially the agriculture sector, has been devastating.

The economy has lost access to 40 per cent of West Bank land, 82 per cent of its ground water, and more than two thirds of its grazing land. In Gaza, half of the cultivable area and 85 per cent of fishery resources are inaccessible (UNCTAD, Developments in the economy of the occupied Palestinian territory, 2012).

Until today in 2014, the Palestinian National Authority is dependent on the donors support in the development process, these donors over the past 20 years, assisted the PA with around 24 Billion Dollars, making Palestine one of the highest countries receiving Official Development Assistance (ODA) in the world, despite its small size and population compared to other developing countries.

In this paper, the importance of tackling the Palestinian economic development from a human rights approach will be emphasized, keeping in mind that the Palestinians do not have a sovereign country, but arguing that despite this fact, they are rights holders and all parties must respect these rights, including the right to economic development.

LITERATURE REVIEW

After signing the Oslo Peace agreement, the Palestinians leaders dreamed about converting Palestine into the Singapore of the Middle East. Twenty years after the Oslo Peace agreement was signed, the Palestinian standards of living have declined and the economy has grown even more dependent on Israel (Farsakh, 2000). In this context, the Palestinians were not able to have an independent economy, and many economists argue that there is nothing called a Palestinian economy, as it is totally linked with the Israeli economy. Consequently, the Palestinians' right to economic development is examined in the following section

2.1. Development

The concept of development began to circulate in the 1950s, immediately after World War II, in conjunction with the decolonization process of most countries in the Third World and in the South, i.e., those suffering from poverty, disease, hunger and illiteracy. These countries' desire for independence pushed them to adopt different economic and political approaches in order to emerge from the cocoon of dependence and catch up with developed Northern countries. From this scenario, the concept of so-called "underdeveloped" countries was born, accompanied by the rhetoric of "backwardness"; in the context of this geopolitical and economic division, the term "development" began to spread worldwide (Ibrahim, 2011).

In the beginning, the concept of development was associated primarily with theories of economic development, but its meaning diversified over time. During the 1950s

emphasis shifted to welfare issues and social progress, in the 60's, it moved to education and training as a means of economic rehabilitation; implementation of democracy; the establishment of human rights-focused cultures; and the importance of human capital in order to catch up with the advanced industrial countries (Aref, 2009).

Later in the 70's, development focused on the alleviation of poverty and ensuring basic human needs. In the 1980s, however, it focused on political reform, and democracy, economic structural adjustment was adopted by the International Monetary Fund (IMF) and the World Bank (WB) (Shattab, 2008).

However, the definition of development is always linked to theoretical strategies and scientific means of analysis. Economists, for example, define it as a rapid increase in economic production that must be reflected in GDP indicators, while sociologists insist on social change as an essential component. In short, there is no unified definition for development as such. In many countries, the concept was linked to industrialization, while for others it symbolized independence; politicians, for example, have often described development as a modernization process, which includes the establishment of social and political institutions, while economists tend to link it with economic growth (Harrison, 1984).

The turning point occurred in the United Nations, beginning in the 1970's, with the intense debate about differences between developed countries and Third World countries. Even today, many scientific meetings and conferences at the United Nations focus on this concept, particularly the subcategories of sustainable development and human development/ The peak of this long-term historical process

was on December 4th when the UN General Assembly adopted the Declaration on the Right to Development (resolution 41/128) (Ibrahim, 2011).

2.1.1 Right to Development

The Declaration on the Right to Development, which stated un-equivocally that the right to development is a human right, was adopted by the UN in 1986 by an overwhelming majority, with the US casting the single dissenting vote. This Declaration came almost 38 years after the adoption of the Universal Declaration of Human Rights, according to which human rights constituted both civil and political rights (Articles 1 to 21) and economic, social and cultural rights (Articles 22 to 28) (Sengupta, 2001).

The first and second articles of the UN Declaration on The Right to Development (RTD) state the following:

- “The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized.” (Article 1.1, Declaration on the Right to Development)
- “The human right to development also implies the full realization of the right of peoples to self-determination, which includes, subject to the

relevant provisions of both International Covenants on Human Rights, the exercise of their inalienable right to full sovereignty over all their natural wealth and resources.” (Article 1.2, Declaration on the Right to Development)

The RTD is also recognized in the African Charter on Human and Peoples' Rights and the Arab Charter on Human Rights and re-affirmed in several instruments including the 1992 Rio Declaration on Environment and Development, the 1993 Vienna Declaration and Programme of Action, the Millennium Declaration, the 2002 Monterrey Consensus, the 2005 World Summit Outcome Document and the 2007 Declaration on the Rights of Indigenous Peoples.

Under the Declaration, “States have the primary responsibility for the creation of national and international conditions favorable to the realization of the right to development” (Article 3).

According to the UN high-level task force on the implementation of the right to development “the responsibility for the creation of this enabling environment encompasses three main levels:

- (a) States acting collectively in global and regional partnerships (second preambular paragraph and Article 3);
- (b) States acting individually as they adopt and implement policies that affect persons not strictly within their jurisdiction (Article 4); and

(c) States acting individually as they formulate national development policies and programmes affecting persons within their jurisdiction (Article 2)."

The right to development provides a comprehensive framework and approach to the policies and programmes of all relevant actors at the global, regional, sub-regional and national levels as this right :

- Integrates aspects of both human rights and development theory and practice;
- Encompasses all human rights – civil, political, economic, social and cultural;
- Requires active, free and meaningful participation;
- Involves both national and international dimensions of state responsibilities including in the creation of an enabling environment for development and favorable conditions for all human rights;
- Demands comprehensive and human-centered development policy, participatory development processes, social justice and equity;
- Embodies the human rights principles of equality, non-discrimination, participation, transparency, accountability as well as international cooperation in an integrated manner;
- Implies the principles of self-determination and full sovereignty over natural wealth and resources;
- Facilitates a holistic approach to the issue of poverty by addressing its systemic and structural causes;

- Strengthens the basis for pro-poor growth with due attention to the rights of the most marginalized;
- Fosters friendly relations between states, international solidarity, cooperation and assistance in areas of concern to developing countries, including technology transfer, access to essential medicines.

2.1.2 Sovereignty

The concept of sovereignty is one of the most complex in political science, with many definitions, some totally contradictory. Usually, sovereignty is defined in one of two ways. The first definition applies to supreme public power, which has the right and, in theory, the capacity to impose its authority in the last instance. The second definition refers to the holder of legitimate power, who is recognized to have authority. When national sovereignty is discussed, the first definition applies, and it refers in particular to independence, understood as the freedom of a collective entity to act. When popular sovereignty is discussed, the second definition applies, and sovereignty is associated with power and legitimacy (de Benoist, 1999).

➤ Sovereignty and Political Authority

On the international level, sovereignty means independence, i.e. noninterference by external powers in the internal affairs of another state. International norms are based on the principle of the sovereign equality of independent states; international law excludes interference and establishes universally-accepted rules. Thus, sovereignty is eminently rational, if not dialectical, since the sovereignty of a state depends not

only on the autonomous will of its sovereign, but also on its standing *vis-a-vis* other sovereign states. From this perspective, one can say that the sovereignty of any single state is the logical consequence of the existence of several sovereign states (de Benoist, 1999).

The problem with sovereignty appeared at the end of the Middle Ages, when the question posed was no longer only about the best form of government or the limits of political authority, but about the relation between the government and the people, i.e., the relation between ruler and ruled in a political community. This is the question that Jean Bodin (1520-1596) attempted to answer in *La Republique*, published in 1576. Bodin did not invent sovereignty, but he was the first to make a conceptual analysis of it and to propose a systematic formulation. He did not initiate this project by observing a real state, but by attempting to restore public order, which had been damaged by the religious wars, and by legitimating the emancipation of French kings from the Pope and the emperor (de Benoist, 1999).

Sovereignty essence lies in the ability to decide and implement decisions. Of course, in most cases sovereign decision-makers are restricted by many factors including the behavior of other decision-makers. Thus, sovereignty is always a relative concept. Usually it relates to a group of people who control a well-defined territory. Economic sovereignty includes, among other things, the freedom to choose economic policies. For example, in recent years economists have analyzed 'monetary sovereignty' in the context of European integration, and have focused their analysis on the 'pros' and 'cons' of sacrificing this element of sovereignty.

Because trade and labor issues have proved to be of most importance in the present context ,we focus on these and do not address the issue of monetary sovereignty (Spivak & Arnon, 1996).

➤ **Palestine: Absence of national sovereignty**

Since the signing of the Israeli-Palestinian Declaration of Principles (DoP) in 1993, the oPt has been viewed as a separate political and economic entity in discussions of economic performance and constraints. While this reflects Palestinian aspirations, it is markedly in opposition to the economic and political realities of the interim period. If anything, the developmental constraints facing the Palestinian people are predominantly determined by the fact that they do not have their State. The issues of the borders of the Palestinian State, the status of Israeli settlements in the oPt, the status of Jerusalem and the return of Palestinian refugees remain unresolved as the parties have yet to agree on a date for restarting the final status negotiations. Furthermore, the area of land under the PA's full civil jurisdiction in the West Bank is limited to only 3 per cent.¹At the same time, and as explained before, the Palestinian economy remains subject to Israeli control measures, while the Israeli-Palestinian peace accords have maintained the arrangements that governed

¹It is necessary to mention that according to Interim Agreement of Oslo II (1995), Palestine was divided into three main areas (A, B and C), designating various levels of control, as follows:

- **Area A:**The Israeli army has fully withdrawn and Palestinians hold all responsibilities for internal security and public order. (20%)
- **Area B:** Palestinians have full control over the civil administration and Israel continues to have overriding responsibilities for security.(19%)
- **Area C:**Palestinians have responsibility for civil life such as economic, health and education sectors. However, Israel retains full control over security and administration related to the territory. (61%)

Palestinian commercial relations with Israel during the pre-1994 period (UNCTAD, *The Palestinian war-torn economy: aid, development and state formation*, 2006).

In 1994, following the September 1993 breakthrough in political negotiations between Israel and the Palestinians, an economic agreement between the PLO and Israel was reached in Paris. The Paris Protocol, as the agreement is called, defined the de jure regime for an interim period of five years. Its wording expresses the desire to bring prosperity to the Palestinian economy. The economic arrangements set out in the Protocol reflected Israel's demand that no borders - economic or otherwise - be determined during the interim stage of the negotiations. Thus, the agreement was not necessarily the outcome of an economic analysis of alternative arrangements but rather the upshot of political decisions to put off, perhaps even to avoid, the need to agree on the demarcation of borders (A. & J., 2001).

2.1.3 Occupation

The interpretation of occupation, as defined in the Fourth Geneva Convention, evolved in the 1960s and 1970s, in the wake of decolonization. Occupation came to be seen as an unacceptable regime of oppression, akin to colonization or apartheid. This evolution was reflected in several international documents, including the 1977 Additional Protocols to the Geneva Conventions, which explicitly referred to the right of self-determination against 'alien occupation' (Benvenisti, 2004).

Article 42 of the 1907 Hague Regulations (HR) states that a " territory is considered occupied when it is actually placed under the authority of the hostile army. The

occupation extends only to the territory where such authority has been established and can be exercised. "

According to their common Article 2, the four Geneva Conventions of 1949 apply to any territory occupied during international hostilities. They also apply in situations where the occupation of state territory meets with no armed resistance.²

A situation of military occupation prevails in the OPT. As the occupying Power, Israel is bound under international humanitarian law by a set of obligations which are provided for in the Hague Regulations 1907, annexed to the Hague Convention IV respecting the Laws and Customs of War on Land 1907, which are recognized as forming part of customary international law, and Geneva Convention IV relative to the Protection of Civilian Persons in Time of War 1949 ("Fourth Geneva Convention"), to which Israel is a High Contracting Party (HRC, Human rights situation in Palestine, 2012).

The Israeli policy towards the economy of the Occupied Palestinian Territory until this period featured a careful integrationist strategy which deprived Palestinians of central requirements for independent economic development, particularly in the form of the free operation of endogenous development capacities and authorities. Israeli policies in this period were based on the three premises of maintaining minimum order in the economic affairs of the occupied territory, not committing to advancing its economic interests, and ensuring that the regulation of economic activity corresponded to the general pattern of relevant policy and legislation in Israel (Taghdisi-Rad, 2009).

²<https://www.icrc.org/eng/resources/documents/misc/634kfc.htm>

Israel is bound to respect, protect, promote and fulfill the full range of the social, economic, cultural, civil and political human rights of all persons within its jurisdiction as a result of its being party to the International Covenant on Civil and Political Rights (ICCPR), International Covenant on Economic Social and Cultural Rights (ICESCR), Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), Convention on All Forms of Discrimination against Women (CEDAW), Convention on the Rights of the Child (CRC), International Convention on the Elimination of All Forms of Racial Discrimination (CERD), and the Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict. Israel is also bound by relevant international human rights rules which form a part of customary international law (HRC, Human rights situation in Palestine, 2012).

2.1.4 Foreign Aid

The origins of aid trace back to the nineteenth century. In that time, aid was linked to the colonial countries' economic interests and political objectives; these countries used the aid as a means of strengthening their controls in the colonies through an economic and political restructuring process, with the overall intention of deepening their dependence on and obedience to the colonizers' requirements with regards to raw materials and open markets for their good (Ibrahim, 2011).

The end of World War II was a qualitative turning point with regards to the nature and history of aid, fuelled by the inertia of institutions created in the aftermath of the war (including the success of the Marshall Plan), the Cold War, and the wave of

nations claiming their independence in the 1940's and 50's. Since then further changes have taken place in institutions (e.g. the rise of multilaterals in the 1970's and NGOs in the 1980's), types of aid (the decline of food aid and the rise and fall of financial program aid) and aspects of donor ideology (mainly, the perceived role of the state) (Hjertholm & White, 2009).

According to Roger C. Riddell, aid has been constantly changing: it has been provided in different forms to address a succession of different problems or to fill different gaps seen as critical at particular points of time. In the 1950s, it was physical infrastructure and technical skills; in the 1960s, it was the savings and investment gaps; in the 1970s, meeting basic needs, in the 1980s, the productive sector; in the 1990s governance, human rights and human development; and today (not unlike the 1970s), assistance targeted on the achievement of key Millennium Development Goals (Riddell, 2008).

Since signing Oslo agreement in 1993 and establishing the Palestinian National Authority in 1994, billions of dollars were spent in the Palestinian territories through donors who were aiming to maintain and support the peace process converting Palestinians to one of the highest-per capita recipients of aid in the world for several years.

According to Al-Amad and Awartani, the purpose of this aid was for:

1. Supporting the peace process between Israel and the PLO by advancing economic development in the Palestinian territories (West Bank and Gaza

Strip), and implementing projects that are designed to improve the standard of living and quality of life for Palestinians.

2. Establishing a system of "New Middle East" based on collective security, stability, and progress for the peoples of the region; and then appended to the promising market of the world's new economic order.
3. Removing and containing causes of conflict, tension, and violence; promoting market economies; consolidating democratic institutions; and protecting human rights (Al-Amad & Awartani, 1999).

The international aid disbursements have poured in to the Occupied Palestinian Territories (oPt) based on two major principles:

1. Palestinians collect international development assistance on the basis of their universal right to development. Article one of the Declaration on the Right to Development (1986) states: “the right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural, and political development, in which all human rights and fundamental freedoms can be fully realized” (Dalia, 2008).

2. As the Palestinians are considered occupied people according to International Humanitarian Law; they are entitled to humanitarian assistance. The Fourth Geneva Convention asserts the right of civilians to request and receive assistance in times of conflict (Baroud, 2006).

Most of the international aid (85%) was given as grants, while the remaining 15% was provided in the form of loans. Moreover, 87% of the assistance was channeled through Palestinian public institutions, 8% through NGOs and 5% through the UNRWA(MAS, 2005).

2.2 Development Process in Palestine

Notwithstanding the peace process, the areas of the West Bank and Gaza under the jurisdiction of the Palestinian Authority remain dominated by Israeli economic policies and are subordinated to the prescriptions of international financial institutions, such as the World Bank and the IMF, which played a central role in designing the PA economy (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000).

The Paris Economic Protocol of April 1994 is, in fact, worse than the Oslo Accord that laid the groundwork for it. Both agreements (Oslo I and Paris) ignored the issue of Palestinian sovereignty over land, which means that the Palestinians are unable to put forth a real development strategy, especially in agriculture, the main economic sector in the WBG. Far from guaranteeing Palestinians the freedom to import and export without Israeli supervision, the Paris Protocol explicitly restricts the PA to specific quantities of goods that can be imported and exported. The protocol also creates a joint economic committee to deal with all economic affairs, essentially

giving Israel veto power over PA requests" (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000).

Since September 1993, the peace process has created economic hardship for the majority of Palestinians in the West Bank and Gaza. Arguably, since the beginning of Israeli occupation, there has never been a period in which the Palestinian economy has been so vulnerable. In fact, measured against the advances made by other states in the region, the Palestinian economy is weaker now than in 1967. The characteristic features of the de-development process-expropriation, integration, and deinstitutionalization-not only have continued but have accelerated since Oslo, their detrimental impact heightened by new economic realities, particularly closure (Roy S. , 1999).

Despite the celebratory rhetoric of Oslo's economic strategists, who at the signing of the April 1994 Paris Economic Protocol envisioned the development of an export-oriented economy that would generate domestic job growth and lessen Palestinian dependence on Israel, Palestinian trade relations after Oslo are strikingly similar to its trade relations before: Israeli dominance as a trading partner; the preservation of the one-way trade structure that insures unimpeded Israeli access to Palestinian markets while blocking Palestinian access to Israeli markets; an excess of imports over exports; and limited access to international export markets (Roy S. , 1999).

The Oslo Accords and the self-governing arrangements in the occupied territory that they conferred upon the PLO, to be managed by the Palestinian Authority, were

heralded by their signatories as a break with the past. Much of that confidence was based on the agreement that the framework put in place by the Accords, including the Paris Protocol on Economic Relations (PER), would serve for an interim period of only five years, with permanent status issues –including those associated with sovereignty – to be negotiated and agreed within five years.

The economic institutions that the Palestinian Authority was enabled to build within the scope of the PER did entail a withdrawal of the Israeli Civil Administration from those areas where the Palestinian Authority was granted jurisdiction – an unprecedented ceding to Palestinian hands of economic and local management functions that hitherto had been under direct Israeli control. While the Palestinian Authority strove to portray institutions as “national” in their role and purpose, the actual limits to their regulatory or enforcement authorities soon became apparent (in areas such as trade, fiscal management, banking, industrial zoning, agricultural resources, land use, etc...) (UNCTAD, The economic dimensions of prolonged occupation).

2.2.1 Economic Indicators

The United Nations Conference on Trade and Development (UNCTAD), issued a report in 2012 addressing the developments in the economy of the occupied Palestinian territories that will be summarized into two sections, the first one will summarize the main economic indicators and the second section will illustrate the key obstacles to Palestinian Development.

Economic Indicators:

I. Deceptive growth: Palestinian economic losses continue

- The economy of the occupied Palestinian territory grew by 9.9 and 9.8 per cent in 2011 and 2010, respectively. While this gives the impression of a booming economy, the reality is that growth was driven by reconstruction-related activities, which took place to partly rehabilitate after the devastation from the Israeli military operation in Gaza in December 2008 and January 2009.
- Gaza's strong growth was due to low base effects from the deterioration of previous years and to aid inflows. It was also driven by increased imports of production inputs and consumer goods from Egypt through the cross-border tunnels, and some easing of Israeli restrictions on the importation of consumer goods and materials for reconstruction activities supervised by international organizations.
- Restrictions on imports and exports of production inputs remain tight. Despite the strong growth, real gross domestic product (GDP) per capita in Gaza in 2011 was still 10 per cent below the 2005 level. The observed growth therefore remains easily reversible and vulnerable to Israeli security policy.

II. Mobility restrictions, falling aid and fiscal crisis undermine growth

- The Palestinian economy continues to operate much below potential because of continued movement restrictions (the number of barriers in the West Bank increased from 500 in 2010 to 523 in 2011), continuation of the

economic siege on Gaza, the Palestinian Authority's fiscal crisis, and decline in donor support.

- In recent years, aid has been essential for sustaining the Palestinian economy and preventing the onset of deeper socio-economic crises. As such, the decline in donor support observed in 2011 had a negative impact on growth.
- Prolonged occupation, and the socio-economic impact of confrontation with an expanding settler/colonial-type enterprise (Salamanca et al., 2012), is the main cause of the failure of Palestinian economic development efforts.

III. High unemployment, and falling productivity and real wages

- Unemployment has remained stubbornly high in the OPT. In 2011 the unemployment rate was 26 per cent, compared to 30 per cent in 2010. However, the observed improvement was accompanied by a worrisome 4 per cent decline in labor productivity (Palestinian Central Bureau of Statistics (PCBS), 2012). Despite 5 per cent growth in the West Bank, unemployment did not improve in 2011, indicating that the sectors with higher job-creation potential and productivity are disproportionately impacted by occupation and the tightened movement and access restrictions. In Gaza, as international organizations were able to implement some projects following a modest easing of Israeli restrictions on imports, the labor market picked up and unemployment declined by 9 percentage points to 33 per cent in 2011.

IV. Inflation erodes real incomes and increases poverty

- The inflation rate in the OPT in 2011 was 2.9 per cent: 3.5 and 0.6 per cent in the West Bank and Gaza respectively.
- Inflation has featured as a major source of concern and recent protest for Palestinian consumers having to adapt to Israeli price levels. In addition to the erosion of purchasing power and lower standards of living, inflation adds pressure on producers on the cost side.
- Severe poverty is mirrored by chronic food insecurity. Two in three Palestinians are affected by food insecurity. Recent data reveal that 33 per cent of Palestinian households are food-insecure, with an additional 13 per cent vulnerable to food insecurity and 21 per cent marginally secure. The problem is much worse in Gaza, where 52 per cent of households are food-insecure and another 13 per cent are vulnerable to food insecurity (World Food Programme (WFP), Food and Agriculture Organization (FAO) and PCBS, 2010).

V. Uncertain donor support and revenue and higher debt increase fiscal fragility

- Net current transfers to the OPT (mainly donor support) were \$2.4 billion in 2011; 27 per cent lower than the level in the previous two years. At \$980 million, budget support was \$520 million short of the total PA financing needs for the year. This forced the PA to resort to borrowing from domestic banks and to accumulate arrears to private sector suppliers and public pension funds. While arrears grew by \$540 million, debt to domestic banks

increased by \$140 million to reach \$1.1 billion – 50 per cent of public revenue – by the end of 2011 (UNSCO, 2012).

- The growing debt and arrears will undermine the PA's fiscal position for years to come, since repayment of these debts will take precedence over implementing planned budgets.
- Total external financing needs in 2012 are estimated at \$1.3 billion – \$1 billion for budget support and \$300 million for development support. Early indicators suggest a financing gap of \$540 million. If not financed, this gap will force the PA to cut spending on essential services, seek financing again from the already overexposed domestic banks, and continue to accumulate arrears to the already edgy private sector. This poses serious threats to the sustainability of the PA itself, unless donors commit sufficient aid resources and disburse them in a timely manner.
- A key source of the PA's fiscal instability is the channeling through Israel of Palestinian trade clearance revenue, which Israel collects on behalf of the PA as stipulated by the Paris Protocol.
- In May and November 2011, Israel withheld Palestinian revenue to further its political goals, as it did in 2002 and 2006. Even though the withheld funds were eventually transferred to the PA, this measure destabilizes the PA's fiscal position and the Palestinian economy, because public spending is a key source of economic growth, and clearance revenue represents 70 per cent of total revenue (World Bank, 2012). Withholding revenue undermines the PA's ability to meet its contractual obligations to the private sector and to pay wages on time. It also undermines the prospects of

investment, by fostering a climate of uncertainty and increasing risk for private suppliers and creditors.

- Another key element of Palestinian fiscal woes is the negligible share of development expenditure in the budget, which amounted to a meager \$215 million or 3.4 per cent of GDP in 2008. Development expenditure increased slightly in 2011, to about \$368 million or 4.2 per cent of GDP. In this context, it has to be stressed that the foregone benefits as a result of low levels of development spending are likely to be very high in light of the attrition of infrastructure and restrictions on much of the Palestinian productive base.
- The PA's persistent fiscal weakness is mainly caused by a regime that exacts a fiscal toll through revenue leakage to Israel and lack of sovereignty to collect taxes and ensure the accuracy of tax-related information. This diminishes the tax base, lowers collection rates, and adds pressure to the PA's expenditure obligations in response to the recurrent humanitarian and economic crises. The estimate by the PNA Ministry of National Economy (MoNE) (2011) of the economic cost of occupation (in terms of lost potential output) to the Palestinian economy in 2010 is \$6.9 billion or about 82 per cent of GDP. Had such a loss not been incurred, the PA's books would be balanced, with significant resources available for development. Such hidden, recurrent costs hamper economic growth and render its development impact negligible.

VI. Trade deficit and economic dependence on Israel persist

- In 2011, Palestinian exports showed no signs of recovery. Export weakness reflects the erosion of productive capacity, a disabling environment facing the private sector, and movement restrictions. In addition, the blockade on Gaza has eliminated much of its export capacity, which has been especially harmful because Gaza's agriculture and most of its industries were export-oriented and heavily reliant on imported goods. Palestinian exports declined by \$136 million in 2011 to reach slightly more than \$1 billion – 12 per cent of GDP. Imports declined too, by \$434 million to reach \$4.2 billion – 48 per cent of GDP. Consequently, the trade deficit persisted at \$3.2 billion – though at a lower share of GDP than in previous years, at 36 per cent.
- Given the overwhelming Palestinian dependence on Israel as a source of imports and destination for exports, trade and economic dependence on Israel continues to be a serious problem. Trade with Israel in 2011 accounted for 83 per cent of total Palestinian trade, with 83 per cent of imports originating from/via Israel and 80 per cent of exports absorbed by Israeli markets. Hence, the Palestinian trade deficit with Israel accounted for 84 per cent of the total deficit, and 31 per cent of GDP.
- This high dependence deprives the Palestinian economy of more competitive sources of imports and markets for exports, and heightens its vulnerability to the Israeli business cycle and security policies. As a result of tightened Israeli restrictions, Palestinian exports to Israel plummeted by 24 per cent between 2008 and 2011 (IMF, 2012). Therefore, it is essential to reduce trade dependence on Israel and to reorient Palestinian trade and

facilitate its integration into the Arab and regional economies, where trading arrangements are more favorable. As was noted by experts at a panel discussion held at the UNCTAD XIII Conference in Doha in April 2012,⁴ reviving these historical trade routes is indispensable for the revitalization of the Palestinian export sectors and the economy as a whole.

The key obstacles to Palestinian development:

- Public infrastructure and private investment are restricted in Area C (under Israeli control), which constitutes 63 per cent of the West Bank land. Palestinian investment activities in this area require permission from Israel. Applications by the PA for such permission are routinely rejected, or at best delayed for years.
- Under such draconian conditions affecting access to strategic national assets and natural resources, state-building is an elusive concept. In the current conditions, all efforts should focus on preventing further encroachment by settlement and occupation on the Palestinian economy and society, indeed reversing it.
- In its report to the Ad Hoc Liaison Committee meeting held in Brussels on 21 March 2012, UNSCO (2012) concludes that: “The absence of a political horizon that would match progress in the Palestinian state-building agenda

remains the fundamental impediment to realizing a more meaningful change for Palestinians on the ground.”

- Recovery of the Palestinian economy requires credible steps towards the two-state solution as envisaged by the relevant United Nations resolutions. A sustained economic growth trajectory can only be attained by lifting the blockade on Gaza, the internal and external closures, and the restrictions on public and private investment, land control and use and natural resource management in Area C.
- Economic recovery also requires timely, predictable and substantial donor support, not only for budget support, but also to fund investment to revive the battered productive base.
- The agricultural sector is the cornerstone of Palestinian economic survival and the viability of the two-state solution. However, the sector has not been able to play its strategic role, because of dispossession of land and denying Palestinian farmers’ access to agricultural areas and water resources, as well as to domestic and external markets to sell their products and buy factors of production.

2.2.2 Role of Palestinian Authority

In September 1993, the Palestinian Liberation Organization (PLO) and Israel signed the Palestinian Declaration of Principles establishing the framework for an interim period of Palestinian self-rule in the Gaza Strip and Jericho. This was the first in a series of steps known as the “Oslo Peace Process”.

A transfer of powers and responsibilities from Israeli to Palestinians control took place following the Israel–PLO Cairo Agreement of 4 May 1994 on the Gaza Strip and the Jericho Area. As an immediate result of this agreement, the head of the PLO, Yasser Arafat returned from exile in Tunisia to take over as Chairman of the newly established Palestinian Authority.

The transfer of civil government and partial security responsibilities from Israel to the Palestinian Authority took place in other areas of the West Bank pursuant to the Israel-PLO September 28, 1995 Interim Agreement, the January 17, 1997 Protocol Concerning Redeployment in Hebron and the September 4, 1999 Sharm el Sheikh Agreement. Pursuant to the Interim Agreement, the Palestinian Territory was divided into Areas A, B, and C indicating differing levels of Palestinian and Israeli control, although the effective exercise of responsibilities in these areas has been blurred since the onset of the Intifada³ (COMMUNITIES, 2004).

³**Intifada** is an Arabic word which literally means "shaking off", though it is popularly translated into English as "uprising" or "resistance". It is often used as a term for popular resistance to oppression.

The PA has been conceived as a transient institution, limited spatially and circumscribed in the powers it can exercise in the non-contiguous areas which it has been created to administer: the PA does not have control over its external and internal borders, the airspace, access to the sea, the overall security of the oPt, its foreign policy, and key natural resources such as land and water; it lacks an autonomous fiscal and monetary base and, as mentioned, the movement of goods and people to the outside world, between and within the autonomous areas is dependent on Israel. Within this 'client status' context, the PA core functions are to provide civil and legal administration to the non-refugee population of the West Bank and Gaza and deliver security for the Israelis. Repression and the curtailment of political and civic rights have thus also been central features of the regime, largely as a response to the security orientation of the political process since Oslo, that made and continues to make, progress in the negotiation process conditional upon Palestinian security performance (Le More, 2005).

The Oslo Accords and the Paris Protocol did not account for Palestinian sovereignty over the land. As such, the Palestinian Authority had no real opportunity to develop an economic strategy for Palestine. This is especially true for the agricultural sector which historically was the main economic sector for Palestine (Samara, Globalization, the Palestinian Economy, and the "Peace Process, 2000).

The PA is well aware of the shortcomings Paris Protocol. The Palestinian minister of trade at the time, Maher al-Masri, noted, "All economic agreements following the Declaration of Principles were dangerous and have had a negative impact on the

economy." Al-Masri also stated that the "Israelis control Trade Protocols, through their restrictions on dealings with the Arab world, in order to limit the amount and quality of goods we are allowed to import outside Israeli customs tariffs. They impose their own specifications and measurements on the imported goods". In essence, the Paris Protocol did not affect any change in policy from the direct occupation era to the post direct occupation era. This is why the PA has repeatedly tried to have the Paris agreement amended. Not surprisingly, Israel has refused, given that it is in Israel's interests to use its new regional relations against Palestinian economic interests'(Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000).

There is no doubt that the protocol was in favor of Israel, Paris protocol, which is a direct result of the uneven balance of power between the two parties and the transitional nature of the agreements. Israel is a well-established state with a thriving economy and a large modern army, while the Palestinian Authority has limited autonomy and is making its first steps towards national sovereignty (A. & J., 2001).

➤ **Post-Oslo – The PA's economic and trade policies**

The PA adopted neoliberal economic and free trade policies which ultimately, inhibited the development of the local private sector. Further, during the earlier PA years, corrupt policies were implemented such as granting permission to individuals in high positions within the PA to monopolize the import of essential commodities

and utilities. This eventually led to the creation of a Palestinian elite and widened the income distribution gap within the Palestinian population (Roy, 2001).

In addition to the impact of the Occupation on the Palestinian economy, the PA has been subject to the economic and trade policies of external agencies such as the World Bank and the IMF. In collaboration with these international organizations, the PA has embraced the neoliberal approach favoring foreign investment over local, resulting in a “development” that does not serve the Palestinians. In this policy environment, the wealthy capitalist countries benefit from the neoliberal trade policies which have given them access to other markets such as Palestine. The impact on the less developed countries such as Palestine has been disastrous, forcing local companies out of business, and restricting their economic development. Further, the external agencies influenced the PA towards industrialization for economic development, even though industry comprised a mere 8% of the GDP. Although Palestine’s economy is agricultural based, the international community insisted that the PA adopt other industries (Samara, Globalization, the Palestinian Economy, and the “Peace Process, 2000).

The Palestinian agricultural sector consists of many stakeholders, including many donors, the Palestinian Ministry of Agriculture (MoA), local NGOs, and international NGOs. Over the last several years, the MoA was allocated less than 1% of the total PA budget (ARIJ A. R., 2007).

Today, with the palpable failure of armed struggle, the PA is offering the Palestinian people in the West Bank a program predicated upon delivering growth

and prosperity without any strategy for resistance or challenge to the parameters of occupation (Khalid & Samour, 2011).

Meanwhile, donor funding to PA coffers has exceeded \$1.5 billion annually since 2007, and with the internal security situation increasingly under control, economic growth in 2009 and 2010 has begun to recover from its previous eight-year decline. The 8+ percent economic growth witnessed in the West Bank since 2008 is heralded as signaling the first green shoots of the PA reform strategy. An urban construction boom, car shows, international hotels, fashionable restaurants, virtual stock trading systems, and e-government are seen as evidence of a vibrant economy. Such developments have no doubt given credence to the statehood-or-bust narrative, creating something akin to an “economic-peace bubble” emanating from Ramallah (Khalid & Samour, 2011).

It should be noted that there have been few, if any, new institutions designed with sovereign economic functions; rather, the PA continues to tinker with those designed fifteen years ago to serve a five-year transitional “self-government.” Furthermore, most of the “institutional reform” to date has focused on consolidating PA public finances, the purse strings of which are held by the prime minister (Khalid & Samour, 2011).

On the practical level, the PA has approached development in conventional terms: spending tax income, loans, and grants on either short-term employment or infrastructure for the purpose of enticing foreign (including Diaspora Palestinian) investors. In Palestinian towns, the most obvious sign of development is the construction of hotels, offices, and new buildings. To have a “stand-by economy,”

the PA needs to prepare a special infrastructure that meets the demands of tourists, businessmen, nongovernmental organization (NGO) managers, top-ranking PA officials, and so on. But how much does the population really benefit from these investments? And to what extent are the land and capital of the WBG being directed toward the kind of production that meets the population's needs? The new buildings, supermarkets, and luxury restaurants in Ramallah and other West Bank towns, far from constituting development, merely prepare the ground for the "casino economy" that is the end result (Samara, *Globalization, the Palestinian Economy, and the "Peace Process"*, 2000).

More problematic from a developmental perspective, however, is the view held by PA planners and their influential backers that this program (neoliberal) represents the best economic option—not just for a postliberation future, but even for today under occupation and without sovereignty. With surprising ease for a people that have struggled for their independence and identity for generations, the idea that there is no alternative to such an economic framework has gained traction and credibility. Equally perplexing, given the Palestinian tradition of vibrant and pluralistic political debate, is the fact that PA neoliberal policy preferences remain largely unquestioned, except by a handful of analysts and the occasional international NGO or UN agency (and even then, only elliptically)(Khalid & Samour, 2011).

Inevitably, the PA's fiscal reform efforts in a situation of occupation face daunting obstacles. It is saddled with a high and chronic budget deficit, which not only means sustained dependency on external assistance, but also reduced resources for

development expenditure (such as investment in public infrastructure). The PA's public commitment to an all-out effort to reduce aid dependency would exacerbate the fragile economic situation given a relatively high, mostly imported, inflation; unemployment of over 20 percent; a third of the population living below the poverty line; and as many as one in five households directly or indirectly dependent on employment by the PA (Khalid & Samour, 2011).

The PA accepted the economic peace model. The tradeoff proposed by economic peace is that a non-sovereign Palestinian state-like entity may bask in the warmth of Israeli economic growth and even enjoy some of its own. But in return, it will have to postpone or effectively abandon the struggle for Palestinian national rights. What the PA program promises is not just that the "right" sort of state and free-market economy can be built, but that they can be designed and prepared even while occupation continues and the Palestinian polity remains divided politically and geographically. And, in an unusual twist, it promises that such a state, absent a negotiated political settlement, will be able to impose itself as an independent and viable entity recognized and accepted by Israel (Khalid & Samour, 2011).

➤ **Corruption:**

Today, all parties (except perhaps the PA) consider that intractable issues such as statehood cannot be addressed until the PA has undertaken wide-ranging reforms. For many years, PA officials under Arafat would bristle at suggestions of corruption in their midst or at best would point to other developing (and developed) countries and national liberation movements as evidence that nobody is perfect. They also could credibly argue that problems of ministerial mismanagement, lack of financial

accountability, corruption, and patronage had first been uncovered and investigated by PA institutions (e.g., PA Comptroller General report of 1997, Palestinian Legislative Council report of 1998). But since the short-lived government of Mahmud Abbas in 2002, and even more so under the post-Arafat regime, PA financial accounts and functions, ministerial structures, policy roles, draft legislation, and development plans have all been subject to extraordinary scrutiny by donors and the international community and their watchdog institutions (Khalidi, 2005).

In the Palestinian situation, it is clear that while corruption may be a serious ethical problem, its existence and role cannot be separated from unique state-formation and capitalist accumulation processes under particularly difficult conditions(Khalidi, 2005).

Certainly, the PA's modus operandi cannot be divorced from the economy's lamentable performance. The PA's corruption, by now almost universally recognized, and financial mismanagement of donor funds flow from the mentality of a guerrilla organization that continues to prevail, wherein the leadership cannot be questioned and operates in secrecy and without accountability. Hence the PA's parallel budgets, one public and one covert, the latter containing hundreds of millions of dollars of public money distributed to buy loyalty for the regime (PA), rather than going into development or building infrastructure. Hence, too, the PA's creation of a huge bureaucratic structure, now numbering more than 100,000 civilian and military personnel, totally dependent on and therefore loyal to the

regime (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000).

Public revenues and the opaque allocation of business contracts notably in the case of PA monopolies also became a political resource to buy support for the regime, leading to the waste and misuse of public funds and the growing perception that the PA was not only a bloated and inefficient administration but also a corrupt one (Le More, 2005).

Such PA practices as the establishment of import monopolies (for as many as twenty-seven commodities), increasing corruption (particularly with regard to the misuse of foreign assistance), mismanagement of the public sector, and the failure to establish an appropriate legal and regulatory environment capable of attracting essential foreign investment have unquestionably exacerbated current economic conditions. These practices have been detailed elsewhere. But while the PA has played a damaging role economically, it is important to point out that this role is secondary to the one played by Israeli policy, which remains the primary determinant of Palestinian economic decline in the post-Oslo period (Roy S. , 1999).

With no election on time until today, the PA has an expired legal mandate; it is not accountable to the Palestinian people electorally or through any other mechanism and therefore has no legitimacy except that granted to it by non-Palestinian actors (Lester, 2014).

2.2.3 Role of Palestinian Capitalists and Political Elite

Of course, the interplay between economics and politics is not new in human history. Each side's goal in this process is to use the other side to help him in maximizing his capital accumulations, weather it is financial, political or social capital (Nakhleh, Globalized Palestine, 2012).

The presence of Palestinian businessmen in the political sphere predates the establishment of the Palestine Liberation Organization (PLO). After the PLO's foundation, Palestinian capitalists played a variety of roles in the national liberation movement. Some PLO factions, particularly Fatah, saw the Palestinian capitalist class as a "national bourgeoisie" and as such an indispensable part of the anti-colonial struggle and dealt with it accordingly (Dana, 2014).

Since Oslo, and particularly in recent years, the influence of Palestinian capitalists in the occupied territory has been rising in an unprecedented manner. They can be divided into three main groups:

- "Returnee" capitalists, comprised of a Palestinian bourgeoisie that had emerged in the Arab countries, particularly the Gulf states, as well as in North America and Europe. Many of these businessmen had strong ties to the nascent Palestinian Authority.
- Local capitalists, comprised of two main subgroups: large landowners who historically enjoyed considerable political and social influence over traditional social structures; and local interlocutors who accumulated wealth as subcontractors for Israeli companies after the 1967 occupation.

- The *nouveau riche*, who acquired wealth in more recent times and who particularly benefited from the Oslo process in various ways as will be discussed further down (Dana, 2014).

In Palestine, what is taking place is a "development business", or "development industry", in which capitalists increase their opportunities for profit, as they legitimize and consolidate the acquiescent position of the ruling political class to a continued and normalized Israeli colonial occupation of this part of Palestine (the West Bank and Gaza). In this process dependent self-rule is justified and internalized; the right of return of the Palestinian refugee communities is abrogated and redefined; the society itself is transformed into a pool of controlled and pauperized workers; the use of land as an agricultural productive source is undermined and ignored; indigenous energy and voluntary initiatives are determined by the amounts of available "donor" funds; and the genuine "development of Palestinian society is transformed into a deeply entrenched myth (Nakhleh, Globalized Palestine, 2012).

During the 1990s, the special relationship between certain Palestinian capitalists and ruling political circles within the PA led to the centralization of political and economic power in the hands of a few individuals who rapidly managed to transform the national project into a game of interest politics. This was especially the case with regard to the PA elite's political and security collusion with Diaspora conglomerates in managing large-scale public-private monopolies. Monopolies protected by the PA (Dana, 2014).

For the business class, the only route open was to become commercial agents marketing Israeli products in the occupied territories. When Israeli businessmen realized how profitable it was to invest in certain sectors of the occupied territories' economy, they teamed up with Palestinians. This led to the evolution of a subcontracted Palestinian business class, which dominated and even replaced the weak nationalist bourgeoisie that had been privileged under Jordanian rule. Israel thus annexed to its own economy two of the three main classes of Palestinian society, the workers and the capitalists. Accordingly, the natural equation of labor to capital found in most societies was deformed in the occupied territories, since both the working class and the capitalist sectors became integrated, separately, in the Israeli center (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000).

At the same time, monopolizing certain industries and products was clearly obvious after the establishment of the PA, the ownership of the PA of the major monopolies ranged from a complete ownership of equity (100%), e.g., the cement, petroleum, and various real estate monopolies, to 80% ownership in the "Palestinian cigarettes Company", to about 50% in the "Palestinian flour mills" to about 34% in the so called "Peace Technology Fund". Many of the PA's holdings "were in commercial enterprises distributing Israeli imports". These products, however, could be imported from other countries at lower cost. By monopolizing the import of cement, the PA controlled and limited the import of cement, primarily, to the Israeli Neshar Company, which claims in turn that it "supplies the cement needs of Israel and the

Palestinian Authority⁴. The Israeli supplier, Nesher, played a critical role in hampering indigenous capitalist efforts to establish a cement industry in the PA areas, through the nurturing of a network of powerful allies from the PA political bureaucracy, supported by the colonial occupation bureaucracy (Nakhleh, *Globalized Palestine*, 2012).

These monopolies were not only an early sign of PA corruption but also the most obvious expression of the emergent political-economic alliance that found in the PA an effective political mechanism for achieving private economic interests. Furthermore, monopolies were also selectively granted to those Palestinian political-economic actors that enjoyed special proximity to Israeli companies. As a consequence, monopolies have had a devastating impact on the Palestinian economy and small businesses, and, conversely, benefited the Israeli economy. A number of former Israeli political and military officials became, after their retirement, business partners of some Palestinian capitalists and PA political elites. In return, Israel offered the Palestinian businessmen and politicians special privileges such as access to permits, more freedom of movement and trade and the VIP pass status (Dana, 2014).

Businessmen, driven by the desire for easy profits and realizing that Israel will not allow any real flexibility for the self-rule economy, avoid investment in productive sectors and invest instead in construction and land speculation. The cumulative result of the open-door policy, the monopolies, and the encouragement of foreign (or émigré) capital at the expense of local capital is to weaken further and even

⁴ (<http://www.nesher.co.il>)

destroy the small and independent Palestinian producers, causing higher unemployment, less capital accumulation, and more dependency on Israel (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000).

It is clear from the analysis that no capitalist investments were made in major production projects, and no emphasis on alleviating the roots of poverty. On the contrary, by investing capital in creating easily accessible credit schemes, capitalists' investments are setting the stage for increasing the indebtedness of the average person, entire households and the society at large. Furthermore the analysis points to indications that profits from these investments are siphoned off outside Palestine, without being re-invested in people-controlled and protected development projects (Nakhleh, Globalized Palestine, 2012).

Neo-liberalism combined with political authoritarianism and corruption reinforced and consolidated what can be described as the PA's crony capitalism. From the earliest days, the PA's cronyism was expressed in special relations between powerful businesspeople and the PA political and security elite. This system naturally had adverse effects on the economy: By favoring privileged political and economic groups it systemically impeded market competitiveness and excluded the majority of the people's access to meaningful economic opportunity. Indeed, the ability of capitalists to exert influence over government policies was further strengthened and politicians further enriched (Dana, 2014).

With the appointment of the former Prime Minister Salam Fayyad and the government programs he introduced since 2008, the capitalists' influence over the political establishment increased. Businessmen and pro-capitalist technocrats often occupied key ministerial positions in Fayyad's governments. That is as much as 50% of the GDP, with annual interest running at \$200 million. For an economy largely dependent on international aid this high level of public-sector indebtedness is alarming indeed. The ways in which the money was spent and how the PA will pay off its debts remains a mystery. These Palestinian capitalists' role has even become prominent in the international political sphere. They put their weight behind US Secretary of State John Kerry's efforts to drive through a peace settlement with their joint Palestinian-Israeli Breaking the Impasse plan despite the dire impact this would have on Palestinian rights. Moreover, the plan was reportedly prepared without the participation of either Palestinian civil society or the PA itself. This suggests that local Palestinian crony capitalists have become the primary recipient of international "peace" initiatives. It is difficult to believe that any peace plan they manage would contribute to the Palestinian question for self-determination, freedom, and justice. Rather, it is more likely to be just another lucrative opportunity for those benefiting from the ongoing status quo. Crony capitalists have attempted to practice social control by recruiting civil society to serve their objectives, working alongside major international donors. One way is through the establishment of large NGOs that tend to penetrate the social fabric by promoting certain values designed by international financial institutions and development agencies to sustain the neoliberal system. These NGOs' values are expected to

trickle down to other indigenous civil society organizations via capacity building and other projects (Dana, 2014).

2.2.4 Role of Israeli Occupation

Within days of Israel's conquest of the WBG in June 1967, the Israeli military governor began to issue military orders that would reshape the lives of the territories' residents. No less than half of these orders involved economic matters, for a principal aim of the Israeli occupation was and continues to be to "adjust" the economy of the territories to fit in with the interests, needs, and structure of its own economy. These interests include the employment of a cheap labor force. Military orders cut the occupied territories off from the rest of the world, making Israel their main supplier (90 percent of the occupied territories' imports come from or through Israel). Thus the wages paid to the workers were returned to Israel as payments for Israeli consumer goods. By absorbing the labor force, while at the same time pursuing a policy of rejecting Palestinian applications for licenses to start productive projects, the Israelis were able to destroy the occupied territories' economic infrastructure, thus facilitating the integration of the latter's economy into that of Israel. This process forced all Palestinian social classes to interact directly with the Israeli economy, thereby creating and reinforcing Palestinian economic dependency (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000).

Under International Humanitarian Law, Israel as an occupying power , is legally obligated to provide for the well being of the Palestinians under occupation, and should be held accountable for doing so.

The policy measures of successive Israeli governments towards the Palestinian economy have been the overriding determinants of Palestinian economic performance and developmental prospects. Since 1967, these have evolved from aiming to integrate Palestinian economic resources (especially land, water and labor) into Israel's "mainland" economy, to acting to marginalize and isolate the economy and markets of the Occupied Palestinian Territory. Whether by unilateral action or through economic and political agreements with Palestinian partners, this has contributed to a diminishing Palestinian economic and productive base. This has been accompanied more recently by stripping the putative Palestinian government and institutions of any means to expand or even sustain its policy space and attain control over its sovereign affairs (UNCTAD, The economic dimensions of prolonged occupation, 2009).

Despite the fact that these inhibiting conditions prevent the establishment of a normal market economy with a concomitant expansion of the public revenue base, the Palestinian Authority (PA) has initiated broad and politically difficult fiscal and institutional reforms to promote an enabling environment for domestic and foreign private investment. However, the potential pay-off from these efforts has been minimized by the persistence of Israeli closure policy and by the loss of natural and

economic resources (UNCTAD, Developments in the economy of the occupied Palestinian territory, 2012).

Israel's policies of land confiscation (more than 60 percent of the land, especially the most fertile parts, had been expropriated or come under Israeli control), banning Palestinian agricultural exports, and encouraging the production of crops required by the Israeli market. Those harmed most were the independent and small producers who were either hit by land confiscations or unable to compete with crops imported through or produced by Israel. As a result, the surplus rural labor power that failed to find jobs in the towns or was unable to emigrate to the oil-rich Arab countries looked for work inside Israel. Fundamentally, the colonial-settler Israeli occupation targeted the land and, unlike the Palestinians, had a clear strategy for its use (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000).

From such a vantage point, the contradictions within the occupation's administrative triad—Israel, the PA, and international aid donors—are rendered more apparent. At the local level, Israel's interventions and military policies (implemented on the ground by the Israeli Defense Forces-IDF) not only cut off access to essential resources (e.g., land and water) but also greatly limit the scope and authority of municipal PA administrators; international aid workers are left to bridge the gap by providing both the material assistance and protection that are otherwise denied to local residents. In other words, aid groups, by virtue of their

international status, are able to accomplish what elected governors and mayors are not (Calis, 2013).

There is no presently applicable international legal framework that captures the extent to which the interests and wellbeing of the civilian population are jeopardized, perhaps irreversibly, if the occupation lasts longer than five years. Israel's occupation of Palestine has lasted 46 years, a period that causes serious mental disorders associated with living for decades without the protection of laws and rights and with stifling restrictions on mobility and travel. Israel's occupation shows no signs of ending. The prolonged state of exception has facilitated what the Human Rights Council's fact-finding mission on Israeli settlements aptly described as “creeping annexation”. The unlawful Israeli annexation and demographic manipulations in East Jerusalem have created fundamental threats to the Palestinian right of self-determination (HRC, Human rights situation in Palestine, 2012).

A bulletin published by the Palestinian Ministry of National Economy in cooperation with the Applied Research Institute- Jerusalem (ARIJ) , The economic costs of the Israeli occupation for the occupied Palestinian territory can be summarized as follow:

➤ **Import and export restrictions**

Israel imposes a variety of restrictions on the trade to and from the West Bank and Gaza (WB&G), including with Israel. These restrictions lead to different types of costs, which we divide into two categories:

- a. Lack of availability and higher costs of inputs to production due to the ‘dual use’⁵ item list.
- b. Costs of the restrictions in handling, processing and transporting imports and exports.

➤ **Restrictions on the use of water resources**

Israel has an almost complete control of the aquifers in the West Bank from which it abstracts a large share of its water consumption (World Bank, 2009). In fact Israel has been consistently over-extracting even vis-à-vis its generous allocation of water. World Bank (2009) estimates that Israel over-extracts about 389MCM per year relative to its Article 40 allocation (a total abstraction of 871 MCM per year), thus causing the depletion of the aquifers’ reserves. This comes at the expenses of the Palestinians, who have been able to extract only 91.5 MCM from the West Bank aquifers in 2008 (PCBS, 2009a), an amount much lower than that in 1999 and even as late as in 2007. The Israel Water Authority has used its role as a regulator to prevent Palestinian drilling in the Western Aquifer, despite growing demand from Palestinian towns. Although recharge is almost all in the West Bank, Israel exploits the highly productive Western Aquifer from within Israel, and has denied PA requests to allow more wells to meet growing urban demand or potential irrigation and industrial demands in the West Bank (World Bank, 2009). Instead, Israel offers

⁵‘Dual-use’ items are goods, raw materials, equipments and spare parts that have both civilian use as well as potentially other harmful use to which they could be diverted after import into the WB&G. Israeli restrictions on dual-use chemicals and fertilizers have been in place for decades, but in 2002, the Israeli military began limiting access to chemicals and fertilizers further by lowering the maximum concentration levels allowed

to “sell back” the water that it has tapped from the Western Aquifer. Since the beginning of the occupation, Israel has developed wells in the West Bank (largely in the Jordan Valley) and a network serving settlements that is linked into the Israeli national network. The settlements are consuming about 44 MCM of water extracted from wells within the West Bank (World Bank, 2009).

➤ **Indirect agricultural costs due to water restrictions**

In as much as the direct costs of access to water for the Palestinians are likely to be non-negligible the largest costs from water restrictions in the oPt are due to the value of production foregone due to the occupation induced water shortages. The restrictions to water (also land) access as well as the physical interventions on the land in Area C, have constrained the development of irrigated agriculture in oPt. Only a small part (14%) of the cultivated land is irrigated in oPt, and this restriction is particularly severe in the West Bank, where only 9% of the agricultural land – or 148,153 dunum⁶ - is irrigated (PCBS, 2009b). Quoting data from UN OCHA oPt (2010) the World Bank notes that while in 2010 “the Israeli military removed some 80 roadblocks that impeded vehicular access for limited numbers of farmers to agricultural land in Area C, no improvement was observed regarding access to much larger agricultural areas” (World Bank, 2010, p. 14). This problem is compounded by the restrictions imposed on the development of mechanized irrigation systems or greenhouses for Palestinians in area C agricultural lands.

⁶ Dunnum equals to 1000² meters.

➤ **Potential revenues from Israeli controlled natural resources in the oPt**

Government of Israel (GOI) directly controls and/or impedes the exploitation of a huge amount of resources in the West Bank, typically located in Area C; over which Palestinians do not have any security or civilian control. Palestinian foregone revenues:

- a. The extraction of Salts and minerals in the Dead Sea.
- b. The exploitation of the mining and quarries controlled by Israel.
- c. The development of the Gaza offshore gas field.

➤ **Direct fiscal costs of the occupation**

As an occupied country, Palestine does not enjoy any control over international borders. In addition Israel does not allow any presence of PA officials at these borders. This generates a situation whereby Israel has complete control over the tax and customs clearance revenues accruing to Palestine, which it collects on behalf of the PA. However this system of collection is ridden with problems, which create significant fiscal leakage and damage the fiscal viability of the PA.

First, taxes on Palestinian imports from outside Israel are based on a declaration of value from the importer which is often an under-estimation of the true value of the goods. Except for the secondhand car imports Israeli restrictions make it impossible for Palestinian customs to double-check the real value of the goods, which leads to a lower collection of tax revenues from imports than in the case of a sovereign Palestinian state. Preliminary estimates from the Ministry of Finance suggest that the revenues lost through this channel are about 10% of the total customs taxes.²⁶

As in 2010 these taxes totaled NIS 3.73 billion, therefore it is expected that around NIS 370 million, or USD 106.6 million, in import taxes is lost annually due to the occupation.

Second, the PA has no control over the borders between Israel and the Area C of the West Bank. The collection of VAT on the goods imported from Israel into through Area C is based on self-declaration by the importer, which again leads to an incomplete collection of VAT. The Ministry of Finance estimates that this loss of VAT due to the PA lack of control over the Israel-West Bank cost around 15% of the VAT revenues from imports from Israel, equivalent to NIS 296 million, or USD 85.4 million per year.

2.2.5 Role of Donors

Following to the Donors' conference that was held in Washington with the participation of 42 countries and International Institution in October 1993, the donor countries started offering their assistance to the Palestinian Authority. The donor countries pledged to offer its financial and technical support to the Palestinian people and to the peace process through economical support, democratic principles, human rights, containing the reasons of tension and threats facing the peace process. The main pillar of the aid was supporting the peace process; at the time when negotiations are active, the aid increases and when the peace process stops the aid decreases. In the light of this issue, the head of the Office of the EU Representative stated in September 2006 that "The size of the economical support to the

Palestinians is linked to the development of peace process between Palestinian and Israelis” (Abd Al-Hay, 2007).

The main declared goal of this assistance is protecting the Colonial Zionist project under the name of “Peace Process” which reflects a transformative intervention by the countries and the donors involved and it also reflects the contradictions stated by these donors as well as implementation it in reality. For example, as soon as Hamas won the Palestine Legislative Council elections in 2006 in a free, decent election as it has been stated by the observers of the electoral process, the Quartet hastened to give Hamas a two month notice so if the latter would admit the following conditions of the Quartet in order to continue its assistance to the Palestinian people:

1. Admit the agreements and treaties between Israel and PLO.
2. Recognition of Israel.
3. Discard violence and terrorism.
4. Accepting agreements and treaties including the road map which states the establishment of a Palestinian State alongside with Israel.⁷

When Hamas refused the conditions of the Quartet, Europe and the USA weren't only satisfied with cutting the donations, but they also applied anti-terrorism laws on the Palestinian Government. The above explained policy led to reinforcing a Palestinian internal division which appeared in all political, geographical, economical levels as a result of depriving a party while an unrestrained funding to the other party who is more responsive to the foreign policy (Hamdan, 2010).

⁷<http://www.palestine-pmc.com/arabic/inside1.asp?x=2098&cat=4&opt=1>

In the Palestinian context, donors have significant influence and control and basically determine how their money is spent; "Palestine" is thus constructed according to their wishes. For example, the Local Aid Coordination Committee (LACC), co-chaired by Norway, the World Bank, and the UN, has met at least once a month since January 1995 with approximately thirty local donor representatives in attendance. In turn, the LACC has established twelve thematic sector working groups, each with one or more PA ministries as 'gavel holder," a donor as "shepherd," and a UN agency serving as the "secretariat." On the political level, the donor's assistance efforts aim at strengthening the PA and creating tangible benefits for Palestinians in the WBG, thereby generating support for the peace process. However, according to Rex Brynen, "individual donors ultimately retain control of their own individual programs. Virtually all donors were driven by a desire to become involved in projects that maximized their political visibility and credit" (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000).

The PA regime was built with international funds at the cost of democracy, transparency, accountability, the rule of law and respect for human rights. Not surprisingly, although it has survived, it has today lost much of its legitimacy and popularity (Le More, 2005). For this reason many of the Palestinians think that this aid caused more harm than benefit for them.

The goal of the foreign assistance is to achieve the west interests in domination, under civilized Justifications; fighting poverty, and achieving development. In a study about tracking the foreign aid to the Palestinians, it was found that despite that foreign aid supported the Palestinians since the war in 1948, but the way it is spent,

types and its channels changed over time , and these changes were linked to the political realities in Palestine and around the world, instead of responding to the local development needs (Defuer & Alaa, 2009).

The main justification for donor strategy has revolved around the elusive notion of 'supporting the peace process'. In the mid-1990s, the fear was that worsening economic conditions would lead to the political radicalization of Palestinian society and a derailment of the peace process. In the early 2000s, the rationale for a doubling of donor funds has in essence been similar: to avoid a total collapse of the PA and the Palestinian economy, alleviate human suffering so as to ensure a minimum level of stability, and prevent more violence and a further degradation of the situation. The prime political function of aid to the Palestinian territories also explains why, in the 1990s, the international community did little to support the development of the rule of law and a democratic, transparent and accountable PA. Rather, donors and diplomats were mainly concerned with establishing a strong power structure around Chairman Arafat capable of delivering security and a peace deal, while containing the Islamist opposition to the peace process. This in turn encouraged authoritarianism and reinforced repressive and neo- patrimonial practices within the PA, including that of large-scale public sector hiring as a way of both combating unemployment and stabilizing the regime (Le More, 2005).

However, despite the best efforts of donors to keep a development focus and incorporate technical assistance and capacity-building components into their emergency projects whenever feasible, aid to the oPt has, on the whole, been overwhelmingly reactive and short term in nature (Le More, 2005).

Beyond the issue of aid effectiveness, donors have also increasingly recognized that the crisis is not only one of needs but also reflects the failure to respect humanitarian norms, notably the Fourth Geneva Convention which governs the status of civilians under military occupation. This has created serious dilemmas, notably that of continuing to provide relief to mitigate the socio- economic and humanitarian impacts of a crisis largely brought about by politically motivated Israeli measures, when under international humanitarian law, Israel, as the Occupying Power, should be responsible for delivering assistance and services to the Palestinian population. As the high contracting parties to the Conventions, donors also have a special obligation to ensure compliance with the law. In addition, aid not only relieves Israel of its responsibilities under international law but it has also clearly helped sustain its occupation, which would have been much trickier and more onerous to maintain had the international community not footed the bills. This is all the more so as evidence suggests that Israel benefits economically from donor funds: for every dollar produced in the oPt, an estimated 45 per cent goes back into the Israeli economy.⁴⁴ The fear of leaving human suffering unmet (thereby diminishing the prospect for peace) while donors wait for Israel to abide by its legal obligations is the main justification for donors to provide huge amounts of relief to this day. Nonetheless, since mid-2002, the aid community has become aware of the legal and political implications of funding certain types of projects which may inadvertently entrench Israeli policies of destroying Palestinian infrastructure and institutions and establishing facts on the ground-for example, rebuilding houses demolished by the Israeli military or funding by-pass roads (a de facto recognition

and encouragement of the expansion of Israeli settlements and the segregated road network in the oPt) (Le More, 2005).

However, despite this early recognition that politics would necessarily have an impact on the development process, donors nonetheless acted as if the aid effort in the WBGS could proceed independently. There was also insufficient attention given to the specificity of the Palestinian development context, notably continuing Israeli military occupation and the absence of Palestinian sovereignty (Le More, 2005).

The result has been an incredible amount of tax payers' money being wasted on attempting to keep the peace process politically alive and to cushion the shocks to the Palestinian economy induced by Israeli policies rather than on fostering growth, development and the institutional basis for a state. There has also been a failure of 'chequebook diplomacy' to induce major policy change on the part of the parties. In so doing, the international community has absolved Israel of its obligations vis-a-vis the Palestinian civilian population as the Occupying Power under international law, encouraging further Israeli violations of humanitarian norms and condoning Israeli territorial expansion into the Palestinian territories. In the process also, the international community's intervention and assistance programme has turned increasingly surreal: donors are today providing short-term, unsustainable emergency assistance and pumping large sums of money into an ever more aid-dependent territory which has become ever less viable geographically, economically and politically (Le More, 2005).

This total financial transparency has without doubt encouraged continued donor support for the PA budget in a climate of uncertainty and is proudly exhibited by the PA and IMF as a model for developing countries. But it also implies that international aid for Palestine is less and less “demand-driven” by the Palestinian beneficiary’s national strategies and increasingly “supply-driven” by donor agendas. (Khalidi, 2005) Additional aid in today's economy would help alleviate day-to-day hardship, but would have little lasting impact. As long as the web of Palestinian economic transactions remains shredded by closures, investors will stay away, and short-term gains will not be sustainable (World Bank, 2004).

In recent years, aid has been essential for sustaining the Palestinian economy and preventing the onset of deeper socio-economic crises. As such, the decline in donor support observed in 2011 had a negative impact on growth. However, the economic sensitivity to aid fluctuations is just a symptom of the Palestinian development problem, not the cause (UNCTAD, Developments in the economy of the occupied Palestinian territory, 2012).

RESEARCH METHODOLOGY

3.1 Significance of the Research

Much research has been done, and many papers have been written on the issue of development in Palestine in terms of the limitations of the occupation to the development process and the role of donors. Yet, there are very limited materials addressing the issue of development from the human right perspective.

This Research examines the current limitations of the Palestinians right to economic development, and will try to list all the active stakeholders who influence that right. It also tries to emphasize the importance of the development process from a human right perspective in the case of Palestine.

What makes this research significant is that it investigates all the different stakeholders and it explains how their interactions stunts the Palestinians' right to economic development.

1.2 Research Questions

Based on the concept of the Right to Development, this paper aims to analyze why the Palestinians right to economic development is stunted, It argues that despite the different Palestinian plans of development, and the huge amount of development aid given to the Palestinians by the main donors, the Palestinians' right to economic development stays stunted. Palestinians are still subject to a brutal military

occupation by Israel, and Israel's control over all aspects of Palestinians' lives, the Palestinians territory and its resources plays the main role in denying the Palestinians their right to self-determination and economic development among other actors.

The main questions this paper will try to answer are as follow:

- Why the Palestinians' right to economic development is stunted?
 - a) Who are the main actors stunting the Palestinian's right to economic development in Palestine?
 - b) How are these main actors stunting the Palestinian's right to economic development in Palestine?
 - c) Why it is important to apply the human rights approach to development in the case of Palestine?

3.3 Data Collection

This research will attempt to answer the proposed questions through a qualitative analytical framework. The research methodology adopted in this study depends mainly on:

1. Primary Sources:

- The follow up and analysis of documents and official reports issued by states and international institutions related to development plans in the

Palestinian Territories (world bank, IMF, the United Nations, the European Union).

- The reports published by the PA; Ministry of Planning, and Ministry of Finance).

2. Secondary Sources:

- Research papers produced by different research centers (LSE, Mass, Bisan).
- Books that tackle the issue of development in Palestine.
- Journal Articles.

3. Interviews

- 35 Interviews were conducted with different officials in the PA, donor organizations, businessmen, economists and people working in the development field.

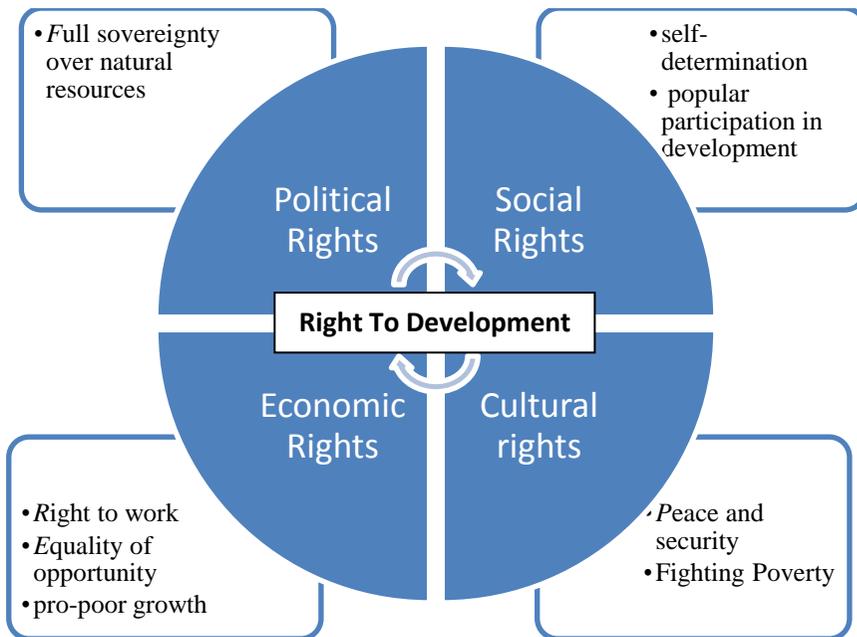
3.4 Theoretical Framework

The research will attempt to define the main actors in the Palestinian development process and whether they respect the Palestinians' right to economic development in their developmental activities or they stunt the Palestinians' right to economic development and why they are stunting it if this is the case. The study will clarify the importance of dealing with the Palestinian development process from the human rights approach to development depending on the articles of the UN declaration on the right to development.

The intrinsic value of the right to development has been widely recognized. In essence, The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and

enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized.’ (Kadri, 2011) The right includes:

- Full sovereignty over natural resources, including self-determination and popular participation in development;
- Right to work;
- Equality of opportunity, which is preceded by equality of condition;
- The creation of favorable conditions for the enjoyment of other civil, political, economic, social and cultural rights;
- Peace and security are essential elements for the realization of the right to development.
- Facilitates a holistic approach to the issue of poverty by addressing its systemic and structural causes;
- Strengthens the basis for pro-poor growth with due attention to the rights of the most marginalized;



In this context, right to economic development in the occupied Palestinian territories will be examined qualitatively based on the internationally recognized indicators of right to development. Emphasis will be given to the indicators related to economic development that can be seen in the above diagram. these indicators include full sovereignty over natural resources, including self-determination and popular participation in development. In addition to right to work, equality of opportunity, pro-poor growth, peace and security and fighting Poverty

MAIN FINDINGS:MAIN ACTORS AND INTERPLAY AMONG THEM

The long-term prospects for Palestinian economic development became even more unattainable in 2011 than in the previous years. Restrictions on movement, faltering aid flows, a paralyzed private sector, and a chronic fiscal crisis cloud horizons. The recent recovery of growth in Gaza is unsustainable. High unemployment persists, exacerbating poverty, with one in two Palestinians classified as poor. Under current circumstances, where private demand is weak, reduction in Palestinian Authority spending is counterproductive. Donors need to make predictable aid disbursements and greater capture of trade-related fiscal revenue is warranted to prevent a full-blown socio-economic crisis (UNCTAD, Developments in the economy of the occupied Palestinian territory, 2011).

In the coming sections, the key actors stunting the Palestinians' right to economic development will be identified, how they are stunting it and the real motives behind that.

4.1 Key Players

From analyzing the data collected from previous literature, in addition to 30 interviews conducted with people involved in the developmental process in Palestine, it was clear that the main actors identified and have important role in stunting the Palestinians' right to economic development are four main actors; the Palestinian Authority as a self governing body, the Palestinian capitalists and

political elite, the Israeli Occupation, and the donors community. The role of each of them will be discussed in this chapter.

4.1.1 Palestinian Authority

The Palestinian Authority was established in 1994, as a self-governing body, that was supposed to serve for an interim period of five years, and therefore in 1999 a Palestinian sovereign state should have been established, until today the Palestinian state did not see light.

The newly established body signed the Oslo peace agreement and its economic annex; Paris Protocol that did not account for Palestinian sovereignty over the land. As such, the Palestinian Authority had no real opportunity to develop an economic strategy for Palestine (Samara, Globalization, the Palestinian Economy, and the “Peace Process, 2000).

The PLO with its political agenda, signed and approved these agreements that deprived the Palestinians the minimum means required for their economic development and did not respect the rights of the Palestinians to control their own natural resources or authority over 62% of the most suitable and adequate lands in the West Bank that can be the main areas to implementing developmental projects.

With the lack of vision and expertise, and by accepting such agreements, the PA had a major role in stunting the Palestinians' right to economic development. By accepting these agreements that deny the Palestinians the basic rights for economic

development, they hold responsibility for the continuous denial for the Palestinians' right to economic development.

In addition, the newly established body, that has no resources for funding, became dependent on the Israeli Occupation and donors aid for its survival; the PA has three sources of funding:

1. Clearance revenues transferred from Israel.
2. Budget support from the international community.
3. Domestic revenues (CJPME, April 2006).

The clearance revenues (tax) that Israel collects on behalf of the Palestinian authority which are necessary and important income source for the PA became a political tool in the hand of the Israelis and kept the Palestinian authority dependent on the occupation which denies the rights of the Palestinians.

These money are supposed to be transferred on monthly basis to the Palestinian Authority, without the tax money, the PA will face financial difficulties. So this money kept the PA submissive to the Israelis and whenever the Palestinian authority confronts with the Israeli government (which rare happens) the Israelis stop the transfer of this money.

Another aspect of social control is the facilitation of private lending, which encouraged a culture of consumption and pushed many people into the debt trap. According to the Palestine Monetary Fund, individual loans shot up to about a

billion U.S. dollars in 2013 from about \$494 million in 2009. It is estimated that 75% of public sector employees (94,000 out of 153,000) are in debt. The personal debt is primarily used to finance consumption (including mortgages, cars, marriage costs, and electric goods) and is rarely invested in productive activities. This state of personal indebtedness has major social ramifications because it promotes a sense of individualism and drives personal private concerns, systemically pushing people to abandon crucial national issues. It fosters political apathy and undermines critical thinking and action against the very oppressive nature of the system (Dana, 2014).

By this, instead of empowering the Palestinians to have collective efforts towards their self-determination, the majority of the Palestinians became in debt, which made them more concerned with how they will pay back to the banks by the end of the month instead of thinking of how to keep resisting for their liberation.

Further, the PA took the responsibility of the actions of the occupying power; Israel. It became the official body responsible of the management of the Palestinian development process by funding it, and making this occupation as many scholars claim to call; The cheapest occupation in the world. As Khaldi and Samour argue "Without doubt, the U.S.-trained National Security Force battalions have reduced the cost of the occupation and made the outsourcing of security for Israel more effective than under the previous PA" (Khalid and Samour). In addition, according to Haaretz newspaper "the Israeli occupation became less and less costly, Israeli troop levels in the West Bank were reported at the end of 2010 to be at their lowest levels since the end of the first intifada."

The Palestinian Authority would not have remained functioning without the support of the donors who have been supporting the PA over the last 20 years. Since the establishment of the PA until today, aid was the most important source of finance for the PA. Meanwhile, donor funding to PA coffers has exceeded \$1.5 billion annually since 2007, (Khalid and Samour); therefore, the PA also became totally dependent on their aid. By being dependent, and subject to external influence, the Palestinians became unable to control their own development. According to Farsakh, “since the signing of Oslo, the Palestinian standards of living have declined and the economy has grown even more dependent on Israel” (Farsakh), this reality is likely to remain true until today.

In addition, since the short-lived government of Mahmud Abbas in 2002, and even more so under the post-Arafat regime, PA financial accounts and functions, ministerial structures, policy roles, draft legislation, and development plans have all been subject to extraordinary scrutiny by donors and the international community and their watchdog institutions (Khalidi), this shows to which extent the Palestinians were subject to the external influence and the PA was accepting this interference without much challenge.

Being subject to uncertain support from the Israelis and the donors, the PA could not therefore develop a long term sustainable development plan, all the plans were short and non sustainable.

On the other hand, the PA accepted the neoliberal policies imposed by the WB and IMF that focused on decreasing the national cause, and increased individual causes that resulted in very minimum expenditures on production and agriculture and

resulted in high inequality. The policies implemented were dealing with Palestine as if it is an independent sovereign country and ignored the fact that it is not independent nor sovereign, and instead of empowering the people and setting strategies that would lead to the Palestinian self determination, they kept being more and more dependent on the occupation and donors instead of spending on production and agriculture which was historically the main economic sector in Palestine. According to Samara the PA has embraced the neoliberal approach favoring foreign investment over local, resulting in a “development” that does not serve the Palestinians (Samara, Globalization, the Palestinian Economy, and the “Peace Process).

Corruption as well was and still is a major problem for the PA, the majority of the Palestinians tend to believe that the PA is corrupted, according to Roy, increasing corruption (particularly with regard to the misuse of foreign assistance), mismanagement of the public sector, and the failure to establish an appropriate legal and regulatory environment capable of attracting essential foreign investment have unquestionably exacerbated current economic conditions (S. Roy).

Within this 'client status' context, the PA core functions are to provide civil and legal administration to the non- refugee population of the West Bank and Gaza and deliver security for the Israelis. Repression and the curtailment of political and civic rights have thus also been central features of the regime, largely as a response to the security orientation of the political process since Oslo, that made and continues to make, progress in the negotiation process conditional upon Palestinian security performance (Le More).

It should be noted that there have been few, if any, new institutions designed with sovereign economic functions; rather, the PA continues to tinker with those designed fifteen years ago to serve a five-year transitional “self-government” (Khalid and Samour).

However flawed its economic policies, it should not be understood that the PA is detached from reality. PA planners readily acknowledge the challenges they face. They understand that the type of institution building they pursue cannot provide stimulus for growth on its own, and they are fully aware of the ongoing pace of colonization and Israel’s control of most of their critical economic decisions. They even acknowledge that their strategy is not a substitute for politics; countless hours are spent negotiating with Israel to obtain the occupying power’s approval to build roads, import equipment, establish industrial zones, speed commercial clearance at borders, reduce transaction costs, and so on. What is less understandable is why, given such awareness, they continue to re-engage in processes defined by the very occupation parameters that assure futility (Khalid and Samour).

Moreover, the past decades of Israeli-Palestinian economic relations have shown that no Palestinian economic development strategy can be effective as long as the Israeli occupation policy of asymmetric containment is not dismantled through ending occupation and achieving sovereignty and national rights (Khalid and Samour).

Therefore, the PA officials are aware of the reality and challenges, yet for twenty years they have been walking the same path, I argue that after a while, they developed personal interests; financial benefits, power and influence, that it became

costly for them to challenge the system or look for alternatives as this will negatively affect these interest. Many of these officials came from Diaspora not wealthy, few years after, the signs of their wealth started to appear.

Their benefits are highly connected with their relation with the Israeli Occupation and therefore they would lose these benefits if they were to confront the occupation. Moreover, it is more likely that they stunt the Palestinians' RTD because if the Palestinians obtain their political, economic and social rights, they will not accept that this class remains in power and this will endanger their interests. So it is for their benefit to keep the Palestinians' RTD stunted.

At the same time, they do not have the free will to have a Palestinian strategy that respects the Palestinians' self determination as they are totally subject to the Israeli and American control.

Without the occupation, most probably, this class will not have any major role as they have been controlling the political arena since decades. With the Palestinians' eagerness for a change, they will most probably, lose the power and influence and therefore their interests will be in danger.

Establishing the PA undermines the PLO, which was representing Palestinians all around the world and became limited to serve Palestinians living in the West Bank and Gaza and as a result neglected the majority of the Palestinians who are living as refugees across the world and became totally unrepresented having the fact that the last Palestinian National Council elections took place more than 25 years ago.

With no election on time until today, the PA has an expired legal mandate, the Palestinian president term ended in 2009, and the Palestinian Legislative council term ended in 2010. Therefore, it is not accountable to the Palestinian people electorally or through any other mechanism and therefore has no legitimacy except that granted to it by non-Palestinian actors (Lester, 2014).

4.1.2 Palestinian Capitalists and Political Elite

In the Palestinian case, the capitalists saw by the establishment of a self governing body that might lead to an independent state a new market opening that will increase their profit, and they played a major role in opening channels between the PLO leaders and different governments in the world including the US.

Since signing the peace agreement in 1994, the relations of the Palestinian capitalists and the people in power in the newly established PA rapidly developed. The special relationship between certain Palestinian capitalists and ruling political circles within the PA led to the centralization of political and economic power in the hands of a few individuals who rapidly managed to transform the national project into a game of interest politics (Dana, 2014).

The main goal of these capitalists was mainly to maximize their profit. Unfortunately this profit was totally connected with their business ties with the occupation and its businessmen. According to Samara, For the business class, the only route open was to become commercial agents marketing Israeli products in the occupied territories. When Israeli businessmen realized how profitable it was to

invest in certain sectors of the occupied territories' economy, they teamed up with Palestinians. (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000) In other words, the majority of these businessmen became subcontractors for the Israelis.

Further, during the earlier PA years, corrupt policies were implemented such as granting permission to individuals in high positions within the PA to monopolize the import of essential commodities and utilities. This eventually led to the creation of a Palestinian elite and widened the income distribution gap within the Palestinian population (Roy, 2001).

Monopolies were a sign of the PA's corruption. These monopolies were selectively granted to those Palestinian political-economic actors that enjoyed special proximity to Israeli companies. As a consequence, monopolies have had a devastating impact on the Palestinian economy and small businesses, and, conversely, benefited the Israeli economy (Dana, 2014).

These capitalists, by being profitable partners with the Israelis had great privileges from the Israeli Occupation, where they obtained facilitations to run their businesses and freedom of movement through VIP permits that allows them to move freely in the areas that normal Palestinians cannot.

These capitalist bare a big share of the responsibility of not investing in productive sectors and create businesses that would create employment, but the focused on selling Israeli products and services in the Palestinian market and destroying small and independent Palestinian producers and create more dependency on Israel and

the majority of their profits was not invested in Palestine, on the contrary they were investing it outside Palestine.

By becoming so powerful and wealthy, these capitalist were able to obtain power through their relations with the political groups within the PA and they exerted influence over the government policies. This relation developed when the Palestinian Capitalists occupied key ministerial positions in Fayyad's governments. And within the different peace initiatives mainly sponsored by the US, they became primary recipients. In chasing after profits without regard to Palestinian fundamental rights and national aspirations, these capitalists have gone too far. Their mechanisms of social and political control, and their flagrant complicity in normalization projects are a structural obstacle to the anti-colonial struggle and undermine the Palestinian quest for justice (Dana, 2014).

Thus, their role is obvious in stunting the Palestinians right to economic development, them putting their personal interest above the nation that is seeking liberation are causing great harm for the Palestinians self determination, they are not investing in the productive sectors and they are increasing the dependency on the Israeli occupation where the case should be the opposite.

4.1.3 Israeli Occupation

Since occupying the West Bank and Gaza, the Israeli occupation cut the occupied territories from the rest of the world, controlled the borders and controlled everything goes in and out of the occupied territories. By controlling all the borders the occupation limits the free movement of people and goods and therefore restricting trade. In addition, many items needed for production where not allowed

in the Palestinian territories, the main reason for this is to keep the Palestinians dependant on the Israeli goods and prevent the Palestinians from being able to produce similar goods.

In addition, the Israeli policies since 1967 have evolved from aiming to integrate Palestinian economic resources (especially land, water and labor) into Israel's "mainland" economy, to acting to marginalize and isolate the economy and markets of the Occupied Palestinian Territory. Whether by unilateral action or through economic and political agreements with Palestinian partners, this has contributed to a diminishing Palestinian economic and productive base (UNCTAD, The economic dimensions of prolonged occupation, 2009).

According to Samara; This process forced all Palestinian social classes to interact directly with the Israeli economy, thereby creating and reinforcing Palestinian economic dependency(Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000) and prevent the establishment of a normal market economy with a concomitant expansion of the public revenue base (UNCTAD, Developments in the economy of the occupied Palestinian territory¹, 2012).

By controlling the land, Israel banned Palestinians from producing agricultural products and harmed the independent and small producers and therefore transformed the surplus rural labor power to workers in Israel. In addition it rejected Palestinian applications for licenses to start productive projects in Area C, which is the most suitable area for development, either for the agricultural sector as it contains the most fertile land nor for establishing factories needed for creating new industries.

At the same time, Israel's interventions and military policies (implemented on the ground by the Israeli Defense Forces-IDF) not only cut off access to essential resources (e.g., land and water) but also greatly limit the scope and authority of municipal PA administrators (Calis, 2013).

Israel has an almost complete control of the aquifers in the West Bank from which it abstracts a large share of its water consumption (World Bank, 2009). Even water wells cannot be dug in the West Bank area C (62%) without Israeli permits which are very rarely given, and at the same time, sells the Palestinian water to Palestinians with a very high cost. The restrictions to water (also land) access as well as the physical interventions on the land in Area C, have constrained the development of irrigated agriculture in oPt.

As an occupied country, Palestine does not enjoy any control over international borders. In addition Israel does not allow any presence of PA officials at these borders. This generates a situation whereby Israel has complete control over the tax and customs clearance revenues accruing to Palestine, which it collects on behalf of the PA. However this system of collection is ridden with problems, which create significant fiscal leakage and damage the fiscal viability of the PA (ARIJ, 2011).

Still, the Israelis are dealing with the PA, transferring the tax money most of the time, because they know that the PA is removing the burden of their responsibility as an occupying power, and most importantly they are controlling the security and preventing the Palestinians from revolting against the occupation but still keep using this money as a tool that they use to put pressure on the PA if it tries to go against them.

Twenty years after signing the economic agreement, Paris Protocol, which was supposed to serve a period of five years, Israel refuses any update on these outdated agreements and keeps its power on all aspects of all the Palestinian economy and keeps the Palestinian areas divided by constructing settlements and roads that connects these settlements which results in the fragmentation of Palestinian cities and villages and makes them look as isolated islands when looking at the map and therefore keeping the Palestinians' right to economic development stunted.

By doing all of the above, Israel is benefiting in many ways, first of all it guarantees the supply of cheap labor, and the wages paid to the workers are returned to Israel as payments for Israeli consumer goods which are the main goods in the Palestinian markets. For a while the Israelis tried to bring Asian workers, but these workers were sending remittances back to their countries, at the same time, Israel had to provide housing for the Asian workers but not the Palestinians and therefore it is less costly to have Palestinian workers.

As for the natural resources, Israel keeps using it for its self development, at the same time, by keeping the Palestinians not allowed to use their natural resources and develop their economy, they ensure the continuous dependency on Israel, that why they prevent the Palestinians from importing raw materials needed for production so that they protect their industries and maintain the Palestinians' dependency on their products, in other words, keep the Palestinian market as a captive market.

By this, Israel tries to increase the developmental gap between the occupiers and occupied people to keep Palestinians dependent and under its control. It aims at

keeping them weak and prevent their development as it is more likely if the Palestinians were able to have some sort of dependency and self sufficiency they will be in a better position to demand liberation and self determination.

Also by the ongoing occupation and confrontation, having the conflict unresolved gives them an excuse for the militarization of their economy and market their weapons and increase their arms sales which they use on the Palestinians.

At the end, having ignorant, poor, underdeveloped people makes the process of controlling them much easier. And as long as this occupation is not costly, and donors are paying for what the Israelis should be paying, there is no reason to stop and stunting the Palestinians right to economic development remains for their benefit.

4.1.4 Donors

International aid to the Palestinians had three purposes: to support the process leading to a two-state solution, to foster economic and social development for Palestinians, and to promote institution building for a viable Palestinian state (Le More, 2008).

According to a study by Defuer and Tartir; about tracking the foreign aid to the Palestinians, it was found that despite that foreign aid supported the Palestinians since the war in 1948, but the way it is spent, types and its channels changed over time, and these changes were linked to the political realities in Palestine and around the world, instead of responding to the local development needs (Defuer & Alaa, 2009). So it was clear that the main aim was not to help development in Palestine,

rather donors used the situation of the PA being dependent on their aid to have more influence over the Palestinian leadership.

At the same time, it was not just limited to put political pressure over Palestinian leaders, In the Palestinian context, donors have significant influence and control and determine how their money is spent. Thus "Palestine" is constructed according to their wishes. According to Rex Brynen, "individual donors ultimately retain control of their own individual programs. Virtually all donors were driven by a desire to become involved in projects that maximized their political visibility and credit." So Instead of being third party they became parties to the situation.

Some of the donor funds are in the form of loans, which in principle must be repaid. But the PA's only source of income to repay the loans is taxes. Since the expenditures of the PA are higher than what it collects through taxes, it is actually spending, not investing, the donors' money. This has one result: the accumulation of debts. Despite that, the PA continues to borrow. (Samara, Globalization, the Palestinian Economy, and the "Peace Process", 2000). Donors were well aware of this fact, so this questions their real intentions and claims of supporting the PA and empowering it while at the same time use the need of the PA for funds to get them more and more in debt and therefore keeping the PA dependent on this aid.

However, despite the best efforts of donors to keep a development focus and incorporate technical assistance and capacity-building components into their emergency projects whenever feasible, aid to the oPt has, on the whole, been overwhelmingly reactive and short term in nature.(Le More, 2005).

The nature of the Palestinian conflict makes the development process influenced by politics. This early recognition that politics would necessarily have an impact on the development process kept the donors providing aid and investing in a failure project, instead of dealing with the real causes hindering the Palestinian development. Notably continuing Israeli military occupation and the absence of Palestinian sovereignty.

Not only donors kept spending money in a non suitable environment, but they also were relieving Israel of its responsibilities under international law and help sustaining its occupation, as Lester says: "when Israel damages donor-funded projects through demolition, bombing, or other attacks, international donors rarely respond with anything more than mild objections. They have never acted in a systematic way to claim reparations or compensation from Israel. On the contrary, they continue to come forward with funding to rebuild, thereby excusing Israel of responsibility for its actions" (Leste, 2014). The result has been an incredible amount of tax payers' money being wasted on an attempt to keep the peace process politically alive and to cushion the shocks to the Palestinian economy induced by Israeli policies rather than on fostering growth, development and the institutional basis for a state (Le More, 2005).

With the realization of the difficult realities in the Palestinian context, one must ask why donors keep providing aid to the Palestinians realizing that there would not be real development with all the limitations by the Israeli occupation. When the first Palestinian Intifada started in 1987, these powers had no choice but to move to protect its tools and projects in the region. So it interfered through "aid" by

sponsoring the "Peace Process", and pushing the PLO to get involved at any price. We can say here that the status resulted from Oslo by being accepted by the PLO as the representative of the Palestinian people, and obtaining the international blessing opened the doors wide to justify "interference" since 1993. They seek to achieve security and stability in the region under the slogan of "developing Palestine", which means the security of Israel in the first place (Nakhleh, *Myth of Palestinian development: Political aid and sustainable deceit*, 2004).

The size and type of western aid, and the assistance given, connected with a real goal which is protecting Israel's security, maintain its existence, and achieve its interests, as the Zionist body is a tool for the western imperialistic project in the region (Hamdan, 2010).

So intentionally or unintentionally, with all these facts, and donors being a major part in the development process in Palestine, they play a key role in stunting the Palestinian rights including the right to economic development. We have to keep in mind that donors undermine these rights through their influence over the PA. Palestinian human rights experts consistently point to the Oslo Accords and Paris Protocol as historic landmarks in the deterioration of Palestinian rights, both because of the restrictions on Palestinians that became legalized as a result and because of the type of politically compromised aid that followed. International actors frequently claim that they cannot be expected to advocate for Palestinian rights more forcefully than the Palestinian Authority (PA) itself. This implies that the PA is independent of outside influence, when in fact it isn't even a viable entity without international aid. This results in a nonsensical situation: The PA must

concede to international demands but is then used by aid actors as an excuse to forsake their obligation to ensure respect for Palestinian rights (Leste, 2014).

4.2 Interplay Between Actors

The relation between the main actors stunting the Palestinians' right to economic development can be clearly drawn from the analysis of the role of each actor.

The Israeli occupation is the main actor who have the power and authority of the whole situation in the Palestinian occupied territories. The power the Palestinian Authority has, is only what is given to it by the Israelis, they can give them more control over land, or allow them to use natural recourses available in area C, it can give permits for building factories or industrial zones and it can stop all this.

At the same time, the PA is dependent on the aid money from donors and the taxes collected by Israel on its behalf. In other words, without this money, the PA cannot sustain itself and therefore it will collapse, therefore those who support it defiantly have interests to keep the flow of this financial support.

The reality is that the PA came as a result of the peace agreement; Oslo, that was signed to put an end for the Palestinian people Intifada where they were in the peak of their resistance for self-determination, the peace agreement was supported by the international community; among them the current main donors to the PA. The agreement was supposed to serve for a period of five years, and during these five years negotiations will resume to agree on the other main issues such as the borders of the Palestinian state, the return of the Palestinian refugees and Jerusalem issue.

Five years after, no progress occurred and therefore the Palestinian state did not become a reality, in other words, the project has failed.

Even though the project failed, until this day in 2014 the PA is still receiving the aid from the donors and the tax from Israelis as it is still achieving its role in maintaining security and stability on behalf of the Israelis, the case has been different for Gaza since 2006 due to the internal division between the two main parties of Fateh and Hamas.

The Palestinian capitalists had a major role in supporting the Palestinian leadership back in the early 90's to sign the Oslo agreement, for them it was an opportunity to have access to a new market and increase their profits. The political elite within the PA teamed up with these capitalists who got privileges and monopolies to sell major goods. Of course these goods are mainly Israeli and therefore their main source of profit is from teaming up with Israeli business men for the benefit of both. Also many of these capitalists are key partners to some of these donors when implementing projects target the development of the private sector and therefore they are benefiting from the aid coming to the Palestinian people.

4.3 Palestinian Economic Development from a Human Rights Approach

A human rights approach to development recognizes primarily the legal obligation of members of human rights treaties to development cooperation and development efforts and so goes beyond human rights as the content of development policy. The

inclusion of this obligation into the human rights monitoring system of the United Nations (UN) is part of such an approach (Hamm, 2001).

Economic development is becoming increasingly incorporated into the concept of human rights. At this point, it is common to equate economic development with the promotion of human rights, and to argue that human beings should be at the center of the development process. Indeed, one of the fundamental and universal rights of human beings is their right to development. According to the UN this is:

An inalienable right by virtue of which every human person and all people are entitled to participate in, contribute to and enjoy economic, social, cultural, and political development, in which all human rights and fundamental freedoms can be fully realized.

According to this view, people have the right to choose and pursue a path of socio-economic development that brings them benefit. The full enjoyment of individual human rights requires certain human rights to devolve, wholly or in part, upon groups (Kamenka, 1988).

The human rights problems facing Palestinians living under occupation are exceptional in both scope and scale. The perpetual cycle of acute crises and chronic deprivations compounds the suffering of ordinary people and creates complex challenges for human rights defenders.

Communities in conflict situations such as Palestine are extremely vulnerable to violations of economic, social and cultural rights. Development outcomes are

seriously hampered when conflict leads to the destruction of houses, hospitals, school, water and sanitation systems and other essential infrastructure. More generally, economic instability is a common characteristic of countries facing or emerging from conflict, which, in turn, further fuels political instability. This reality undermines economic and social rights and further exacerbates inequalities, hindering the meaningful policy changes needed to eradicate the entrenched patterns of poverty, inequality and exclusion so important to achieving sustainable peace.⁸

For the case of Palestine, with the continuous conflict over decades, and with no sign of ending, the Palestinians should not be accepting what is given to them by the occupying power, over two decades, the same economic agreement that was supposed to serve for an interim period of five years is still used, political negotiations over years and years did not succeed in enhancing the lives of the Palestinians and giving them a chance to develop an independent economy. For that, the Palestinians can start seeking for alternatives to be able to do successful development.

Palestinians do not have a sovereign state where they can implement their own plans for development and decide how their economy must be. But Palestinians are rights holders who are in the process of self-determination, therefore dealing with them should be on this basis, as right holders. So when it comes to development process, human rights approach to development should be highly considered. In other words, Palestinians must take the initiative to organize collectively as right

⁸<http://cesr.org/section.php?id=24>

holders in relation to the international actors; Palestinians can employ international legal frameworks in new ways and extend the current discourse on accountability.

Moreover, the starting point of Palestinians governments must start from seeking ownership of the Palestinian own development process and resources. Palestinians self determination should be the basis of all the different policies. They should start realizing that self determination will not be achieved by keep depending on the same actors who undermine it.

Dealing with the economic development as a human right in the case of Palestine, among many other rights denied mainly by the occupying power and other actors, gives the Palestinians a chance to start seeking international support to hold Israel accountable. According to the Human Rights Council (HRC) Israel is bound to respect, protect, promote and fulfill the full range of the social, economic, cultural, civil and political human rights of all persons within its jurisdiction as a result of its being party to the International Covenant on Civil and Political Rights (ICCPR), International Covenant on Economic Social and Cultural Rights (ICESCR), Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), Convention on All Forms of Discrimination against Women (CEDAW), Convention on the Rights of the Child (CRC), International Convention on the Elimination of All Forms of Racial Discrimination (CERD), Israel is also bound by relevant international human rights rules which form a part of customary international law.

Removing the obstacles that stunt the Palestinians right to economic development must be demanded by the Palestinians, and by the donors who provide aid to support the Palestinian development process.

For the Palestinian Authority, it should recognize the Palestinian people's rights, and prioritize these rights over any other interests. The implemented economic model must be supportive for the Palestinians' demands of self-determination that empowers them and decrease dependency on aid and occupation. Taking this into consideration, the role of the Palestinian capitalists must be reviewed and the interest of the Palestinian people must be above their individual interests.

If donors really wanted Palestinians to receive better services, they could accomplish it more effectively by acting to end Israeli occupation, not by putting pressure on the PA, whose only powers are those granted to it by Israel. In other words, not only do governments/donors fail to expend full efforts to help Palestinians claim their rights from Israel, they undermine Palestinian rights claiming by providing "aid" that relieves Israel of its financial and legal obligations under international humanitarian law (Lester, 2014).

4.4 Case Study: Aid Watch Palestine

Aid Watch Palestine (www.aidwatch.ps) is a new but fast growing initiative of civil society actors in Gaza, the West Bank and around the world. It invites Palestinians and international allies to help Palestinians create accountability mechanisms that will ensure that international aid to Gaza and the rest of Palestine respects international law, Palestinian rights, and local priorities.

The initiative was launched in September 2014 after the war on Gaza, where thousands of houses were destroyed and more than 2200 Palestinians were killed, 11000 injured and over 400,000 displaced. On October 12th, A donor conference hosted in Cairo raised funds for the reconstruction of war-devastated Gaza has boasted \$5.4 billion in pledges from various Western and Arab governments. Therefore the initiative decided that they will monitor how this aid is used in Gaza.

➤ **Justification for the initiative:⁹**

According to the Aid Watch Palestine initiative: "the Gaza aid and reconstruction process is taking place in the context of decades of failed international policies and ineffective aid. While the world debates a redesign of the international aid system, Palestinians cannot wait. We must take immediate action to ensure that harmful policies and practices do not continue to doom 1.8 million human beings to further disempowerment and disenfranchisement while Israel and special Palestinian and international interests reap profit."

⁹ Justification for the initiative part is copied from the Aid Watch Palestine strategic plan issued in December 2014

At the heart of the problem is a culture of impunity. All aid actors—the United Nations, international donors, the Palestinian Authority, international NGOs, local NGOs, and private contractors—plan, negotiate, comprise, and implement “aid” with almost no reference to the people affected. Most Palestinians do not have access to information about the system, actors and decisions that govern their lives. As a result, they cannot effectively express their views much less play their rightful role as leaders of their own development.

In the current system, no one is held accountable: The Palestinian people don’t hold the Palestinian Authority accountable, the Palestinian Authority doesn’t hold the donors accountable, the donors don’t hold the United Nations accountable, the United Nations doesn’t hold Israel accountable, and taxpayers around the world who foot the bill don’t hold anyone accountable. If the aid and reconstruction process is not accountable to anyone or to any standards of law, ethics or morality, and if it isn’t accountable to the Palestinians in Gaza and the broader Palestinian community in whose name “aid” is being given, violations of Palestinian rights and local priorities will be perpetuated. Aid is essentially subsidizing the continued violations of Palestinian rights.

The initiative further states: "We believe one key to unraveling the current mess is to put a spotlight on it and monitor changes regularly. To this end, we will gather information about aid that exists from disparate sources, identify missing information so that it can be collected, facilitate analysis of the information, and make it all available and accessible to Palestinians and others who care about making aid help not hurt. By making credible, updated, actionable information

readily accessible, we predict that 1) aid actors will be inspired to act with conscience in fulfilling their obligations, and 2) Palestinians will become more constructive and effective in claiming their rights. By holding aid actors accountable to the highest standards, we hope to ensure that international aid to Gaza and the rest of Palestine respects international law, Palestinian rights, and local priorities."

➤ **Results and Indicative Activities of the Initiative**

To achieve their goals, Aid Watch Palestine defined their objectives and the activities they plan to do to achieve each of these objective as follow:

1. Information about aid is available and accessible

- Make key documents related to Palestinian aid and Gaza reconstruction easily available in a searchable database in Arabic and English.
- Make official requests for documentation relating to aid and reconstruction to be made public, in Arabic, and publicize the status of the requests.
- Create interactive, bilingual website dashboard with visualizations reflecting regularly updated information about areas of concern to Palestinians (e.g., amount of aid money getting to Israel, ratio of international to local jobs created).
- Utilize Facebook and Twitter to highlight Arabic and English media coverage of aid-related stories and encourage critical discussion

2. The Palestinian discourse around aid is critical and based on analysis

- Outreach to student groups, youth groups, civil society organizations to engage them in efforts to analyze and improve aid.
- Maintain high quality blog that raises questions about aid in a creative and accessible way.
- Encourage critical media coverage of aid-related issues in Arabic and English

3. Palestinians know their rights in relation to aid

- Consult widely with individuals and groups about AWP's proposed principles.
- Launch web-based tool that explains the aid system in Palestine and highlights points of confusion, duplication and poor accountability and provides links to further information.
- Partner with Palestinian and international human rights groups to disseminate information about rights in aid.
- Consider wide dissemination of "Beneficiary Bill of Rights".

4. There are mechanisms for Palestinians to claim their rights

- Make available information about existing local and international complaints mechanisms
- Give visibility to complaints about aid (possibly through independent mechanism).

- Consider formation of community monitoring teams of beneficiaries to follow aid projects.

5. Aid actors are incented to do right and there are consequences for doing poorly

- Intensify local and international scrutiny of aid to Palestine.
- Produce pulse reports and research exposés about aspects of the aid system and process.
- Issue press releases and organize advocacy campaigns around actions that don't comply with international agreements or minimum practice standards.
- Publish opinion pieces submitted by editorial board members and contribute to others' stories about aid to Palestine in local and international media.

6. The environment supports risk taking by Palestinians and internationals

- Mobilize volunteers and forge organizational partnerships to broaden ownership of Aid Watch Palestine and increase community participation in advocacy for accountable aid.
- Connect the cause of Palestinian aid accountability with the global aid reform movement to build network of support among accountability advocates and aid critics.

- Network with international Palestinian solidarity groups, aid transparency groups and blogs, and groups/ publications/events working toward accountability in development .
- Facilitate advocacy opportunities for supporters to engage with improving aid to Palestine
- Convene and participate in local and international events related to aid and Palestine.

➤ **Aid Watch Principles for Enhanced Accountability of Aid to Palestinians**

"The failure of international policies, including decades of ineffective “aid” has been demonstrated again in the devastation of Gaza. We deserve better. The time has come to implement processes that enable scrutiny and compel accountability by aid actors to those most affected. Building on previous civil society demands, we propose the following principles:"

1- Nothing About Us Without Us.

Members of civil society are development actors in their own right and not mere implementers. Civil society participants, selected by civil society, itself must play an intrinsic role in any aid, reconstruction or development processes based on transparent procedures to ensure diverse participation by all political groups and sectors of society. Moreover, in respect for Palestinians’ right to participate, all documents and websites related to aid, reconstruction and development must be in Arabic with clear procedures for

public input prior to decisions being taken. The private sector cannot be exempt from transparency and accountability obligations.

2- Prioritize Palestinian Self-Determination.

Every aid decision should be made with the objective of ending the occupation, fragmentation, colonization and dispossession of the entire Palestinian people and to enable Palestinians to access all their land and other natural resources. The goal of self-determination must not be postponed or subsumed by the urgency of meeting immediate “humanitarian” needs. To promote territorial integrity, Gaza should not be treated as a separate entity from, or as a sub-entity of, the West Bank. Reconstruction decisions should not prioritize Israel’s security concerns, perceived “feasibility” or let short-term fixes undermine the realization of rights. Aid actors must refuse to be complicit in maintaining Israel’s illegal blockade on Gaza and other violations of international law.

3- Let Locals Lead Using Local Systems and Resources.

In accordance with the principle of local ownership and the Palestinian right to self-determination, all reconstruction and development funding should go through Palestinian systems to local Gaza actors. Only when local actors are unable to fulfill needs (using objective criteria and transparent decisions) should West Bank, other Palestinian, refugee and Diaspora communities or international actors be mobilized as partners of local Gaza

actors, and international actors should not profit from Palestinian suffering through tied aid. No new international bodies or systems should be created for the reconstruction process; a Palestinian national technical committee should be created to lead the process in a competent and transparent manner that is accountable to the broader population and other stakeholders.

4- Aid Should Not Exacerbate Conflict.

International assistance should not discriminate on the basis of political belief or affiliation (or any other factor) against any person or group in the determination of eligibility, contracts or jobs, nor should aid be used to exacerbate inter-communal conflicts. In accordance with the principle of “legitimate politics” and other principles outlined in the New Deal for Engagement in Fragile States, all activities should promote social inclusion and conflict management. This is an opportunity for the aid community to finally deal reasonably with Hamas and other Palestinian groups.

5- Implement Accountability Systems.

An independent monitoring system that applies international and locally-developed, context-specific criteria should be developed. It should report to the public at regular intervals to avoid wasteful, harmful outcomes. All funding mechanisms--whether direct budgetary support to the PA, pooled funds, direct implementation, or funds expended to civil society--must be transparent and accountable to the Palestinian people as a whole, especially to the people in Gaza. Palestinians must be informed of their right to participate and their right to complain and receive a response. Above all,

“accountability” must be defined more broadly than in technical or project terms. It must include robust international efforts such as sanctions to hold Israel accountable politically and economically for both past and ongoing transgressions.

6- Track Damages.

Expand the Register of Damage initiated in response to the advisory opinion of the International Court of Justice to track harm caused by Israel’s Annexation Wall. Include damages from the 2008-9, 2012, and 2014 assaults on Gaza, as per international standards to collect documentation that could be used in future reparations and compensation claims. An additional register of damage to aid-funded projects should be kept by international donors and used to claim compensation from Israel.

7- Prevent Aid to Palestinians from Enriching Israel.

Aid funds must not enrich Israel, potentially funding future violations. No aid funds should be used to purchase aid supplies from, or to pay taxes, fees or “security-related” charges to the Israeli government or to any Israeli company or NGO, except those that have explicitly and consistently recognized full Palestinian rights and worked against Israeli colonization and apartheid policies.

8- Announce an Exit Plan.

The criteria used to justify the influential role played by the United Nations in Gaza's reconstruction should be made public, along with a timeline and specific criteria that will trigger the planned exit of the UN and other international actors and the smooth transition to democratic governance in Gaza as part of a national plan.

CONCLUSION

As extensively discussed in this research; Palestinians' right to economic development remains stunted by the different actors identified. For the Palestinians to be able to enjoy their right to development in general and their right to economic development in specific, all actors must respect this right and prioritize the Palestinians' right to self determination over their own interests.

The socio-economic impact of the prolonged occupation remain the main factor preventing the Palestinians from enjoying their right to economic development. The years of occupation have shown that there is no chance for real cooperation between the Israeli and Palestinian economies. Israel remains to control the Palestinians natural resources and control over Area C that represents 61% of the West Bank area, which is the most suitable area for developmental projects.

Israel is interested to keep Palestinians dependant on its goods and therefore keep the Palestinian market as captive one, and interested in maintaining the supply of Palestinian cheap labor for its industries. In addition, as an occupying power, Israel's strategy is to keep Palestinians less developed and dependant and therefore makes the process of controlling the Palestinians easier.

The PA's role in stunting the Palestinians rights started from lack of vision and experience, developed to being dependant on Israel and donors, ending by holding personal interests for the political elite within the PA. The creation of neoliberal

policies has led to sharper class differentiation, corruption, and polarization inside Palestinian society. By the developed relations between the political elite within the PA and the Palestinian Capitalists, the Palestinian market became monopolized by certain group of people.

It's important to point out that the ODA flow to the Palestinians has been highly politicized depending on the existing political environment at the time and, predominantly, the security situation. The dependency of the PA on ODA flows amid this violently transformative political environment has further crippled the possibility of a politically and economically sovereign Palestinian state. Removing and containing causes of conflict, tension, and resistance, remains the priority of the aid and not the Palestinians' obtaining their rights.

The interplay between all these actors, and by each actor looking for their interests and benefits in the Palestinian arena, Palestinians were the ones to pay the price and enjoying less and less economic, social, political and cultural rights.

There seem no hope in the improvement of this situation with having a new economic development approach that respects the Palestinians' right to development and decrease its dependency on Israel and donors.

Moreover, without dealing with the Palestinian economic development from a human right approach in the current situation, where a Palestinian sovereign state and economy seems unattainable, the Palestinians' right to economic development is more likely to remain stunted.

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Figure 1: West Bank Map - Area A, B and C

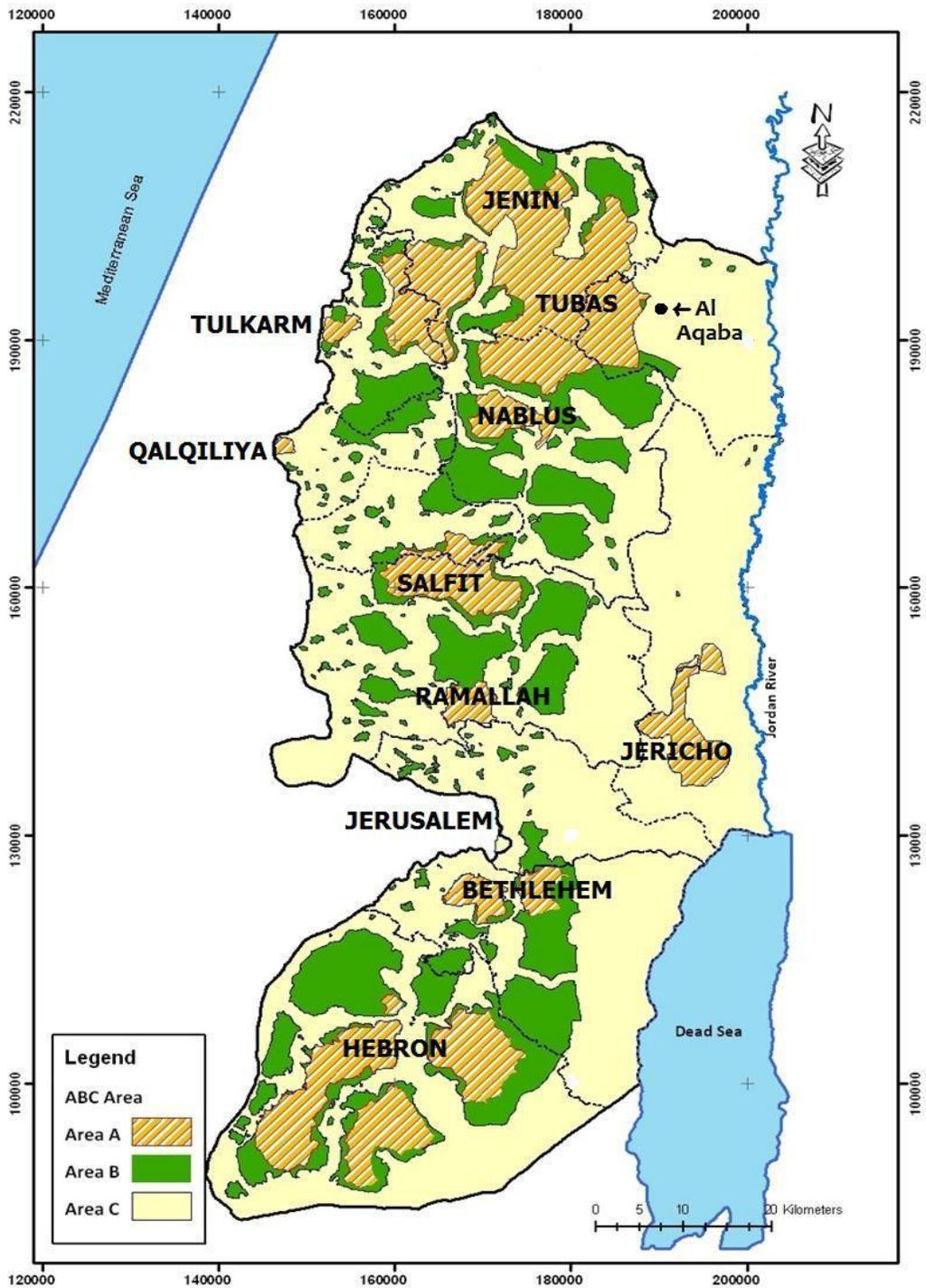


Figure 2: Palestine Unemployment Rate

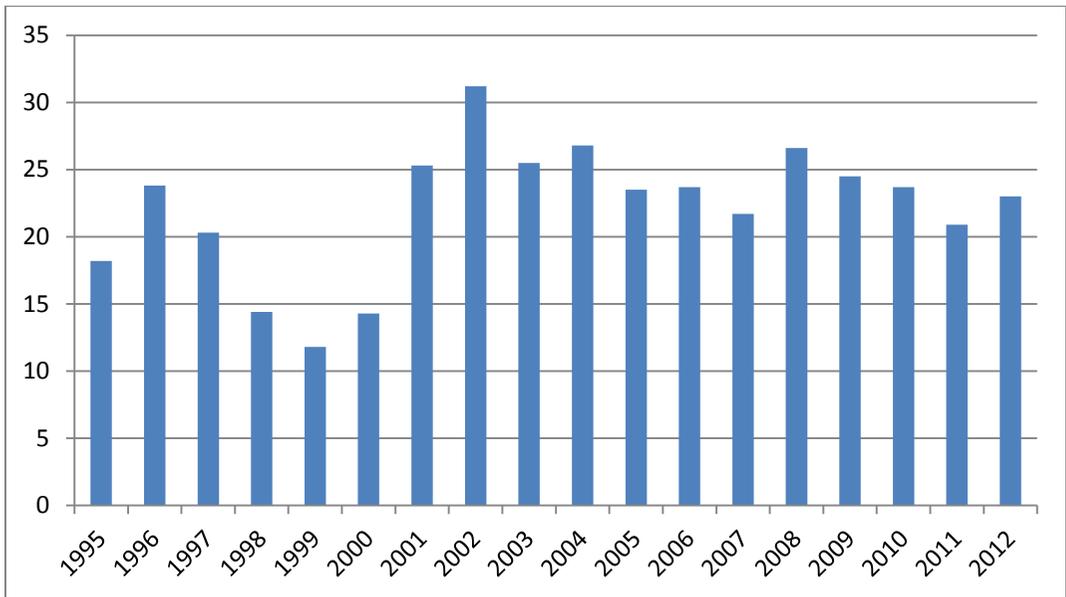


Figure 3: Palestine Gross National Income

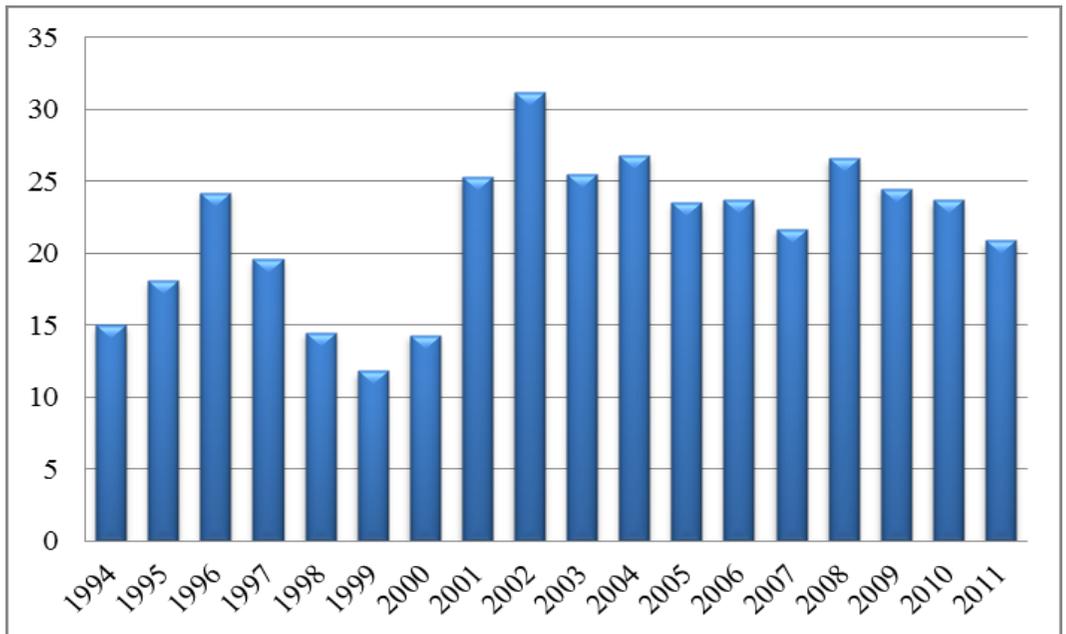


Figure 4: Palestine Per Capita Gross National Income

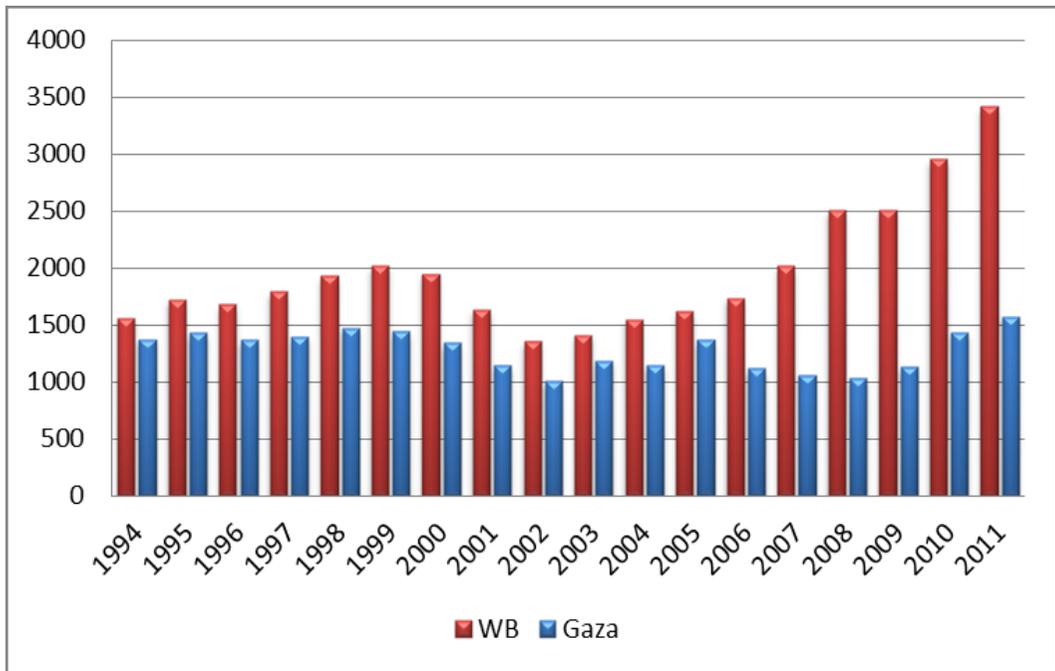


Figure 4: ODA as Percentage of Palestine GDP

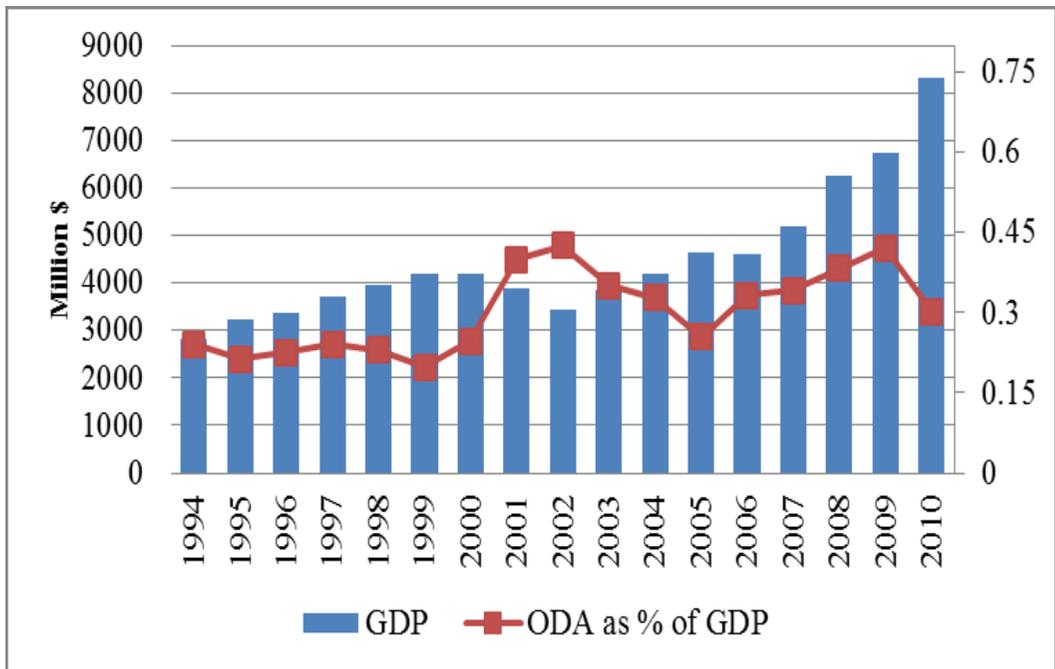
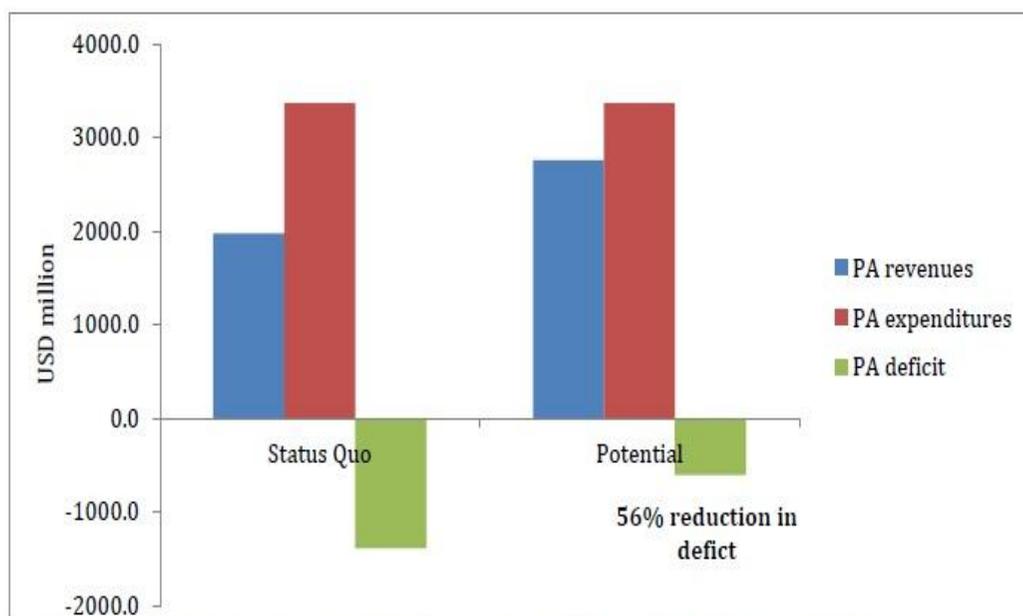


Figure 5: Output potential associated with lifting the restrictions



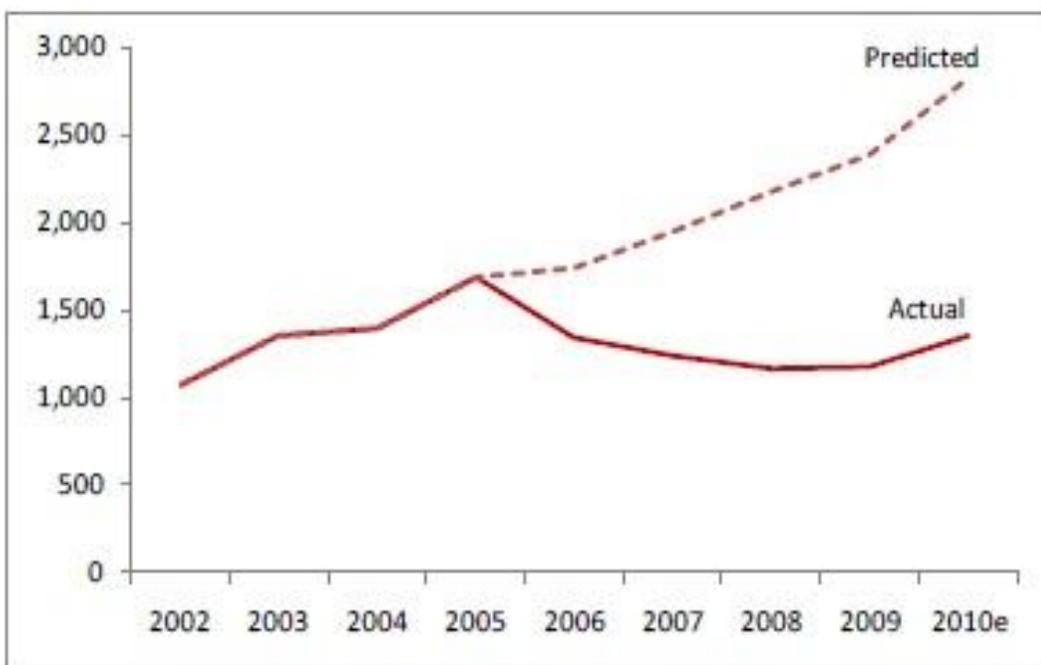
Source: Ministry of Finance of Palestinian authority fiscal data (2012) and World Bank staff calculations.

Table 6: Significance of Area C in Terms of Natural Resources

Natural resource	In Area A	In Area B	In Area C	Natural resource in Area C as a percentage of total in West Bank (%)
Nature reserves (dunums ⁴⁰)	52,300	42,600	607,730	86
Forests (dunums)	7,000	9,000	59,016	91
Wells	223	87	287 ²¹	48
Springs	70	122	112	37

Source: Applied Research Institute in Jerusalem (ARIJ), 2013.

Figure 7: Blockade effect, Gaza (GDP in USD million constant)



Source: Applied Research Institute- Jerusalem (ARIJ), 2011

Figure 8: Twenty largest donors to West Bank and Gaza by commitment and disbursement (1994-2008)

Country	Total Committed	Total Disbursed	%
*European Commission	3,719,401,847	3,230,002,683	87
United States	1,203,982,588	1,061,958,817	88
Saudi Arabia	827,755,843	804,228,880	97
Japan	777,238,751	714,084,293	92
*United Kingdom	693,259,350	537,018,778	77
*Sweden	596,145,732	469,647,898	79
Norway	500,243,210	460,583,842	92
*Germany	808,501,952	400,632,219	50
United Arab Emirates	370,994,808	368,422,339	99
Algeria	300,004,624	300,004,624	100
*France	409,204,441	296,412,676	72
Canada	264,136,825	262,563,216	99
Kuwait	239,274,673	239,274,673	100
*Italy	286,973,587	236,721,432	82
*Spain	252,553,120	227,146,006	90
The World Bank	286,560,467	220,242,931	77
*Netherlands	245,695,649	215,613,985	88
Qatar	149,563,561	149,563,561	100
Switzerland	128,663,334	116,244,385	90
Islamic Development Bank	123,072,884	99,417,066	80

Source: Ministry of Planning PAMS Database.

Note: Percentages are rounded to the nearest whole number.

Note: Japan's position as the fourth largest donor to the WB&GS is misleading as much of their aid arrives as technical assistance not managed by the PA.